

WEBINAR

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## **2022 Regulatory Compliance Midyear Update**

July 27, 2022

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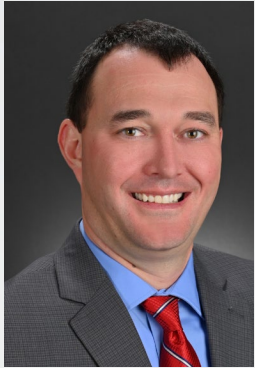
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# Meet the Presenter

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**Shaun Harms, CRCM, CCBCO, CBAP**  
Principal – Financial Services Regulatory Compliance

501.410.3198  
shaun.harms@forvis.com

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# AGENDA

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- Overdraft/NSF Recent Issues
- Updates In Error Resolutions
- Fair Lending Environment
- Flood 2.0
- RESPA Section 8 Issues
- Recent UDAP/UDAAP Lessons Learned

# Let's Dive Right In!



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# Recent Overdraft Issues

- “Creative” ways for ODP
- Static programs
- Dynamic programs
  - Know calculations
  - How often can it change?
  - Think about harm to potential customers
  - What’s the ultimate goal for the program?
    - ❖ To Increase OD revenue?

# Recent NSF Issues

- Disclosures
  - Do you know what they say?
- How transactions are processed
  - Do you know how your system works?
  - Represented items?





# Developments in Error Resolutions

- Fraud/Deception
  - Being tricked into providing info to scammers is still covered under Reg E
  - This includes unauthorized access into money payment platforms (CashApp, Zelle, Venmo, etc.)
    - However, they may have some liability as well



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# How Do We Stop the Amount of Fraud?

- Implement potential fraud detection measures
  - Geographically
  - Spending patterns
  - Limiting IP addresses
- Have good investigation procedures in place
  - Know what an error resolution is & what it is not
  - Document reasons for denying the claim & make sure they are within EFTA rules

# Flood – Hot Topics

- Declarations pages/insurance
  - New rating system
  - May not have zone on dec page
  - FEMA estimated value can assist with replacement cost value (RCV)/actual cost value (ACV)
- Notices on MIRE events
- Identifying collateral
  - Additional security interest?
  - Cross-collateralization



# Flood 2.0

According to FEMA, the benefits of Risk Rating 2.0 are

- A more accurate picture of risk at the individual property level
- Rates that are easier for policyholders & insurance agents to understand
- Reflection of more types of flood risk than is currently shown
- Use of up-to-date actuarial practices to set rates

# Ratings

## Risk Rating 2.0: Equity in Action New Pricing Methodology\*

**FEMA-sourced data**

**Additional data sources: Federal government-sourced data, commercially available third-party**

### Rating Variables

- Distance to Coast/Ocean/River
- Stream Order
- Flood type - Fluvial/Pluvial
- Ground Elevation
- First Floor Height
- Construction Type/Foundation Type

**Cost to Rebuild**

**Broader Range of Flood Frequencies**

**Fees and Surcharges**

\*Additional variables are not shown here

# Fair Lending

Recent Finding & Concerns –  
Exams & Audits

- Data driven
- Disparity ratios
- Weak controls or processes
- “Pockets” of lending activity
- Inefficient training



