

Compliance Update



COMMUNITY BANKERS FOR COMPLIANCE NEWSLETTER

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Advisory on Financial Crimes Targeting COVID-19 EIPs

By Edward Pugh, CAMS; Consultant

On February 24, 2021, the Financial Crimes Enforcement Network (FinCEN) issued an advisory to alert financial institutions to fraud and other financial crimes related to the Economic Impact Payments (EIPs) authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the Coronavirus Response and Relief Supplemental Appropriations Act of 2021.

Overview

Some highlights of this advisory include the following:

- The advisory contains descriptions of EIP fraud, associated red flag indications, and information on reporting suspicious activity.
- The advisory is based on FinCEN’s analysis of COVID-19-related information obtained from Bank Secrecy Act (BSA) data, public reporting, and law enforcement partners.
- Specific information on reporting suspicious activity is contained in the advisory.

EIP-related fraud & theft

According to FinCEN, U.S. authorities have detected a wide range of EIP-related fraud and theft involving a variety of criminals. A representative list of typologies of EIP-related fraud and theft includes:

- *Fraudulent checks.* Fraudsters send potential victims fraudulent checks, instructing the recipients to call a number or verify information online in order to cash the fraudulent EIP checks. Victims are asked for personal or banking information under the guise that the information is needed to receive or speed up their EIP. Fraudsters then use the information obtained to commit various crimes, such as identity theft and the unauthorized access of bank accounts.
- *Altered checks.* Fraudsters deposit altered EIP checks, often via automated teller machine (ATM) or mobile device. These altered checks may modify the name of the payee, or leave the name blank, and the amount may be altered prior to deposit. There is reporting of checks being chemically altered so the original payee is removed.
- *Counterfeit checks.* Fraudsters deposit counterfeit EIP checks, often via ATM or mobile device. Fraudsters have various methods to create a counterfeit check, including checks reproduced from digital images of checks issued by the U.S. Department of the Treasury. However, such counterfeit checks will often have irregularities involving the check number, paper, coloring, and/or font.
- *Theft of EIP.* Such thefts can include individuals stealing an EIP from the U.S. mail; requesting an EIP disbursement for an ineligible person; seeking another person's EIP without the payee's knowledge and/or approval, or through coercive means; or using stolen Personally Identifiable Information (PII), including providing false bank account information to the Internal Revenue Service (IRS) to claim an EIP.
- *Phishing schemes using EIP as a lure.* Fraudsters perpetrate phishing schemes using e-mails, letters, phone calls, and text messages containing keywords such as "Corona Virus," "COVID-19," and "Stimulus," with the purpose of obtaining PII and financial account information, such as account numbers and passwords.
- *Inappropriate seizure of EIP.* A private company that may have control over a person's finances or serves as his or her representative payee seizes a person's EIP for wage garnishments or debt collection, and does not return the inappropriately seized payments.

Red flags

FinCEN has identified the financial red flag indicators described below to alert financial institutions to potential fraud and thefts related to EIPs as well as to assist financial institutions in detecting, preventing, and reporting suspicious transactions related to such activities. Such financial red flag indicators may include the following.

- *Fraudulent, altered, counterfeit, or stolen EIP checks, Automated Clearing House (ACH) deposits, and prepaid debit cards.*
 - An account holder attempts to deposit one or more checks that appear to be issued by the U.S. Treasury, but are fraudulent or counterfeit checks. When questioned, the customer may disclose that he or she either was sent a partial payment and needed to verify his or her PII or financial information before receiving the full EIP, or received the check purportedly from a current or former employer with instructions that the check was the customer's "stimulus payment" and that he or she was to buy prepaid cards and send them to another individual.
 - An existing account receives, or an account holder makes, multiple EIP-related deposits for individuals other than the account holder(s), and the individuals named on the checks reside outside the geographic region of the account holder, or do not have a history at the account holder's purported address. This may be indicative of "funnel account" activities in which multiple EIPs are deposited or transferred throughout the United States into one account, which may be held by a fraudster or a money mule working for the fraudster.
 - An existing account receives an excessive number of EIPs via U.S. Treasury check or deposits related to a prepaid debit card linked to the same address (e.g., an account receiving more checks than expected relative to the customer's profile and financial institution's customer due diligence).
 - A customer opens a new account with an EIP check or debit card, and the name of the potential account holder is different from that of the depositor or the payee of EIP.
 - The EIP check is deposited, or the debit card's funds are transferred, into dormant accounts with little or no prior activity.

