

LENDERS UPDATE™

ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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June 27, 2013

MORE FROM THE CFPB

The Consumer Financial Protection Bureau (CFPB) continues to amaze us with the sheer volume of material it publishes concerning the many new regulations it administers. Thankfully, most of this material is helpful in understanding and implementing these regulations and policies. In the past several days, the CFPB has published three documents which should be noted and reviewed. They are:

1. On June 24, 2013, the Bureau proposed clarifications and revisions to the mortgage rules issued in January of this year. These include but are not limited to:
 - ✚ A proposal to make it easier for servicers to offer short-term forbearance plans without going through a full loss mitigation evaluation process.
 - ✚ Several mortgage rules contain exceptions applicable to small creditors who operate predominantly in rural or underserved areas.

The Bureau is now proposing clarification of existing definitions and extending an exception to the ban on high-cost mortgages featuring balloon payments. The exemption from this restriction would apply to small creditors, even those that do not operate predominantly in rural or underserved counties. The Bureau also proposes an exemption for small creditors who operate predominantly in rural or underserved areas from the requirement to maintain escrows for certain higher-priced mortgage loans.

- ✚ Persons classified as loan originators must meet qualification requirements and are subject to certain restrictions on compensation. Concern has been expressed that tellers or other administrative staff could be classified as originators for engaging in routine customer service activities. The new proposal clarifies the status of these individuals.
- ✚ Finally the CFPB is seeking comment on whether to change the effective date of January 10, 2014 for portions of the loan originator rule and also on whether to adjust the effective date for the ban on the financing of credit insurance making this rule effective January 10, 2014 or at some earlier date.

These and other proposed modifications can be found in detail in a press release that was issued on June 24, 2013 on the CFPB website at: www.consumerfinance.gov.

2. In what the CFPB considers a significant update, the Bureau proposed a new policy to encourage trial disclosure programs. The new policy would allow companies, on a trial basis, to test disclosures that may work better for consumers and companies or to use a new disclosure or delivery method. Data from the trial programs help determine if the proposed innovation works better.

Pursuant to feedback and discussions, the Bureau has made important revisions and clarifications to interactive testing, consumer safeguards, collaboration with participating companies, pre-submission consultation, delivery methods and privacy. Further details can be found in a blog published on June 19th on the Bureau's website.

3. Finally, on June 25th the Bureau published CFPB Bulletin 201306. The subject is "Responsible Business Conduct: self-policing, self-reporting, remediation, and cooperation". The lengthy bulletin discusses the factors

the Bureau considers in the exercise of its enforcement discretion. These include the type of violation identified, the harm from these violations, the history of past violations, and the party's effectiveness in addressing these violations.

Depending on the nature and extent of the party's conduct, the Bureau has a wide range of options available to it. Examples cited by the Bulletin are, no public enforcement action, treating the conduct as a less severe type of violation and reducing sanctions or penalties. The Bureau emphasizes that before awarding affirmative credit for a party's conduct it must substantially exceed the standard required by law.

The CFPB has identified four factors it will look at in this evaluation. They are:

- ✚ self-policing,
- ✚ self-reporting,
- ✚ remediation, and
- ✚ cooperation

These are described in significant detail in the bulletin. It would be wise to consider this bulletin when determining your compliance policies and procedures.

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