



Let Summer Begin!
Wishing Everyone a Happy and Safe Season.

Redlining In The News

In last month's issue of our Online Compliance Consulting News, we focused our newsletter on CRA; Assessment Areas; Reasonably Expected Market Areas; and **Redlining**.

We wanted to extend our discussion of this topic, upon seeing a recent court brief issued in the US District Court in Minnesota. The brief centers on the defendant, KleinBank, and their motion to dismiss a case involving redlining. What makes this brief unusual is that it was undersigned by **2 national banking trade groups** as well as **40 state bankers associations**.

To provide some background, action was taken against KleinBank in January, 2017, for "engaging in a pattern or practice of unlawful redlining" that involved its residential mortgage lending. The complaint alleged that certain structuring occurred so the Bank could avoid serving the credit needs of neighborhoods where a majority of individuals are racial and ethnic minorities. In the action, the complainant discussed the Bank's CRA Assessment Area, but also detailed what they considered a "**Proper Assessment Area**" and the Bank's failures to provide loan services in majority-minority tracks.

In follow up to that action, earlier this month, a brief supporting KleinBank and its motion to dismiss was filed. As noted therein, besides significantly impacting KleinBank, the Banking Associations (BAs) communicated that the precedent this case sets could have **serious impact for the entire banking industry**.

Online Compliance Consulting Update!

The Online Compliance Consulting Dashboard has been enhanced!

- ✓ **Updated Compliance Management Systems Checklists**
- ✓ **May 2017 News**
- ✓ **FAQs – Third Party Relationships & Risk Management**

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

The BAs clearly state that they do not condone redlining, a type of illegal discrimination. However, at the heart of their brief, the BAs have concerns that inconsistent definitions and determinations of redlining can leave the industry uncertain in how they will be judged and will increase their risk. As noted therein:

*“However, bankers need certainty with respect to how redlining is defined, and they need consistency as to how the federal agencies enforce this anti-discrimination rule. Bankers and attorneys with thorough knowledge of the fair lending laws, regulations and enforcement standards are shocked that the federal government filed this lawsuit with so little evidence. **A Court ruling against KleinBank would mean a major change in the definition of redlining and a significant departure from long-standing evidentiary requirements, exposing all banks to new legal, regulatory and reputational risk.**”*

Interested persons can find the initial complaint [here](#). The American Bankers Association, who joined the lead amicus, have posted the supporting brief on their website [here](#).

Don't Miss Our 2Q Be Prepared! Webinar

Online Compliance Consulting delivers quarterly compliance webinars on a variety of topics. Each year, one of our webinars is dedicated to **BSA/AML hot topics and emerging issues**. This year's BSA/AML webinar will be held on June 28, 2017.

What you'll Learn... Our presentation will include a review of the new beneficial ownership rule, cyber-events and cybersecurity, the current state of serving marijuana-related businesses, and more.



BONUS - all attendees will receive a takeaway project plan for implementation of the beneficial ownership rule.

Webinar details can be found on BankersWEB, [here](#)

Still Confused About Finance Charges?

As recently shared by the Federal Reserve, while the definition and treatment of **finance charges under Regulation Z** has not changed recently, finance charge-related errors for closed-end loans continue to be a frequent finding.

Related to this, the Federal Reserve recently published a wonderful “primer” on the topic of finance charges. It provides a great refresher and resource on the identification of charges, disclosure requirements and tips and tools.

We recommend sharing this helpful resource with appropriate staff. Interested persons can find the issuance [here](#).



Mark your calendar for our next **Be Prepared!** Compliance Update webinar. It is scheduled for **June 28, 2017**.

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

Fair Lending

The CFPB has issued their 5th fair lending report to Congress. The report highlights their goals in oversight and enforcement of fair lending laws, as well as their efforts to root out illegal discrimination. While the focus of the report is to communicate their activities during 2016, which includes \$400 million in remediation to consumers, the CFPB highlighted their future focus, as excerpted here:

*In the coming years, we will increase our focus on markets or products where we see significant or emerging fair lending risk to consumers, including **redlining, mortgage loan servicing, student loan servicing, and small business lending.***

Interested persons can find the CFPB's Fair Lending 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;
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- 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.

Contact Us

Sheshunoff Consulting + Solutions

901 S. Mopac Expressway
Barton Plaza V, Suite 140
Austin, TX 78746

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