- *Theft of multiple EIPs*

- Individual accounts opened after the U.S. government announced the EIP program, receive U.S. Treasury checks or direct deposits from the U.S. Treasury that could indicate multiple EIPs, and for individuals other than the account holder.
- The account holder is a child under age 17 at the end of the taxable year, but the account received numerous EIPs.
- Rapid transfers of multiple EIPs into one account could indicate that bad actors are consolidating the payments. After the funds are consolidated, the funds may be quickly: withdrawn via large cash withdrawals or serial ATM withdrawals; used to purchase convertible virtual currencies (CVC); transferred out of the account via a money services business such as cryptocurrency exchangers and peer-to-peer mobile payment systems, or wire transfers to other accounts; used for large purchases at merchants that offer cash back as an option, in amounts not typical of this type of merchant; or transferred onto prepaid debit or gift cards.
- An account receives several EIP-related deposits and almost immediately thereafter either disburses funds for large purchases at merchants that offer cash back as an option, in amounts not typical of this type of merchant, or has funds transferred onto prepaid debit or gift cards.
- Deposits of one or more EIP U.S. Treasury checks or electronic deposits made into an account held by a retail business, or a personal account of a business owner or employee and the account holder is not the payee/endorser. This may indicate that the business is using identifiers of its employees or customers to apply for their EIP benefits for the purpose of inappropriately collecting the payments.
- The same Internet Protocol (IP) address is used to transfer funds from several EIP debit cards to a bank account, especially if that IP address is located outside of the United States or associated with a business.

- *Other frauds and thefts occurring in an account receiving EIPs*

- An account receives numerous deposits or electronic funds transfers (EFTs) that indicate the payments are linked to EIPs, and unemployment insurance payments from one or more states in names that do not match the account holder(s).
- An account with several EIP deposits also receives numerous tax refunds from federal and state governments for individuals other than the account holder(s). The names indicated on the EIPs and tax returns may be the same but are not those of the account holder(s).
- Deposits of one or more EIP checks or electronic deposits are made into a nursing home or assisted living facility's business account and those payments have not been returned to the resident. This may be an indication that the business is inappropriately withholding residents' EIP funds.

FinCEN reminds financial institutions that no single financial red flag indicator is necessarily indicative of illicit or suspicious activity, so they should consider all surrounding facts and circumstances before determining if a transaction is suspicious or otherwise indicative of potentially fraudulent activities related to COVID-19. In line with a risk-based approach to compliance with the BSA, banks also are encouraged to perform additional inquiries and investigations where appropriate.

Information for reporting suspicious activity

In a separate box within the Advisory, FinCEN spells out its expectations for Suspicious Activity Reports (SAR) related to EIP-related crimes.

SAR reporting, in conjunction with effective implementation of BSA compliance requirements by financial institutions, is crucial to identifying and stopping EIP-related fraud and theft. Financial institutions should provide all pertinent information in the SAR.

- FinCEN requests that financial institutions reference this advisory by including the key term "FIN-2021-A002" in SAR field 2 (Filing Institution Note to FinCEN) and the narrative to indicate a connection between the suspicious activity being reported and the activities highlighted in this advisory.

- FinCEN also requests that filers mention “economic impact payment” in the SAR narrative along with any other relevant behavior, such as counterfeit checks, money mule activity, or identity theft, to indicate a connection between those activities and EIP frauds and thefts. Additionally, FinCEN requests that filers use this program-specific term and avoid relying on generalized key terms, such as “stimulus check.”
- Financial institutions should also select SAR field 34(z) (Fraud - other) as the associated suspicious activity type to indicate a connection between the suspicious activity being reported and COVID-19. Financial institutions should include the type of fraud and/or name of the scam or product (e.g., economic impact payment) in SAR field 34(z).
- FinCEN requests filers not report the potential victim of an EIP fraud scheme as the subject of the SAR, consistent with expectations for any SAR reporting on some activity that has victimized a bank customer or other party. Rather, all available information on the victim should be included in the narrative portion of the SAR.
- Please refer to FinCEN’s May 2020 Notice Related to the Coronavirus Disease 2019 (COVID-19) and February 2021 Consolidated COVID-19 Suspicious Activity Report Key Terms and Filing Instructions, which contain information regarding reporting COVID-19- related crime and reminds financial institutions of certain BSA obligations.

FinCEN’s advisory may be accessed at <https://www.fincen.gov/sites/default/files/advisory/2021-02-25/Advisory%20EIP%20FINAL%20508.pdf>.

