



Time For Some Spring Cleaning!

Now is the perfect time to dust off those old binders and shake out the cob webs.

From time-to-time, you may find that your compliance resources have become stale. Those resources may be your library of compliance policies, procedures, industry resources and training materials. Sometimes that information is compiled with a great deal of interest at one point in time, but then left to become outdated as new compliance tasks grab your attention.

If you haven't done so already, now is the time to make sure your resource materials and control documents are up-to-date and ready to be relied upon throughout the rest of the year.

UDAAP-Related Enforcement Action

An interesting enforcement action caught our eye last month. While actions against institutions engaging in **unfair, deceptive or abusive acts or practices (UDAAP)** are becoming more common-place, we typically see those actions directly linked to a product.

In March, the CFPB's enforcement action was their **first data security action**. In this case, they found that a payment processor deceived consumers about the data security risks of using its online system... by claiming that their system would protect consumer data from unauthorized access with "safe" and "secure" transactions. The payment processor also claimed that their data security practices exceeded or surpassed industry security standards and made other claims regarding the encryption and secure storage of information that were found to be false. The action included requirements for changing how security practices are represented, training staff, fixing security flaws and paying a **\$100,000 civil money penalty**.

We recommend that your compliance and IT staff read through this enforcement action and then compare your own data handling and storage practices to how your institution represents or describes your security measures.

The CFPB's consent order can be found [here](#).

Online Compliance Consulting Update!

The Online Compliance Consulting Dashboard has been enhanced!

- **NEW Compliance Alerts:**
 - ✓ Reg Z – Integrated Mortgage Disclosures & Construction Holdbacks
 - ✓ BSA – CIP and Prepaid Cards
- **NEW Training Items:**
 - ✓ Be Prepared! 1st Q recording
- **NEW Knowledge Base Items:**
 - ✓ Be Prepared! 1st Q slides

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

Issuing Prepaid Cards? Should you CIP?

Late last month, the **Federal Reserve, FDIC, NCUA, OCC and FinCEN** issued Interagency Guidance on the application of Customer Identification Program (CIP) requirements for institutions issuing prepaid cards.

The guidance was provided to clarify the application of a CIP to cardholders of prepaid cards that are issued by the institution.



The guidance includes discussion of the CIP rule and the determination of the existence of an "account." Further, the Agencies discussed their findings that certain prepaid cards exhibit characteristics that are similar to that of deposit accounts.

For purposes of the CIP rule, prepaid cards that provide a cardholder with the ability to **reload funds** or to **access credit or overdraft features** should be treated as accounts.

To provide additional clarification, the Agencies discussed different types of prepaid cards, such as general purpose cards, payroll cards, government benefit cards and health benefit cards. They also addressed identification of who the "customer" is in those situations. If you would like to read the Interagency Guidance in its entirety, you may find it [here](#).

CFPB Rule Impacting Small Creditors

On March 25th, a new Interim Final Rule issued by the CFPB was published in the Federal Register. This rule broadens the availability of certain special provisions for small creditors that operate in rural or underserved areas. The CFPB will accept comments for 30 days after publication.

The Bureau issued the Interim Final Rule, which expands eligibility for the special provisions allowing **balloon-payment qualified mortgages** and **balloon-payment high-cost mortgages** and for the **escrow exemption**. Pursuant to the Interim Final Rule, a small creditor is no longer required to extend more than 50% of its covered transactions secured by first liens on properties located in rural or underserved areas in order to be eligible for either of the two special balloon-payment provisions or the exemption to the escrow requirement under Regulation Z. Effective **March 31, 2016**, a small creditor may be eligible to rely on those special provisions and the exemption if it originated **at least one covered transaction secured by a first lien on a property located in a rural or underserved area in the preceding calendar year**.

If you would like to read the rule in its entirety, you may find it [here](#).

In connection with this issuance, the CFPB has also updated their compliance guides for ATR/QM, HOEPA and the TILA HPML Escrow rule, the transaction coverage and exemption chart, the small creditor QM flowchart and the ATR/QM comparison chart. You may find those updates [here](#).

Attention Credit Card Issuers

The CFPB's earlier suspension of the Regulation Z requirement for issuers to submit their credit card agreements for posting on the Bureau's website has expired. The next submission is due **on or before May 2, 2016**. You may read the CFPB's notice [here](#).



Mark your calendar for our next **Be Prepared!** compliance update webinar. It is scheduled for **June 28, 2016**.

When available, details can be found [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.

Online Compliance Consulting 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 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 questions and answers; and
- FREE access to our quarterly Be Prepared! webinar series on upcoming regulatory requirements.

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

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