

Consumer Compliance “Top Ten” Lists



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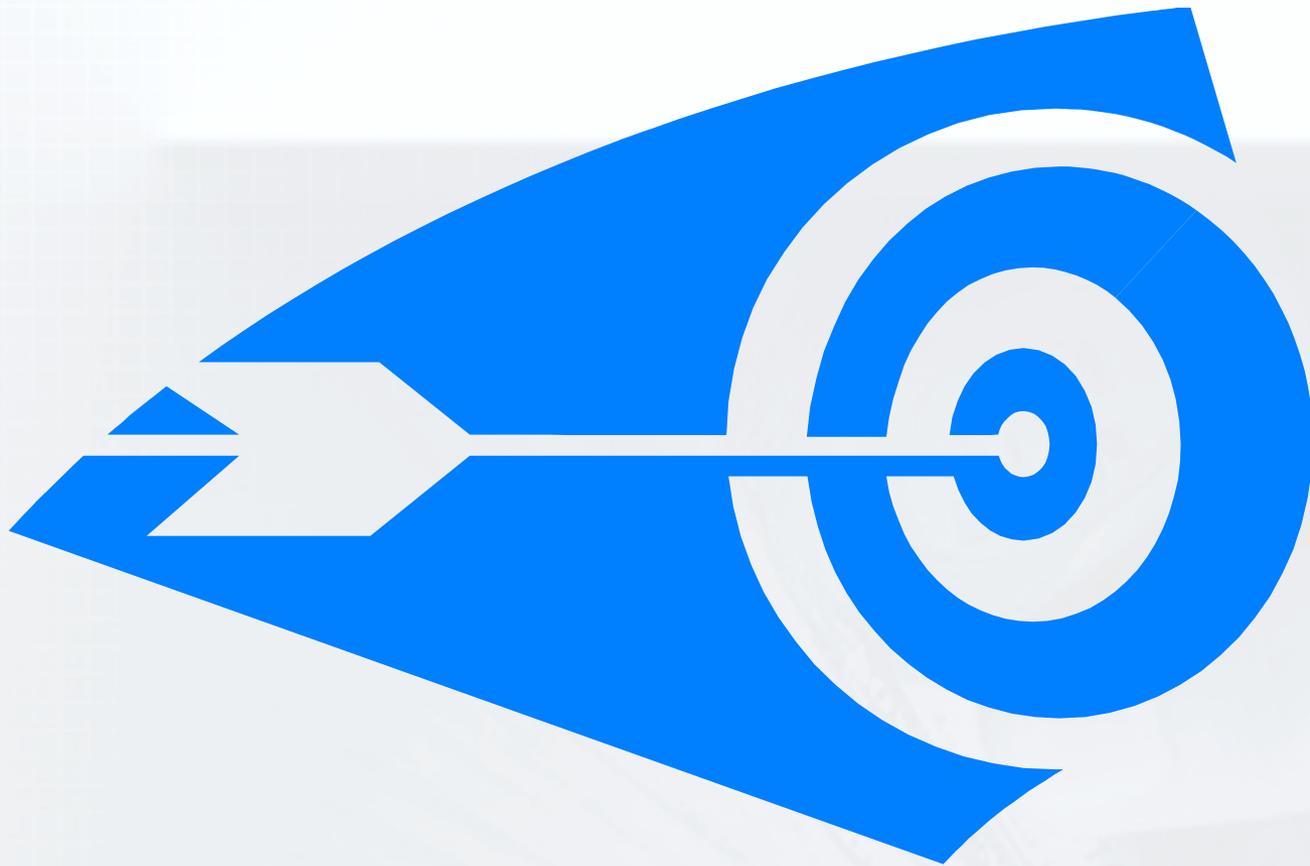
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Today We'll Cover...