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# Fair Lending

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## Best Practices

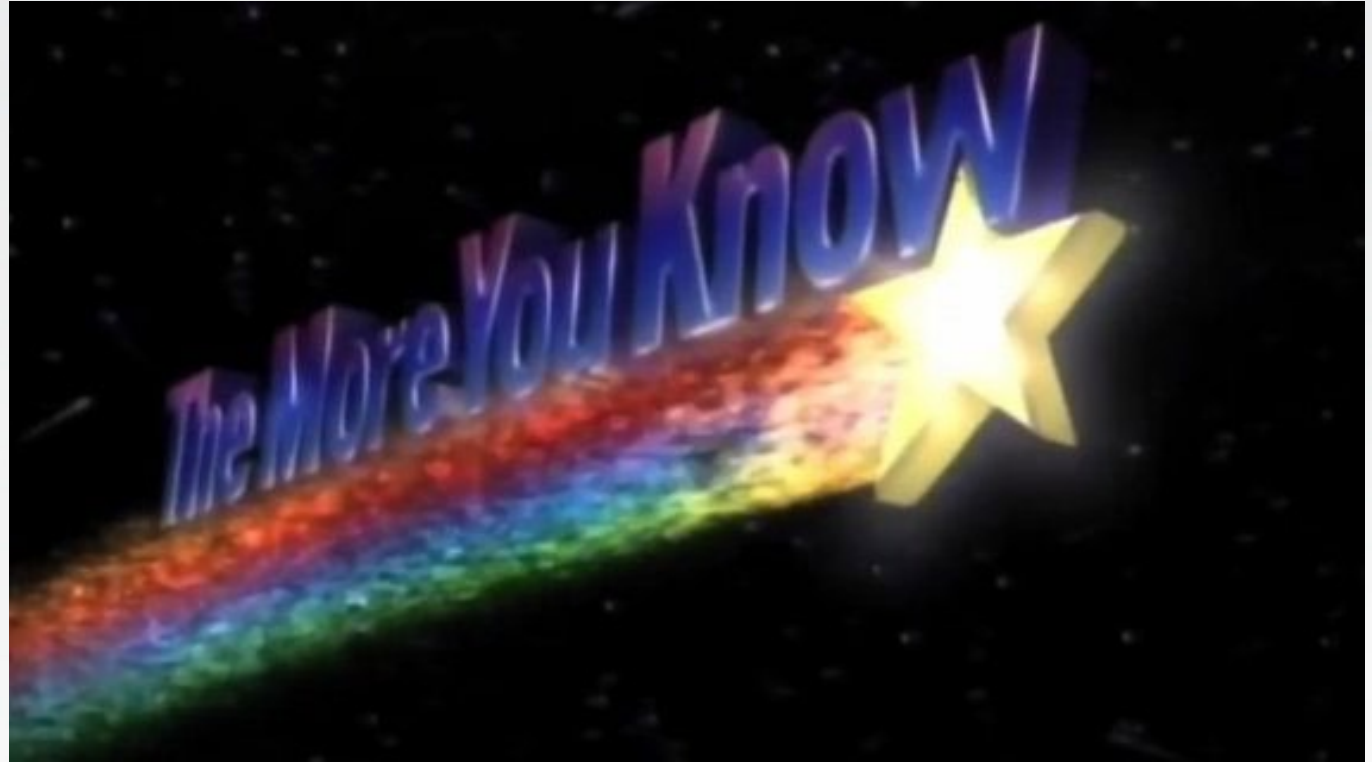
- Exceptions must be exceptions
- Consistency in processes
- Monitoring
  - Tracking & reporting
  - Audits
- Review of denials
- Know your area
  - Document outreach

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Know your program!!!

Everyone should know!!!



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# RESPA Section 8

- RESPA states that the purpose of Section 8(a) is to eliminate “kickbacks or referral fees that tend to increase unnecessarily the costs of certain settlement services”



# RESPA Section 8

- Make sure you know the relationships with loan officers & settlement agents
  - ASK!!
  - Desk leases
  - Master service agreements (MSAs)
    - Zillow & other sources
    - “Gift” cards
    - Preferred lender status
    - Kickbacks (thing of value)



# RESPA Section 8

**There may be a reason why no one else is doing it!!!**

- Do we know what our relationships are?
- How are we getting potential leads from third parties?
- Are we calling the leads or waiting until the realtor informs us?

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# UDAP/UDAAP

Be aware of unfair, deceptive,  
or abusive acts & practices  
(UDAP or UDAAP)

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# UDAP/UDAAP Lessons Learned

## Risks

- Risks are everywhere
- It's how you mitigate or control these risks
  - Limit potential consumer harm or confusion

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# Lessons Learned

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- Advertising
- Ineffective controls
  - TRID concerns (timely disclosures/tolerances)
  - Disclosure issues
  - Overdrafts
- Bait & switch
  - Rising rate/competitive environment



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# QUESTIONS

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