

*October 2021 Free Compliance Newsletter*

### **CFPB PROPOSES SMALL BUSINESS DATA COLLECTION RULE**

The CFPB issued a proposal that would require lenders to disclose information about their lending to certain small businesses. This proposal would apply to a wide range of credit products including term loans, lines of credit, credit cards, and merchant cash advances. This data would help the CFPB and the public better understand information about credit small businesses seek and obtain, demographic information about small business owners, and how applications are received and the outcomes. Similar to HMDA, the CFPB is proposing to publish application-level data. You can find the announcement [here](#). You can find a summary of the proposed rule [here](#). You can find the full proposed rule [here](#).

### **OCC & DOJ ANNOUNCE REDLINING SETTLEMENT**

Cadence Bank, headquartered in Atlanta, has been hit with redlining issues for lending practices in the Houston metro area. Specifically, the complaint alleges that, from 2013 to 2017, Cadence engaged in unlawful redlining in the Houston area by avoiding predominantly Black and Hispanic neighborhoods because of the race, color, and national origin of the people living in those neighborhoods. The department also alleges that Cadence's branches were concentrated in majority-white neighborhoods, that the bank's loan officers did not serve the credit needs of majority-Black and Hispanic neighborhoods, and that the bank's outreach and marketing avoided those neighborhoods.

If you have fair lending software, you can see your lending results mapped to determine if you are taking applications and making home loans in majority-minority census tracts. You should also perform a branch analysis to determine what geographies your branches are located in. Simply geocode each branch location and determine the income and minority population levels for each branch. Compare that to the demographics of your entire assessment area. If your branch locations are significantly lagging behind your area demographics, you could face scrutiny. You can geocode your branches using the FFIEC's website [here](#). You can find census data for comparison on the FFIEC's website [here](#).

### **CFPB WITHDRAWS PROPOSED EFFECTIVE DATE DELAY FOR DEBT COLLECTION RULES**

The Bureau has announced it is withdrawing its proposal to extend the effective date of the 2020 October and December Debt Collection Rules. The Bureau has issued a Federal Register notice to document this decision. The Debt Collection Rules will take effect, as planned, on **November 30, 2021**. You can read more about the decision [here](#). You can read the Federal Register notice [here](#).

### **OCC PROPOSAL TO RESCIND 2020 CRA RULE**

The OCC announced that it is soliciting comments on proposed rules to rescind the Community Reinvestment Act (CRA) rule issued in 2020 and replace it with rules adopted jointly by the Federal banking agencies in 1995, as amended. This proposed rule would align the OCC's CRA rules with the other Federal banking agencies. Comments must be received on or before October 29, 2021. The OCC bulletin can be found [here](#).

#### **AGENCIES EXTEND COMMENT PERIOD FOR THIRD PARTY RISK MANAGEMENT**

The federal bank regulatory agencies announced that they will extend until October 18, 2021, the comment period on proposed guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology-focused entities. The proposed guidance is intended to assist banking organizations in identifying and addressing the risks associated with third-party relationships and responds to industry feedback requesting alignment among the agencies with respect to third-party risk management guidance. The Federal Register notice can be found [here](#). The original proposal can be found [here](#).

#### **FEDERAL AGENCIES ISSUE GUIDE TO HELP COMMUNITY BANKS EVALUATE FINTECH RELATIONSHIPS**

The federal banking agencies issued a guide intended to help community banks assess risks when considering relationships with financial technology companies. You can find the release along with the guide [here](#).

#### **2022 HMDA FILING INSTRUCTIONS GUIDE AND SUPPLEMENTAL GUIDE FOR QUARTERLY FILERS**

The Bureau announced that the Filing Instructions Guide for HMDA data collected in 2022 is now available. This is a technical resource to help financial institutions file HMDA data collected in 2022 and reported in 2023. They have also released a Supplemental Guide to Quarterly Filers for 2022, which includes 2022 calendar year deadlines. You can find both guides [here](#). If you have any questions about HMDA, you can direct them to [HMDAHelp@cfpb.gov](mailto:HMDAHelp@cfpb.gov)

#### **FREE WEBINAR: OVERVIEW AND UPDATES ON CONSUMER COMPLAINTS MANAGEMENT**

The FDIC offers a series of events for bankers, including teleconferences and webinars, to maintain open lines of communication and to update bank management and staff on important regulatory issues in the consumer compliance area. The FDIC's Division of Depositor and Consumer Protection will host a webinar for FDIC-supervised institutions on October 5, 2021, to provide information and answer questions relating to consumer complaints management. The presentation will include a review of the most recent complaint data and will provide information to help banks with complaint management. It will also provide information on how the FDIC facilitates the resolution of complaints and how this information is used in supervision. You can register for the event [here](#).

#### **FINCEN ISSUES SAR GUIDANCE ON CHILD EXPLOITATION**

FinCEN issued a notice (FIN-2021-NTC3) to call attention to an increase in online child sexual exploitation (OCSE). The Notice provides financial institutions with specific SAR filing instructions, and highlights some financial trends related to OCSE. You can find the full FinCEN advisory [here](#).

**CFPB REPORT: CONSUMER COMPLAINT SUBMISSION PATTERNS VARY BY DEMOGRAPHIC CHARACTERISTICS OF CENSUS TRACT**

The CFPB has been analyzing complaints and aggregating data over a three-year period from 2018-2020. They have released their first in-depth report analyzing complaint patterns based on census tract data. In other words, they have determined what the most common complaints are based on demographics and income levels of census tracts. What does this mean for the average financial institution? That remains to be seen, but there are some common characteristics in complaints based on census track data. Here's a brief summary of what they found analyzing more than 1 million complaints in those three years:

- Consumers from lower income and predominantly Black and Hispanic communities submitted credit reporting and delinquent servicing complaints at a higher rate.
- Higher income and predominately white communities were more likely to submit complaints related to loan origination and servicing.
- Asian American and Pacific Islander communities had higher rates of credit reporting complaints and lower rates of loan servicing issues.

Is there value in this data? If anything, it can help lead you to find the bigger issues in your area. If you want to read more about this study, you can read the research brief [here](#).