Conclusion

In conjunction with the advisory, FinCEN issued the February 2021 Consolidated COVID-19 Suspicious Activity Report Key Terms and Filing Instructions, which is very helpful in determining the appropriate information to include in a SAR. This latter release is available at <https://www.fincen.gov/sites/default/files/shared/Consolidated%20COVID-19%20Notice%20508%20Final.pdf>. □



FFIEC Updates BSA/AML Exam Manual

By Dee Bedell, CRCM; Consultant

The Federal Financial Institutions Examination Council (FFIEC) has released updates to four sections of the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual and created a new introductory section.

The interagency council notes that the updates should not be interpreted as new instructions or as a new or increased focus on certain areas. Instead, they offer further transparency into the examination process and support risk-focused examination work.

The manual provides instructions to examiners for assessing the adequacy of a bank’s or credit union’s BSA/AML compliance program and its compliance with BSA regulatory requirements. The manual itself does not establish requirements for banks – such requirements are found in statutes and regulations.

The Federal Reserve Board, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and State Liaison Committee worked closely with Treasury’s Financial Crimes Enforcement Network (FinCEN) on the updates. These updates will be identified by a 2021 date on the FFIEC BSA/AML InfoBase. Updates to other sections of the manual will be announced by the FFIEC as they are completed.

New section

A new section was added to the manual, titled “Assessing Compliance with BSA Regulatory Requirements.” In addition to the BSA/AML compliance program requirements, banks must comply with other program, reporting, and recordkeeping requirements; special information sharing procedures; and special standards of diligence, prohibitions, and special measures set forth in FinCEN’s BSA regulation at 31 CFR Chapter X Part 1020. Although the rules for banks are set forth in Part 1020, many of the specific requirements cross-reference to 31 CFR Chapter X Part 1010.

Consistent with the approach described in the BSA/AML compliance program section, written policies, procedures, and processes alone are not sufficient to comply with these other BSA regulatory requirements. Practices that

correspond to the bank's written policies, procedures, and processes are needed for implementation. Importantly, policies, procedures, processes, and practices should align with the bank's unique money laundering, terrorist financing (ML/TF), and other illicit financial activity risk profile.

Revised sections

The FFIEC has also revised other sections, including those titled "Customer Identification Program," "Currency Transaction Reporting," and "Transactions of Exempt Persons."

The BSA/AML Examination Manual is available through <https://bsaaml.ffiec.gov/>. □



Resources to Help Avoid Mortgage Relief Scams

By Karen Clower, CRCM; Director of Compliance

During the COVID-19 pandemic, many homeowners have fallen behind on their mortgages. Unfortunately, scammers are taking advantage of these individuals through mortgage relief scams.

The Consumer Financial Protection Bureau (CFPB) recently released a notification about spreading the word to homeowners who are delinquent on their mortgage to inform them how they can avoid these mortgage relief scams, even giving sample notifications for any of various media.

E-mail or newsletter

The notification provided the following sample e-mail/newsletter post that your financial institution could provide to the public.

If you are behind on your mortgage, beware of mortgage relief scams. There is free foreclosure help. If anyone tries to charge you in advance for help or guarantees that they can stop your foreclosure, they're not legitimate.

Here are some red flags that can help you spot and avoid mortgage relief scams:

- *You're asked to pay up front for help.*
- *The company guarantees it will get the terms of your mortgage changed.*
- *The company guarantees you won't lose your home.*
- *You're instructed to send your payment to someone other than your mortgage company or servicer.*
- *You're told to stop paying your mortgage.*
- *The company says they're affiliated with the government or uses a logo that looks like a government seal but is slightly different.*

If you see one of these warning signs, take your business elsewhere. The CFPB has information on how you can avoid foreclosure and tips for working with your mortgage servicer.

Knowing your rights under the CARES Act and guidance from the US Department of Housing and Urban Development also can help you avoid mortgage relief scams. If you experience financial hardship due to the COVID-19 pandemic, you may have a right to temporarily pause or reduce your monthly mortgage payments through a forbearance. Servicers also may not be allowed to foreclose on your home. For more information on COVID housing protections and important deadlines, visit consumerfinance.gov/housing.

Twitter notice

If your financial institution is on Twitter, the following sample posts were provided:

Want to know about your options for housing relief during the COVID pandemic? Check out consumerfinance.gov/housing via @CFPB.

Avoid foreclosure rescue scams. Know your rights. Learn more at consumerfinance.gov/housing via @CFPB.

