



Compliance Summary for Commercial Lenders

Sheshunoff's Online Compliance Consulting has compiled this high-level summary of federal compliance-related issues and requirements for commercial lenders.

Appraisals / Evaluations

- Interagency Appraisal and Evaluation Guidelines and FAQs address supervisory matters related to appraisals and evaluations used to support real estate-related financial transactions.

BSA / OFAC / Customer Identification Program

- BSA, OFAC and CIP requirements apply to commercial lending areas, as well as other areas of your institution.

Community Reinvestment Act

- Under the CRA, certain depository institutions are required to collect and report loan data on small business, small farm and community development loans.

ECOA / Regulation B and Fair Lending

- ECOA, Regulation B and the principles of Fair Lending apply to consumer and commercial credit. Important aspects of the Act and Regulation include the following:
 - Prohibits creditors from discriminating on a prohibited basis on any aspect of a credit transaction and requires compliance with "signature rules" and provisions related to additional parties, such as guarantors and cosigners.
 - Requires notices of adverse action, which can vary depending on the gross revenues of a business applicant.
 - Includes rules for providing a disclosure, as well as copies of appraisals and other valuations to applicants for credit secured by a 1st lien on a dwelling.
 - Includes record retention requirements for business credit applications.

Environmental Liability Risk

- Risk management guidelines address environmental liability related to real property that is financed and taken as collateral. Commercial real estate areas should consider such provisions in their risk analysis.

Fair Credit Reporting Act

- While the FCRA generally applies to consumer credit, it can also apply in some instances to commercial credit transactions that involve a consumer. The FCRA can apply when a creditor pulls a credit report on a consumer who is or will be liable for a commercial loan and takes adverse action based on the report.
- A consumer that is only serving as a guarantor, or in a similar capacity, does not need to be provided an adverse action notice. However, if a consumer is a co-applicant for a business purpose application, an adverse action notice could be required. The FRB's Consumer Compliance Outlook (1Q 2015) provides a summary of such requirements, and may be found at: <https://www.consumercomplianceoutlook.org/2015/first-quarter/consumer-compliance-requirements-for-commercial-products-and-services/>

Flood Insurance

- The Flood Disaster Protection Act and its implementing regulations prohibit lenders from making, increasing, extending or renewing a loan secured by improved real estate located or to be located in a Special Flood Hazard Area in a community participating in the NFIP unless the property securing the loan is covered by flood insurance (with certain exceptions).
- Basic requirements include flood determinations, notices and force placement.

HMDA / Regulation C

- HMDA and Regulation C requires lenders to collect and publicly disclose information regarding applications for, and originations and purchases of, home purchase loans, home improvement loans and refinancings. Commercial lending can be impacted by this in various ways:
 - If a consumer obtained a commercial loan secured by their dwelling it would generally not be reportable when originated. However, it would be reportable if it were refinanced.
 - Multifamily loans, which are typically commercial loans, are also covered by Regulation C.

TILA / Regulation Z

- While Regulation Z generally exempts commercial credit, certain special credit card provisions will apply to business-purpose cards, related to issuance and liability.

Regulation U

- The regulation imposes credit restrictions upon lenders that extend credit for the purpose of buying or carrying margin stock if the credit is secured by margin stock.

Servicemembers Civil Relief Act

- The SCRA provides protections to service members and certain obligations, which can include business purpose loans. Examiner guidance and legal counsel should be consulted as needed.