



Jefferson Wells Financial Services Industry Compliance Update

February 1, 2011

This communication is designed to provide you with quick snapshots and perspective on timely regulatory developments.

TILA Changes under Dodd-Frank Wall Street Reform and Consumer Protection Act

The U.S. federal banking regulatory agencies have scheduled second quarter implementation for changes under the Dodd-Frank Act that will have significant impact on financial institutions' compliance programs. Amendments relating to [compensation practices](#) under the Truth in Lending Act (TILA) could require as little as a review of practices to confirm they comply, as much as a compensation model overhaul, or something in between – depending on current practices in place at each institution. TILA revisions also include anti-steering provisions that should be included in compliance monitoring, internal audit, bank policies and procedures, and related lender training programs.

This is a good time to review all consumer lending disclosures for compliance, especially those that have changed under Dodd-Frank. [Additional clarification](#) issued by the Fed in December 2010 provides some guidance for implementing TILA changes under the Mortgage Disclosure Improvement Act for adjustable rate mortgage disclosures; banks have until October 1, 2011 to ensure their disclosures and practices are in line with regulatory requirements.

Further changes to TILA and the Consumer Leasing Act, which include increasing the threshold used to determine whether certain provisions apply in consumer transactions from \$25,000 to \$50,000, will require lending compliance program adjustments and updates to lending policies and procedures. Forms also will have to be updated to comply.

SAFE Act Registration Now Open

The U.S. federal banking regulatory agencies have announced the [Nationwide Mortgage Licensing System and Registry](#) is now open for all employees of financial institutions who originate more than 5 mortgage loans per year. All such employees must register by July 29, 2011.

The rule requires Agency-regulated institutions to adopt and follow written policies and procedures to ensure compliance with the registration requirements. In addition to communicating these requirements to current employees, banks should have a process in place for overseeing the registration process, maintaining required registration and licensing (annual requirements), steps for ensuring new employees (or those who are new to residential mortgage lending) register as required, and updates to loan documentation systems to ensure license numbers appear on mortgage loan documents.

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Regulators Update Exam Procedures for FCRA Risk-Based Pricing Requirements

The U.S. federal banking regulators have updated the Fair Credit Reporting Act and Fair and Accurate Credit Transactions Act ([FCRA/FACT Act Examination Procedures](#)) with a review for forms, processes, and procedures required under the risk-based pricing provisions of the FCRA/FACT Act.

Financial institutions should review their mortgage loan origination processes to be sure adequate controls are in place to identify consumers who receive credit on less favorable terms because of credit scores. The process should include the use of methods described under the Act for identifying affected consumers, prescribed form and content for the notice, and adequate recordkeeping.

While financial institutions may rely on credit reporting providers for the consumer information included on notices, regulators hold financial institutions responsible for ensuring the notice is provided when required.

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