Need help with your mortgage? Here are four things you should know: <https://www.youtube.com/watch?v=ahSICkautsk> via @CFPB

Mortgage loan modification scams are schemes to take your money – often by making a false promise of saving you from foreclosure. Learn more: <https://www.consumerfinance.gov/ask-cfpb/what-are-mortgage-loan-modification-scams-en-272> via @CFPB

Not sure where to go for mortgage help? Find a housing counselor: consumerfinance.gov/mortgagehelp/ via @CFPB

Facebook posts

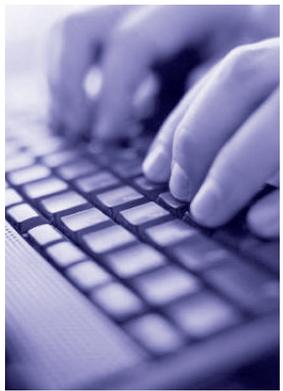
If your financial institution is on Facebook the following sample posts were provided:

Knowing your rights under the CARES Act and guidance from the US Department of Housing and Urban Development can help you avoid mortgage relief scams. If you experience financial hardship due to the COVID-19 pandemic, you may have a right to temporarily pause or reduce your monthly mortgage payments through a forbearance. Servicers also may not be allowed to foreclose on your home. via @Consumer Financial Protection Bureau consumerfinance.gov/housing.

If you are behind on your mortgage due to the COVID-19 pandemic, beware of mortgage relief scams. There are free relief options that can pause or reduce your monthly mortgage payments and stop a foreclosure. If anyone tries to charge you in advance for help or guarantees that they can stop your foreclosure, they're not legitimate. via @Consumer Financial Protection Bureau consumerfinance.gov/housing.

The CFPB stated that it appreciates the help of financial institutions in spreading the word about mortgage relief scams.

For more resources that encourage financial education and capability from childhood through retirement visit the CFPB at https://www.consumerfinance.gov/consumer-tools/educator-tools/#utm_source=newsletter&utm_medium=email&utm_campaign=OA. □



Federal Deposit Insurance Corporation
<http://www.fdic.gov>

Office of the Comptroller of the Currency
<http://www.occ.gov>

Federal Reserve
<http://www.federalreserve.gov>

Housing and Urban Development
<http://www.hud.gov>

Federal Financial Institutions Examination Council
<http://www.ffiec.gov>

U.S. Department of Treasury
<http://www.treas.gov>

Financial Crimes Enforcement Network
<http://www.fincen.gov>

Consumer Financial Protection Bureau
<http://www.consumerfinance.gov>



The New URLA – To Change or Not

By Bill Elliott, CRCM; Director of Compliance Education & Edward Pugh, CAMS; Consultant

In the past few weeks, there have been a lot of questions to our hot line concerning implementation of the new Uniform Residential Loan Application (URLA). The predominant question is whether financial institutions are required to begin using the form on March 1, 2021.

The implementation date of March 1, 2021 is not a regulatory requirement. It is, however, a secondary market requirement, coming from Freddie Mac and Fannie Mae (the GSEs). Beginning March 1, 2021, all lenders are required to submit the MISMO v3.4 loan application submission files to the GSEs' automated underwriting systems (AUS) using the redesigned URLA. The GSEs will continue to process applications received before the mandate date within the AUS format on which they

were initially submitted. If a legacy AUS file was submitted before the mandate, the submitted file may remain in the legacy format and the lender may complete the loan using the 07/05 (Rev. 06/09) URLA, even after the mandate date. The implementation timeline can be found at <https://singlefamily.fanniemae.com/media/22661/display>.

Deciding when to switch

As we noted, our hot line has received numerous questions on this subject in recent days. Here are some things to consider in deciding when to move to the new URLA format:

- If you are a Home Mortgage Disclosure Act (HMDA) bank, the new application is much better, as it settles some answers that the 1003 might not. For instance, it offers the “government monitoring information” (GMI) data in the format required for HMDA.
- The new form is required for all secondary market mortgage loans. You will want to check with whomever you sell loans to avoid a big problem.
- If you do not switch, you will most likely never be able to sell any loans that do not have the new application – ever. It may not be a big deal now, but someday you may need liquidity, and you will not be able to sell loans that are not on the new form.
- The Consumer Financial Protection Bureau (CFPB) has said that eventually it will make the new application the Regulation B model form. The agency has not done it yet, and it could be two weeks or two years. The CFPB has not given any kind of a timetable.
- Software companies are probably going to assume that you are going to switch, and probably will eventually quit supporting the 1003. And not changing may hinder the features in your software and make processing harder.