- Compliance Program Best Practices
- Most Common Regulatory Concerns
- Consumer Complaint Programs
- Loan Modifications
- Radar Screen / Red Flags

Top 10 Features in a Successful Compliance Program



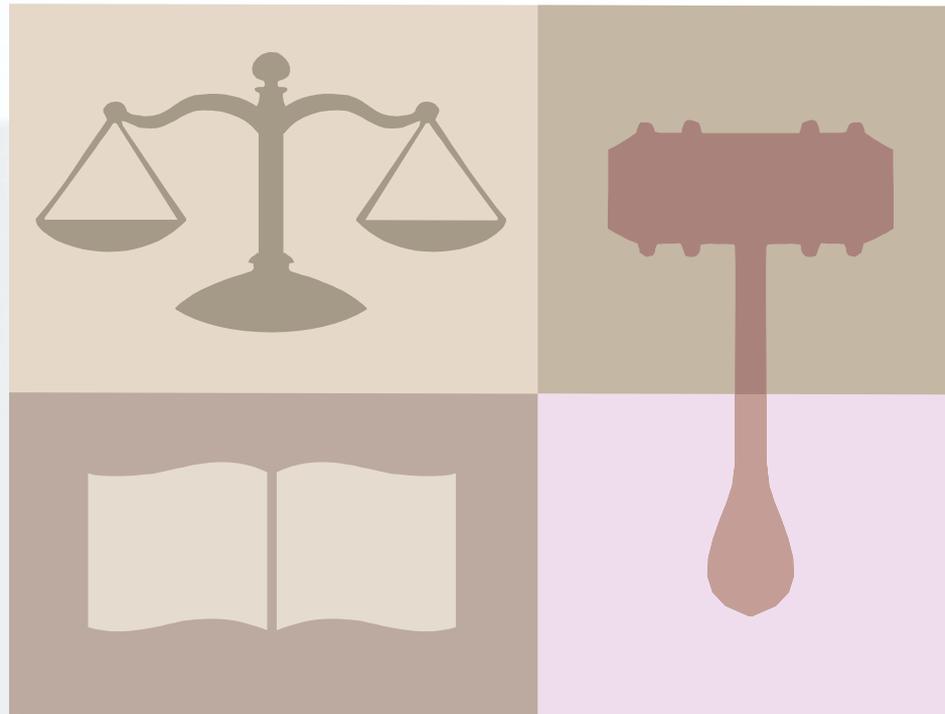
Top 10 Features in a Successful Compliance Program

1. Tone from the top
 - “Culture of compliance”
 - Information flows and escalation of issues
2. Compliance has status, authority and resources
3. Compliance function is independent of the business line
4. Clear accountability throughout the organization
 - Broader than just compliance officer or compliance department
5. Compliance integrated into business processes
 - New product infrastructure
 - Not an afterthought in decision making process

Top 10 Features in a Successful Compliance Program

6. Comprehensive risk assessment
 - Drives structure, resource and control decisions
7. Robust audit and review processes
 - Scope of reviews, auditor technical knowledge, reporting & follow-up mechanisms
8. Controls – policies, procedures, job aids, training – consistent with risk profile
9. Technically proficient compliance staff
 - Establish networks, seek out guidance, utilize available resources
10. Method for early detection of new or emerging risks
 - e.g., analyze complaint data for information on potential compliance breaches

Top 10 Regulatory Hotspots



Top 10 Regulatory Hotspots

1. Flood Insurance
 - Adequacy of Insurance
 - Failure to place
2. Real Estate Settlement Procedures Act (RESPA)
 - Accuracy of GFE & HUD-1/1A
3. Home Mortgage Disclosure Act (HMDA)
 - Reporting errors – race, gender, ethnicity, geocode, rate spread
4. Regulation Z (Truth in Lending) – Open-End Loans
 - Periodic statements – finance charge calculations
5. Regulation Z – Closed-End Loans
 - Accuracy of APR, finance charge, itemization of amount financed

