

APRIL 2022 FREE COMPLIANCE NEWSLETTER

PROPERTY APPRAISAL AND VALUATION EQUITY (PAVE) INTERAGENCY TASK FORCE RELEASES FINAL REPORT

The PAVE task force released its final report to the public, entitled *Action Plan to Advance Property Appraisal and Valuation Equity: Closing the Racial Wealth Gap by Addressing Mis-valuations for Families and Communities of Color*. The report analyzes the potential causes of racial and other types of prohibited bias in appraisals and commits the CFPB and other PAVE members to action. You can read the report, as well as a statement from the CFPB's Director about this [here](#).

As you know, fair lending is a big part of what we do. We will be keeping up on these developments, but we think this will only become a larger issue. We highly recommend that you scrutinize appraisals more thoroughly, especially if the home is in a higher minority neighborhood or to a minority borrower.

CFPB TARGETS UNFAIR DISCRIMINATION IN CONSUMER FINANCE

The CFPB announced changes to its supervisory operations to better protect families and communities from illegal discrimination, including in situations where fair lending laws may not apply. In the course of examining banks and other companies' compliance with consumer protection rules, the CFPB will scrutinize discriminatory conduct that violates the federal prohibition against unfair practices. The CFPB will closely examine financial institutions decision-making in advertising, pricing, and other areas to ensure that companies are appropriately testing for and eliminating illegal discrimination. This basically means that they will begin to apply the UDAAP test in areas that don't clearly violate fair lending regulations. You can find the updated exam manual on UDAAP [here](#).

OFAC ISSUES RUSSIAN HARMFUL FOREIGN ACTIVITIES SANCTIONS REGULATIONS

The Department of the Treasury's Office of Foreign Assets Control (OFAC) announced that they are adding regulations to implement an April 15, 2021 Russia-related Executive order. These regulations took effect on March 1, 2022. This order is aimed at "Blocking Property with Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation." The main thing here is that you are scrubbing your database against the updated OFAC list periodically to ensure that you are not allowing any sanctioned transactions. You can read the announcement [here](#) and the final rule [here](#).

OCC ISSUES UPDATED "LARGE BANK SUPERVISION" BOOKLET

The OCC has issued an updated "Large Bank Supervision" booklet of the Comptroller's Handbook. The "Large Bank Supervision" booklet is prepared for use by OCC examiners in connection with their examination and supervision of midsize and large national banks and federal savings associations as well as foreign-owned U.S. branches and agencies. It is always nice to have the playbook of the people that are examining your institution. There are several updates to this new version –

- includes clarifying updates to clearly set expectations related to preparing and documenting the core assessment summary;
- combines information about the core assessment and risk assessment system into the "Core Assessment" section;

- updates the core assessment factors and sub-factors;
 - for consistency across risk areas.
 - to align with other OCC sources that were issued or updated since the “Large Bank Supervision” booklet was last updated.
 - to focus on the sub-factors most likely to drive the conclusion for each factor.
 - to include cross-references to relevant OCC issuances.
- clarifies differences between the annual core assessment summary and quarterly supervision updates;
- adds “focused review” as a supervisory activity type, consistent with the OCC’s current practices; and
- includes updates for consistency with other OCC issuances and edits for clarity.

You can read the OCC’s bulletin [here](#) and find the Handbook [here](#).

OCC ISSUES FINAL RULE ADDRESSING AUTHORITY FOR EXEMPTIONS TO SUSPICIOUS ACTIVITY REPORT (SAR) REQUIREMENTS

The OCC issued a final rule amending the OCC’s SAR regulations. The rule clarifies the OCC’s authority to issue exemptions from the requirements of those regulations based on a request from a national bank or federal savings association, including federal branches and agencies of foreign banks. The rule provides that, for any SAR regulation exemption request, the OCC will consider criteria specified in the final rule, including consistency with the purposes of the Bank Secrecy Act and safe and sound banking. The final rule adopts, with changes in response to public comments, the proposed rule published in the *Federal Register* on January 22, 2021. The final rule takes effect on May 1, 2022.

For exemption requests from the OCC’s SAR regulation that also would require an exemption from the SAR requirements established by the Financial Crimes Enforcement Network (FinCEN), a national bank or federal savings association would need to seek an exemption from both the OCC and FinCEN. The OCC intends to coordinate with FinCEN on any such request. You can find the final rule [here](#).

FINCEN AND OCC ASSESS \$140 MILLION CIVIL MONEY PENALTY, ISSUES CEASE AND DESIST ORDER AGAINST USAA

FinCEN and the OCC assessed a \$140 million civil money penalty against USAA Federal Savings Bank for violations of the Bank Secrecy Act regulations. They also issued a Cease-and-Desist Order against the bank based on its failure to establish and maintain an effective BSA/AML program. They found that USAA Federal Savings Bank failed to adopt and implement a BSA/AML program that adequately covered the requirements of the Bank Secrecy Act and its implementing regulations. Such deficiencies resulted in the bank’s failure to file timely suspicious activity reports. The bank also failed to correct BSA/AML internal control problems that the OCC had previously identified and reported to them.

Basically, if you have deficiencies in your program and you don’t fix them, you will get in trouble for them. You can find FinCEN’s release [here](#) and the consent order [here](#).

CFPB TO FOCUS ON RURAL COMMUNITIES' FINANCIAL ISSUES

The CFPB announced that the Bureau has launched a new initiative to focus on financial issues facing rural America. According to the post, there is a need to pay attention to the particular challenges rural communities face as they work to build and maintain their financial resiliency. According to the CFPB, it will initially focus on the following issues:

- **Rural Banking Deserts.** The stark declines in the number of banks in rural areas have had a particularly negative impact on rural communities. The decline in banks has led to non-bank alternatives that charge higher fees and interest rates, which results in more money leaving rural communities. Trends of bank consolidations also resulted in the loss of local, on-the-ground knowledge of how rural communities operate.
- **Discriminatory and Predatory Agricultural Credit.** Stakeholders working closely with Black farmers described a long history of credit providers discriminating against Black farmers contributing to the decline of Black farmers and Black land loss. Today, only 1.5% of all farmers are Black farmers. Farmers also shared that their obligations to banks can trap them in exploitative arrangements with dominant agriculture firms.
- **Manufactured Housing.** People in the rural areas depend on manufactured housing. However, manufactured home parks are increasingly being bought up by private equity firms that have, in some cases, dramatically increased rents and tacked on fees in short periods of time. Some of the manufactured home owners reported neighbors who could no longer afford the increased lot rents and were forced to move and leave their house behind because it is usually cost-prohibitive to move a manufactured home.

The CFPB is concerned about these threats to rural household financial resiliency and has committed to ensure that rural communities, and the people who live in them, have opportunities to build wealth and thrive. You can read the CFPB's blog post [here](#).

2021 HMDA MODIFIED LAR AVAILABILITY

The HMDA modified loan/application register (LAR) is now available for each institution that filed HMDA data collected in 2021. The modified LARs provide each financial institution's loan-level HDMA data, as modified to protect applicant and borrower privacy in accordance with the CFPB's [final policy guidance](#) on the disclosure of HMDA data. The modified LAR can be found [here](#).