It really comes down to this – if you do not sell loans – ever – you do not have to change today. But at some point, you will likely have to change. It is up to you when, at least for now.

However, we strongly caution against using two different applications, if you do sell some loans. If you have a secondary market loan which becomes an “in house” loan for any reason, using the new application creates no problems. But if a loan starts out “in house” on the 1003 and becomes secondary market, you will have to start over with the new application. □



CFPB Reconsidering QM Rules

By Sharon Bond, CRCM; Consultant

On December 10, 2020, the Consumer Financial Protection Bureau (CFPB) issued two final rules relating to the qualified mortgage (QM) definition under the Truth in Lending Act (TILA) – a final rule entitled “Qualified Mortgage Definition under the Truth in Lending Act (Regulation Z): General QM Loan Definition” (General QM Final Rule) and a final rule entitled “Qualified Mortgage Definition under the Truth in Lending Act (Regulation Z): Seasoned QM Loan Definition” (Seasoned QM Final Rule).

The CFPB released a statement on the mandatory compliance date of the General QM Final Rule and possible reconsideration of that rule and the Seasoned QM Final Rule on its website February 23, 2021, and published it in the *Federal Register* February 26, 2021.

History

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amended the TILA to establish ability-to-repay (ATR) requirements in connection with the origination of most residential mortgage loans. The amendments were intended “to assure that consumers are offered and receive residential mortgage loans on terms

that reasonably reflect their ability to repay the loans and that are understandable and not unfair, deceptive or abusive.” As amended, TILA prohibited a creditor from making a residential mortgage loan unless the creditor makes a reasonable and good faith determination based on verified and documented information that the consumer has a reasonable ability to repay the loan.

TILA defined a category of loans called “Qualified Mortgages” (QMs), for which a creditor “may presume that the loan has met” the ATR requirements. In general, a QM loan must meet all the following underwriting characteristics:

- The loan does not have negative amortization, interest-only, or balloon payment features; a term that exceeds 30 years; or total points and fees that generally exceed three percent of the loan amount.
- The creditor underwrites the loan based on a fully amortizing schedule using the maximum rate permitted during the first five years.
- The creditor considers and verifies the consumer’s income and debt obligations in accordance with Regulation Z, Appendix Q requirements.
- The consumer’s debt-to-income (DTI) ratio is no more than 43 percent, determined in accordance with Appendix Q.

The ATR rules also created a temporary definition of a QM loan, for loans eligible for purchase or guarantee by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, the U.S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture, or the Rural Housing Service (collectively the GSEs). A loan qualifies as a GSE QM if, in addition to being eligible for purchase or guarantee by a GSE, it meets the requirements in the first two prongs of the General QM definition, above.

Under a final rule issued on October 20, 2020, the Temporary GSE QM loan definition is scheduled to expire on the earlier of the mandatory compliance date of the General QM Final Rule or with respect to each GSE when that GSE ceases to operate under the conservatorship of the Federal Housing Finance Agency (FHFA).

During its rulemaking on December 10, 2020, the CFPB issued a final rule to create a new category of QMs (Seasoned QMs) for first lien, fixed-rate covered transactions that have met certain performance requirements, are held in portfolio by the originating creditor or first purchaser for a 36-month period, comply with general restrictions on product features and points and fees, and meet certain underwriting requirements.

CFPB statement

The CFPB is considering whether to initiate a rulemaking to revisit the Seasoned QM Final Rule. If the agency decides to do so, it expects that it will consider in that rulemaking whether any potential final rule revoking or amending the Seasoned QM Final Rule should affect covered transactions for which an application was received during the period from March 1, 2021, until the effective date of such a final rule.

The CFPB also expects to issue shortly a proposed rule that would delay the July 1, 2021 mandatory compliance date of the General QM Final Rule. If such a proposed rule were finalized, creditors would be able to use either the current General QM loan definition or the revised General QM loan definition for applications received during the period from March 1, 2021, until the delayed mandatory compliance date.

Furthermore, the agency anticipates that the Temporary GSE QM loan definition will remain in effect until the new mandatory compliance date, in accordance with the October 20, 2020 final rule described above, except that the Temporary GSE QM loan definition would expire with respect to a GSE if that GSE ceases to operate under conservatorship before the new mandatory compliance date.

The CFPB will consider at a later date whether to initiate another rulemaking to reconsider other aspects of the General QM Final Rule.

March 1, 2021 is the original effective date of both the General QM Final Rule and the Seasoned QM Final Rule. The CFPB also established a mandatory compliance date for the General QM Final Rule of July 1, 2021.

