



Housing Insecurity & A New Final Rule

As our April newsletter reflected, the CFPB has voiced their concerns related to **housing insecurity**. As their Bulletin 2021-20 reflected, risk should be addressed related to consumer need in the future as COVID-19 foreclosure moratoriums and forbearances end. Also in April, the CFPB published a **proposed rule** addressing **protections for borrowers affected by COVID-19**.

So what is happening now?

At the end of June, the CFPB issued their **final rule**, “**Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X,**” (2021 Rule), which becomes effective on **August 31, 2021**.

Prior to the effective date of this new rule, Regulations X and Z already contain mortgage servicing rules, which include provisions related to early intervention with delinquent borrowers and loss mitigation requirements. The 2021 Rule amends Regulation X / RESPA to implement temporary provisions that include 4 key components:

- Requires COVID-19 loss mitigation **procedural safeguards** that allow a borrower a meaningful opportunity to apply for loss mitigation before the mortgage is referred to foreclosure after national foreclosure moratoria have ended;
- Permits servicers the ability to offer certain COVID-19 related **streamlined loan modifications** without a complete loss mitigation application;
- Requires the provision of certain information promptly after **early intervention live contacts** are established with certain borrowers; and
- Establishes timing requirements for when servicers must renew **reasonable diligence efforts** to obtain complete loss mitigation applications from certain borrowers.

Online Compliance Consulting **Update!**

The Online Compliance Consulting Dashboard has been enhanced!

- **NEW COVID-19-Related Resources:** *A searchable listing of resources can be found at the top of the Online Compliance Dashboard in the COVID-19 section.*
- **Updated Compliance Calendar**
- **Updated Knowledge Base – Reg. X & Z Mortgage Servicing FAQs**
- **Updated Knowledge Base – Reg. E FAQs**
- **Refreshed Thought Leadership – Several New Linked Resources**

To access this information and all other compliance features, go to:

<http://compliance.smslp.com/>

The 2021 rule applies to mortgage loans secured by the borrower's principal residence and does not apply to reverse mortgages.

From a Regulation X perspective, the final rule primarily impacts **1024.41 – Loss Mitigation Procedures** and related official interpretations; however, other amended sections include **1024.31 – Definitions** and **1024.39 – Early Intervention Requirements for Certain Borrowers**.

The CFPB's 2021 Rule may be found [here](#).

More Updates – BSA/AML Examination Manual

At the end of June, the FFIEC released **additional updates to the BSA/AML Examination Manual**. The updates do not establish requirements for financial institutions. Financial institutions should not interpret the updates as new instructions or an increased focus on certain areas. Rather, the updates are intended to offer greater transparency to the examination process.

The June 2021 update impacts four sections of the manual, which are linked below:

- [International Transportation of Currency or Monetary Instruments Reporting](#)
- [Purchase and Sale of Certain Monetary Instruments Recordkeeping](#)
- [Reports of Foreign Financial Accounts](#)
- [Special Measures](#)

Interested persons are encouraged to review the updated BSA/AML Examination Manual, which may be found [here](#).

Supervisory Findings & Wide-Ranging Violations

On June 29th, the CFPB issued their **Supervisory Highlights** report.

The CFPB report highlights findings identified during examinations in 2020. While the deficiencies noted did cover a wide variety of violations, here are a few highlights:

- **Fair Lending** – In assessing compliance with the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act, the Bureau noted various violations of Reg. B and Reg. C. Widespread errors were noted in connection of 2018 HMDA LAR data. It was also noted that the root causes of HMDA data errors were deficiencies within the institutions' Compliance Management Systems. The Bureau also observed instances of discouragement of applicants and redlining, and included analysis of direct marketing campaigns.
- **Mortgage Origination** – In its review of mortgage origination practices, the Bureau observed deficiencies tied to Reg. Z provisions related to mortgage loan originator compensation that was based on the terms of a transaction. The report also addresses findings related to the disclosure of simultaneously purchased lender and owner title insurance and deceptive waivers of borrowers' rights in deed riders and security agreements.

Calendar Reminders

- **7/30** – Reg. C HMDA LAR Update
- **8/29** – Reg. C HMDA Quarterly LAR Submission
- **8/31** – 2021 Mortgage Servicing Rule Effective



Our next **Be Prepared!** Compliance Update webinar is scheduled for **September 30, 2021**. When available, details will be provided.

- **Mortgage Servicing** – Mortgage servicing violations were noted with regard to making the first notice or filing for foreclosure when it was prohibited. The Bureau noted instances where servicers failed to maintain policies and procedures for compliance. The Bureau also observed servicers' failures to consider the termination of PMI during annual escrow analysis.

Other noted findings relate to the **Fair Credit Reporting Act, payday lending, auto servicing, consumer reporting, debt collection, deposits, private education loans, and student loan servicing.**

Interested persons may find the CFPB's Supervisory Highlights report [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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