Top 10 Regulatory Hotspots

6. Regulation B (Equal Credit Opportunity)
 - Spousal signatures
7. Regulation B
 - Credit reports for joint borrowers – married versus unmarried
8. Fair Credit Reporting Act
 - Notice of use of credit report and disclosure of credit scores
9. Regulation CC (Availability of Funds and Collection of Checks)
 - \$100 next day availability, reason for exception holds
10. Regulation Z
 - Advertising disclosures

Top 10 Ways to Have a Top Notch Consumer Complaints Program



Top 10 Ways to Have a Top Notch Consumer Complaints Program

1. Have adequate resources with the right skill set to handle complaints
2. Investigate all complaints thoroughly
3. Be responsive to all key stakeholders
4. Have adequate systems / processes to capture, report, and mine complaint data
5. Evaluate complaint data in the context of the bank's compliance management program

Top 10 Ways to Have a Top Notch Consumer Complaints Program

6. Factor complaints into the bank's risk assessments
7. Report findings and trends to the board, senior management, and lines of business
8. Address identified problems quickly
9. Have an independent party review your complaints process
10. Be aware of industry complaint trends
 - <http://www.federalreserve.gov/boarddocs/rptcongress/default.htm>

Top 10 Things to Consider When Doing Loan Modifications



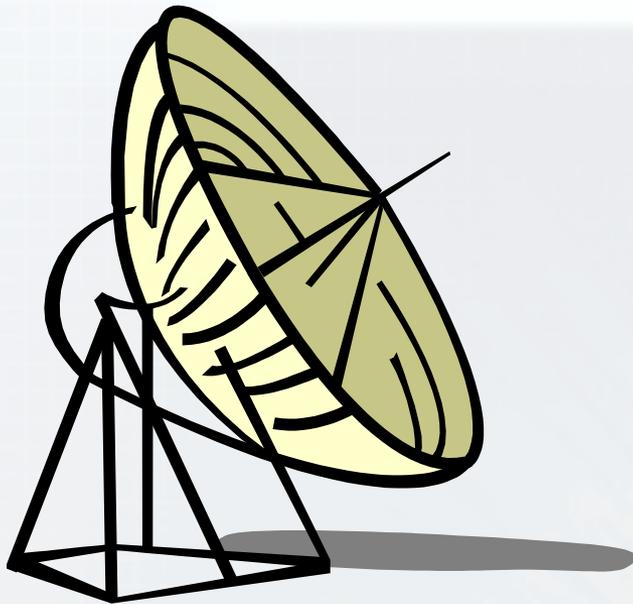
Top 10 Things to Consider When Doing Loan Modifications

1. Ensure loss mitigation process *correctly, consistently, clearly* explained
 - Written materials clear and understandable to consumer
2. If consumer does not meet program requirements, fully explain reasons why
 - Tell about other loss mitigation options
3. For approvals, provide thorough explanations
 - Any new or delayed payments and other aspects of modification, including any fees
4. Review program for compliance with all applicable laws and regulations
 - Including fair lending laws and, if applicable, HAMP requirements
5. Work closely with counseling agencies that specialize in loan modification assistance
 - Be responsive and *promptly* confirm all documents received
 - Often borrower's main point of contact and lender's best conveyor of information

Top 10 Things to Consider When Doing Loan Modifications

6. Ensure staff levels adequate for volume
 - Fully trained and well-versed in all aspects of the program and process
 - Policies and procedures should be clear and well documented
7. Ensure communications are clear, timely and responsive
 - Provide foreclosure prevention handouts, information on local credit and housing counselors
8. Employ robust quality assurance program
 - Consistency in decision making
 - Policies and procedures appropriately followed
9. Beware of modifications that place the consumer in a worse position – immediately or throughout the life of the loan
10. Proactively solicit distressed borrowers or those in imminent default for loss mitigation assistance

Other Radar Screen / Red Flag Issues



Other Radar Screen / Red Flag Issues

1. Regulatory Change
2. Unfair or Deceptive Acts or Practices
3. Third Party/Vendor Management

Questions?

- Don't forget – www.consumercomplianceoutlook.org