For more information, please see a copy of the statement at https://files.consumerfinance.gov/f/documents/cfpb_qm-statement_2021-02.pdf. □

CFPB Publishes HPML Escrow Rule

The Consumer Financial Protection Bureau (CFPB) published its final rule exempting certain insured depository institutions and insured credit unions from the requirement to establish escrow accounts for certain higher-priced mortgage loans for publication in the *Federal Register* on February 17, 2021. The rule became effective on publication for applications for covered loans received on or after that date. (For details, see the article in our February 2021 *Compliance Update*.)

The *Federal Register* release may be accessed at <https://www.govinfo.gov/content/pkg/FR-2021-02-17/pdf/2021-01572.pdf>. □



Latest Flood Community Suspensions

Effective March 9, 2021, the Federal Emergency Management Agency (FEMA) issued a final rule to identify communities where the sale of flood insurance has been authorized under the National Flood Insurance Program

(NFIP) that are scheduled for suspension because of noncompliance with the floodplain management requirements of the program.

If FEMA receives documentation that the community has adopted the required floodplain management measures before the effective suspension date given in this rule, the suspension will not occur.

The NFIP enables property owners to purchase federal flood insurance that is not otherwise generally available from private insurers. In return, communities agree to adopt and administer local floodplain management measures aimed at protecting lives, new and substantially improved construction, and development in general from future flooding.

The National Flood Insurance Act of 1968 prohibits the sale of NFIP flood insurance unless an appropriate public body adopts adequate floodplain management measures with effective enforcement measures. Communities will be suspended if they do not meet the requirements. As of the suspension date flood insurance will no longer be available in the community.

Some communities do not meet the statutory requirement for compliance with program regulations, and face removal from the program. Therefore, flood insurance will no longer be available in those communities, which puts banks at risk for any property they may have a mortgage against in the impacted areas. Therefore, banks should follow this issue in the areas in which they operate, so they are not suddenly exposed to hugely increased risks.

No direct federal financial assistance (except assistance pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act not in connection with a flood) may be provided for construction or acquisition of buildings in identified Special Flood Hazard Areas (SFHA) for communities not participating in the NFIP and identified for more than a year on FEMA's initial Flood Insurance Rate Map (FIRM) for the community as having flood-prone areas.

Each community receives six-month, 90-day, and 30-day notification letters addressed to the Chief Executive Officer stating that the community will be suspended unless the required floodplain management measures are met before the effective suspension date.

A community's current NFIP participation status can be verified at any time at <https://www.fema.gov/flood-insurance/work-with-nfip/community-status-book>.

The areas that are impacted by this rule include parts of Florida, Minnesota, Missouri, and Ohio. The Ohio communities listed are: the cities of Amherst, Avon Lake, Defiance, Lorain, Sheffield Lake, and Vermilion; the village of Sheffield; and unincorporated areas in Lorain County. If your institution has mortgages in these states, we encourage you to review the list, which can be found at <https://www.govinfo.gov/content/pkg/FR-2021-03-02/pdf/2021-04111.pdf>.

Published notices ending

FEMA also notes that under its Revisions to Publication Requirements for Community Eligibility Status Information Under the National Flood Insurance Program, notices such as this one for scheduled suspension will no longer be published in the *Federal Register* as of June 2021 but will be available at National Flood Insurance Community Status and Public Notification at <https://www.fema.gov/flood-insurance/work-with-nfip/community-status-book/public-notification>. □



Technical Assistance Videos on Fair Lending

By Dale Neiss, CRCM; Consultant

The Federal Deposit Insurance Corporation (FDIC) has released nine technical assistance videos on fair lending issues. The information in the videos is intended as a high-level overview to help FDIC-supervised institutions assess and mitigate fair lending risk, and to understand how FDIC examiners evaluate fair lending compliance. The videos range in length from approximately 10 to 28 minutes.

- Video 1 provides an overview of the federal fair lending laws and regulations and is intended for bank directors and senior managers.
- Video 2 focuses on how a bank's compliance management system can mitigate fair lending risk and is intended for bank management and compliance staff.
- Video 3 discusses how FDIC examiners evaluate fair lending risk during a consumer compliance examination and is intended for bank management and compliance staff.
- Videos 4-9 discuss specific fair lending risk factors, as provided in the interagency fair lending examination procedures: overt discrimination, underwriting, pricing, steering, redlining, and marketing. These six videos are intended for bank management and compliance staff.

