



HMDA Reminder – New Provisions Effective Soon

When the Consumer Financial Protection Bureau (the Bureau) issued a new final rule amending **Regulation C** in 2015, it was apparent that big changes were ahead of us. That rule had 4 effective dates for different provisions. While stakeholders have worked diligently towards compliance over recent years, we still have one effective date ahead of us and it's coming up fast!

On **January 1, 2020**, the new quarterly reporting requirement and changes to the enforcement provisions for larger-volume reporters become effective. Additionally, there are institutional and transactional coverage changes for open-end lines of credit that become effective that date.

Who is a larger-volume reporter? A larger-volume reporter that is subject to quarterly reporting provisions is described as a financial institution that reported at least **60,000** covered loans and applications, combined, excluding purchased covered loans, in the preceding calendar year. Beginning in 2020, such reporters must submit their loan/application register (LAR) within **60 calendar days after the end of each calendar quarter**, except the fourth quarter. Rather, fourth quarter information, along with the first three quarter's information, will be contained in the institution's annual submission.

What is the open-end lines of credit coverage change effective in 2020? At that time, the HMDA rule reduces the loan volume threshold for covered open-end lines of credit to **100 covered open-end lines of credit** in each of the two preceding calendar years. As the Bureau has clarified, in 2020 an institution is subject to Reg. C if it originated at least 25 covered closed-end mortgages loans in each of the preceding two calendar years or at least 100 covered open-end lines of credit in each of the two preceding calendar years and meets other applicable coverage criteria.

In moving towards this new deadline, institutions are encouraged to **review these 2020 requirements** and ensure plans are being implemented to support compliance. Interested persons may find a wide variety of resources at the Bureau's HMDA webpage [here](#).

BSA/AML and Serving HEMP Businesses

Recently, the NCUA issued a Regulatory Alert, providing **interim guidance** on the topic of **serving hemp businesses**. It provides a great synopsis of changes in federal law related to hemp.

Online Compliance Consulting Update!

The Online Compliance Consulting Dashboard has been enhanced!

- NEW Compliance Tools in the Knowledge Base – Compliance Training
- NEW Q&As in the Knowledge Base – Private Flood Insurance
- NEW Thought Leadership Resources
- August 2019 News

To access this information and all other compliance features, go to: <http://compliance.smslp.com>

As mentioned, it was in December, 2018, that the President signed into law the Agriculture Improvement Act of 2018, i.e. the **2018 Farm Bill**, which made changes to how hemp is treated under federal law.

While the NCUA referenced that some credit unions have lawful hemp businesses in their membership now, recent changes in law may result in more hemp businesses being established and existing ones being expanded. As such, the NCUA issued the alert to help clarify what should be considered in providing services to lawful hemp businesses.

As a result of the December, 2018, bill being signed into law, hemp was removed from schedule 1 of the Controlled Substances Act. However, the Alert clarified that "*hemp may not yet be produced lawfully under federal law unless it is produced under the industrial hemp pilot provisions of the Agricultural Act of 2014,*" i.e. the **2014 Farm Bill**. Further, any production beyond that 2014 Bill, the USDA must promulgate regulations and guidelines to implement hemp production under the 2018 Farm Bill.

With regard to BSA/AML concerns, credit unions should be aware of any Federal, State and Indian Tribe laws and regulations that apply. While the NCUA acknowledges that it is generally a credit union's business decision as to the services and products they would like to offer, a BSA/AML program should be commensurate with your risk. **Serving hemp businesses will impact your program in different ways:**

- **Due Diligence Procedures** – Appropriate procedures for hemp-related accounts need to ensure compliance with requirements to file SARs. While the NCUA understands that SARs are not required for lawfully operated businesses that do not have unusual activity, staff should remain alert to indications of illicit or unusual activity.
- **Hemp Operations Under the 2014 Farm Bill** – Credit unions must know state law, regulations and agreements under which a hemp business operates. A credit union would need to know how to verify the member is a part of the hemp pilot provisions of the 2014 Bill.
- **Other Federal and State Laws and Regulations** – The NCUA cautions that when deciding to serve hemp businesses that may already be able to operate lawfully, it is imperative that a credit union be familiar with any other federal and state laws or regulations that could govern these businesses.

In summary, lending to a lawfully-operating hemp business is permissible; however, due diligence must be performed. Interested persons may find the complete NCUA issuance [here](#).

SEC – Regulation Best Interest

Recently, the **Securities and Exchange Commission (SEC)** published a new final rule focused on enhancing the **broker-dealer standard of conduct**.

As this may impact some of our clients we wanted to alert you to this new final rule. As noted in the rule's summary, this establishes a new standard for broker-dealers when they make a **recommendation to a retail customer** of any securities transaction or investment strategy. This cannot be satisfied through disclosure alone. As noted:

Calendar Reminders

- **9/3** – Reg. CC and Reg. DD Rule, Part 1 Effective
- **9/26** – Be Prepared! Quarterly Compliance Update
- **9/30** – Sunset of NFIP (if Congress does not reauthorize)
- **10/30** – HMDA LAR Quarterly Update



Mark your calendar for our next **Be Prepared!** Compliance Update webinar. It is scheduled for **September 26, 2019**.

Details may be found on BankersWeb, [here](#).

*“Regulation Best Interest enhances the broker-dealer standard of conduct beyond existing suitability obligations, and aligns the standard of conduct with retail customers’ reasonable expectations by requiring broker-dealers, among other things, to: **Act in the best interest of the retail customer** at the time the recommendation is made, without placing the financial or other interest of the broker-dealer ahead of the interests of the retail customer; and address conflicts of interest by establishing, maintaining, and enforcing policies and procedures reasonably designed to identify and fully and fairly disclose material facts about conflicts of interest, and in instances where we have determined that disclosure is insufficient to reasonably address the conflict, to mitigate or, in certain instances, eliminate the conflict.”*

While currently effective, the new final rule has a **compliance date of June 30, 2020**. Interested persons may access the information [here](#).

Taking a Look at Credit Cards

At the end of August, the Consumer Financial Protection Bureau (the Bureau) published their fourth report on the **credit card market**.

With credit cards being one of the most commonly-held financial products, the Bureau continues to monitor for risks in this market. As noted therein, the credit card **remains stable**, which the Bureau found to be the result of low unemployment, modest wage growth, and high consumer confidence. Satisfaction remains high.

It is mentioned that since 2015, **spending has doubled**, which is anticipated to be the result of consumers’ obtaining **rewards**. Surveys indicate that rewards are a primary factor in choosing a card.

Interested persons may find the Bureau’s August, 2019, report entitled “**The Consumer Credit Card Market**” [here](#).

Convenient and Affordable Compliance Assistance

Do you need help preparing for the upcoming regulatory requirements? SC+S can help with our Online Compliance Consulting services, which combines the ease of online tools with the guidance of a compliance expert.

You will have access to an online compliance expert who will:

- Answer all of your compliance questions;
- Review your new policies and disclosures for compliance; and
- Train your Board of Directors on upcoming regulatory requirements.

You will also receive access to our online tools, including:

- Our Compliance Calendar;
- Our Dashboard Feature and Progress List, that enables you to determine what steps you will need to take to comply with the requirements and track your progress as you implement them;
- Our exclusive Knowledge Base of compliance Q&As; and
- FREE access to our quarterly Be Prepared! webinar series.

For more information or a free demo, contact Rhonda Coggins at 512-703-1509.

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