These videos are available with other supervisory resources for banking professionals on the FDIC's Banker Resource Center at <https://www.fdic.gov/resources/bankers/fair-lending/technical-assistance-video-program.html>. □

FDIC Releases 4th Quarter 2020 Banking Profile

By Edward Pugh, CAMS; Consultant

On February 23, 2021, the Federal Deposit Insurance Corporation (FDIC) released its latest Quarterly Banking Profile for the fourth quarter of 2020. Some of the highlights pertaining to community banks include the following.

Increased quarterly net income

Community banks reported annual net income growth of \$1.3 billion, a 38.1 percent increase in provision expense, and a narrower net interest margin from a year ago. Increased income from loan sales (up \$1.8 billion or 159.1 percent) drove the improvement in quarterly net income and offset the increase in provision expense year-over-year. More than half of the 4,559 FDIC-insured community banks (56.7 percent) reported higher quarterly net income.

Declining loan balances

Total loan and lease balances fell slightly by \$47.7 billion (0.4 percent) from the previous quarter. The decline was driven by a reduction in commercial and industrial (C&I) lending, which was down \$103.8 billion (4.1 percent) from the third quarter 2020. Over the past year, total loan and lease balances increased by \$345 billion (3.3 percent – the lowest annual rate since fourth quarter 2013).

Community bank loan and lease volume contracted modestly (1.6 percent) between third quarter and fourth quarter 2020. Annual loan growth was relatively strong for community banks at 10.3 percent, but was driven primarily by lending activity in the first half of 2020.

FDIC Chairman Jelena McWilliams noted that, “While banking industry income for the full year 2020 declined from full year 2019 levels, banks remained resilient in fourth quarter 2020, consistent with the improving economic outlook”. A full copy of the report can be found at <https://www.fdic.gov/bank/analytical/qbp/2020dec/qbp.pdf#page=1>. □

Compliance Calendar

This calendar is designed to help you address current and upcoming requirements related to compliance with federal consumer protection and other select rules. The calendar is not intended as general advice on when to perform ongoing compliance management functions, but as a reminder of due dates for completing these tasks. And, as always, consult the particular law or regulation for details on coverage, etc.

March 2021

- Regulation Z changes implementing “seasoned QM” rule effective March 1, 2021.
- Mandate & Pipeline Transition Period related to revised URLA and updated AUS begins March 1, 2021 when all lenders (selling loans to GSEs and other secondary market participants) must begin using the new systems – with one-year transition period for loans in the pipeline by this date.
- 2020 HMDA LAR must be submitted to the CFPB by March 1, 2021.
- 2020 CRA small business, small farm, and community development loan data must be submitted to applicable regulator by March 1, 2021 (except “small banks”).
- Lenders begin using Daylight Time designations for rate lock and estimated closing costs expirations on TRID Loan Estimates on March 14, 2021 (e.g., EDT, CDT, etc.).

April 2021

- Update information in CRA public file by April 1, 2021.
- Update HMDA-LAR with loans and applications that reached final disposition in first calendar quarter 2021 by April 30, 2021.
- Update FHHLDS home loan activity format with first calendar quarter 2021 data by April 30, 2021 [non-HMDA reporting national banks receiving 50 or more home loan applications last year].

May 2021

- Renewed FinCEN GTOs due to expire on May 4, 2021.
- Large HMDA reporters (60,000 or more entries in 2020) electronically file first calendar quarter 2021 LAR by May 30, 2021.

June 2021

- FEMA no longer publishing community suspensions from the NFIP in the *Federal Register*.

July 2021

- Regulation Z changes implementing changes to “general QM” rule mandatory beginning July 1, 2021.
- Update HMDA-LAR with loans and applications that reached final disposition in second calendar quarter 2021 by July 31, 2021.
- Update FHHLDS home loan activity format with second calendar quarter 2021 data by July 31, 2021 [non-HMDA reporting national banks receiving 50 or more home loan applications last year].

August 2021

- Large HMDA reporters (60,000 or more entries in 2020) electronically file second calendar quarter 2021 LAR by August 29, 2021.

September 2021

- (Previously exempt lenders that experience a change in status regarding their exemption from the flood insurance escrow requirements in 2021) Notices providing the option to escrow flood insurance must be distributed to customers of all outstanding designated loans by September 30, 2021.

November 2021

- Transactions using the former URLA and legacy AUS will no longer be accepted beginning November 1, 2021.
- Annual renewal period begins for MLO registrations and updating bank information under SAFE Act on November 1, 2021.
- Lenders begin using Standard Time designations for rate lock expirations on TRID Loan Estimates on November 7, 2021 (e.g., EST, CST, etc.).
- Large HMDA reporters (60,000 or more entries in 2020) electronically file third calendar quarter 2021 LAR by November 29, 2021.

December 2021

- Annual renewal period closes for MLO registrations and updating bank information under SAFE Act on December 31, 2021.

January 2022

- Regulation C (HMDA) changes related to open-end line data collection and reporting – permanently adjusting the coverage threshold to 200 open-end lines in each of previous two years – effective January 1, 2022.
- Annual reinstatement period begins for lapsed MLO and bank registrations under SAFE Act on January 2, 2022.
- Update HMDA-LAR with loans and applications that reached final disposition in fourth calendar quarter 2021 by January 31, 2022.
- Update FHHLDS home loan activity format with fourth calendar quarter 2021 data by January 31, 2022 [non-HMDA reporting national banks receiving 50 or more home loan applications last year].

February 2022

- Annual reinstatement period ends for lapsed MLO and bank registrations under SAFE Act on February 28, 2022.

March 2022

- Retirement Date related to revised URLA and updated AUS – March 1, 2022. No legacy URLA and loan application submissions based on previous AUS specifications accepted from this date on (regardless whether dated before March 1, 2021). End of pipeline transition period.
- 2021 HMDA LAR must be submitted to the CFPB by March 1, 2022.
- 2021 CRA small business, small farm, and community development loan data must be submitted to applicable regulator by March 1, 2022 (except “small banks”).
- Lenders begin using Daylight Time designations for rate lock and estimated closing costs expirations on TRID Loan Estimates on March 13, 2022 (e.g., EDT, CDT, etc.).

April 2022

- Update information in CRA public file by April 1, 2022.
- Update HMDA-LAR with loans and applications that reached final disposition in first calendar quarter 2021 by April 30, 2022.
- Update FHHLDS home loan activity format with first calendar quarter 2022 data by April 30, 2022 [non-HMDA reporting national banks receiving 50 or more home loan applications last year].

July 2022

- Update HMDA-LAR with loans and applications that reached final disposition in second calendar quarter 2022 by July 31, 2022.
- Update FHHLDS home loan activity format with second calendar quarter 2022 data by July 31, 2022 [non-HMDA reporting national banks receiving 50 or more home loan applications last year].

August 2022

- Large HMDA reporters (60,000 or more entries in 2020) electronically file second calendar quarter 2022 LAR by August 29, 2022.

September 2022

- (Previously exempt lenders that experience a change in status regarding their exemption from the flood insurance escrow requirements in 2022) Notices providing the option to escrow flood insurance must be distributed to customers of all outstanding designated loans by September 30, 2022.

November 2022

- Annual renewal period begins for MLO registrations and updating bank information under SAFE Act on November 1, 2022.
- Lenders begin using Standard Time designations for rate lock expirations on TRID Loan Estimates on November 6, 2022 (e.g., EST, CST, etc.).
- Large HMDA reporters (60,000 or more entries in 2020) electronically file third calendar quarter 2022 LAR by November 29, 2022.

December 2022

- Annual renewal period closes for MLO registrations and updating bank information under SAFE Act on December 31, 2022.

January 2023

- “General performance standards” (GPS) national banks must comply with assessment area, and data collection, recordkeeping, and reporting requirements beginning January 1, 2023. Also, wholesale and limited purpose national banks must comply with data collection, recordkeeping, and reporting requirements on this date.
- Annual reinstatement period begins for lapsed MLO and bank registrations under SAFE Act on January 2, 2023.
- Update HMDA-LAR with loans and applications that reached final disposition in fourth calendar quarter 2022 by January 31, 2023.
- Update FHHLDS home loan activity format with fourth calendar quarter 2022 data by January 31, 2023 [non-HMDA reporting national banks receiving 50 or more home loan applications last year].

March 2023

- 2022 HMDA LAR must be submitted to the CFPB by March 1, 2023.
- 2022 CRA small business, small farm, and community development loan data must be submitted to applicable regulator by March 1, 2023 (except “small banks”).
- Lenders begin using Daylight Time designations for rate lock and estimated closing costs expirations on TRID Loan Estimates on March 12, 2023 (e.g., EDT, CDT, etc.).

April 2023

- Update information in CRA public file by April 1, 2023.
- Update HMDA-LAR with loans and applications that reached final disposition in first calendar quarter 2023 by April 30, 2023.
- Update FHHLDS home loan activity format with first calendar quarter 2023 data by April 30, 2023 [non-HMDA reporting national banks receiving 50 or more home loan applications last year].