



If you are interested in the Consumer Financial Protection Bureau (CFPB), this forum is for you! This is the online website and discussion forum for news and views regarding the CFPB, which also has additional interactive facilities for the CFPB Forum on LinkedIn, Facebook, and Twitter. Articles and interactive discussions will be regularly posted here, and on LinkedIn, Facebook, and Twitter in order to keep participants informed. For news and article proposals, please Contact Us.

CFPB Forum is not associated or affiliated with the Consumer Financial Protection Bureau (CFPB).*

The CFPB was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

****JOIN US on LinkedIn! -----JOIN US on Twitter----- JOIN US on Facebook!****

WEDNESDAY, NOVEMBER 7, 2012

CFPB: Mortgage Originator Violations

Yesterday, I outlined for you the features of the CFPB's requisites of a Compliance Management System (CMS). My observations were based on the CFPB's newsletter, entitled Supervisory Highlights: Fall 2012, an issuance to the public and the financial services industry about its examination program, including the concerns that it finds during the course of its completed work, and the remedies that it has obtained for consumers who have suffered financial or other harm.

There are other important areas covered in the newsletter that I would now like to briefly discuss:

Violations relating to Credit Reporting, and

Violations by Mortgage Originators

Fair Lending Compliance

These subjects are very nuanced and complex, involving many aspects of regulatory compliance mandates. Necessarily, my remarks will be limited to the kinds of observations that the CFPB has indicated as principal concerns with respect to these matters.

IN THIS ARTICLE

- Violations relating to Credit Reporting
- Violations by Mortgage Originators
- Fair Lending Compliance
- Library

Violations relating to Credit Reporting

The Fair Credit Reporting Act (the FCRA) regulates the collection, use, and dissemination of consumer report information, and promotes the accuracy, fairness, and privacy of information held by the nation's credit bureaus.

As you many know, the CFPB examines financial institutions for their compliance with the FCRA's requirements for handling consumers' credit information. Among other things, the FCRA and its implementing regulation, Regulation V, generally require entities that provide consumer information to credit bureaus to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the consumer information they furnish to these entities.

A party's failure to comply with the FCRA may cause significant consumer harm.

According to the CFPB's most recent announcement on its examination findings, its examiners have discovered one or more instances in which a financial institution's employees did not have sufficient training or familiarity with the requirements of the FCRA to implement it properly.

Such deficiencies resulted in a failure implement the following actions:

- Communicate appropriate and accurate account information to the credit bureaus.
- Indicate when account information had been disputed by consumers.

WEBSITE POWERED BY

LENDERS COMPLIANCE GROUP



RECENT ARTICLES



VISITORS: CFPB FORUM

OUR OTHER WEBSITES



- Determine whether disputes had been fully investigated.

Findings by the CFPB noted that companies were unaware of the potential and actual violations of the FCRA, and, therefore, they repeatedly failed to respond to communications from consumers about their accounts.

The remedial actions mandated by the CFPB included (1) implementing procedures for properly reporting consumer credit disputes to all credit bureaus, (2) taking action on all disputes reported directly to the financial institution and correcting errors where appropriate, and (3) deleting information regarding customers, as appropriate, upon completion of their credit dispute investigations.

Violations by Mortgage Originators

CFPB examiners have found significant violations of Real Estate Settlement Procedures Act (RESPA) and Truth in Lending Act (TILA).

Violations under RESPA have included failures to make proper and complete disclosures to consumers of costs and other terms of a transaction due to inadequate or improper completion of the Good Faith Estimate and the HUD-1 settlement statement.

Violations under TILA have included failures to provide accurate interest rate disclosures, and payment amounts and schedules, as well as disclosures regarding late payments, security interests, and assumption policies.

One aspect of the CFPB's examination, it should be mentioned, is to review a company's policies and procedures with respect to RESPA and TILA. Those financial institutions that do not maintain an accurate and current set of such policy statements should expect to receive an adverse finding.

Specifically, where financial institutions have violated RESPA and/or TILA, they have been directed to implement appropriate policies, procedures, and monitoring to prevent recurrence of the violations, and to ensure that any third-party vendors, including mortgage brokers, are identified and included in the company's oversight program. The relevant policies and procedures should provide guidelines to ensure that proper Good Faith Estimate and HUD-1 disclosures are provided to consumers, and that consumers are not improperly charged. In fact, where appropriate, the CFPB has actually directed that consumers receive a corrected HUD-1, and, just as in state banking examinations, where customers are improperly charged, a financial institution will be directed to provide reimbursement to the consumer.

Fair Lending Compliance

Another area of concern is compliance with the Home Mortgage Disclosure Act (HMDA), and its implementing regulation, Regulation C.

In our newsletter yesterday, I discussed deficiencies of fair lending compliance programs and some "common features" of well developed programs. The CFPB utilizes HMDA data in the course of its review of such programs, and it may seek corrective action or relief, as appropriate, in cases that demonstrate fair lending violations.

HMDA requires certain lenders to report specific information about their mortgage lending activity to regulators and the public. Importantly, HMDA data plays a key role in the work of the CFPB's examination teams.

Indeed, the CFPB has an *Office of Fair Lending and Equal Opportunity* and monitors closely the results of examinations. HMDA data is a foundational feature of the CFPB examination and is used to ensure that "credit is provided fairly and without illegal discrimination."

The CFPB unequivocally states that "lenders that do not accurately report data as HMDA requires hinder regulators' and the public's ability to compare mortgage data across the industry in a meaningful way."

Therefore, financial institutions must have strong systems in place to ensure HMDA compliance, which should ensure improving their HMDA data collection and reporting systems, and, where needed, modifying policies and procedures to provide proper guidance to employees who prepare and submit HMDA data.

Based on CFPB examination findings thus far, examiners have issued findings that show instances of systemic failure to capture and accurately report HMDA data as well as being an "indicator of a weak CMS."

Adverse findings include significant deficiencies, requiring the financial institution to resubmit HMDA data to correct errors.



DODD-FRANK FORUM
CFPB's Five Year Strategic Plan



NMLS USERS FORUM
NMLS: 2011 Licensing Report



FHA FORUM
HUD: Causes of Administrative Actions



VETERANS MORTGAGE FORUM
Mortgage Servicing Practices: Change of Station Orders

ARCHIVE

NEWSLETTER

MORTGAGE BANKING WEBSITES

POSTS

- ▼ 2012 (17)
 - ▼ November (2)
 - [CFPB: Mortgage Originator Violations](#)
 - [CFPB: Compliance Management System](#)
 - ▶ October (4)
 - ▶ August (1)
 - ▶ July (3)
 - ▶ June (1)
 - ▶ May (1)
 - ▶ April (1)
 - ▶ March (1)
 - ▶ February (2)
 - ▶ January (1)
- ▶ 2011 (21)

CFPB NOTICES

Loading...

Library



Consumer Financial Protection Bureau

Supervisory Highlights: Fall 2012 Executive Summary 10/31/12

*Jonathan Foxx is the President & Managing Director of Lenders Compliance Group



Labels: CFPB, CFPB Examinations, CFPB Supervisory Highlights, Consumer Financial Protection Bureau, Fair Lending, FCRA, HMDA, Regulation C, Regulation V, Regulation X, Regulation Z, RESPA, TILA

[Home](#)

[Older Post](#)

Subscribe to: [Post Comments \(Atom\)](#)

[Web Toolbar by Wibiya](#)

[Powered by Disqus](#)

NOTICE TO VISITORS

Information contained in this website is not intended to be and is not a source of legal advice. The views expressed are those of the contributing authors and commentators, as well as news services and websites linked hereto, and do not necessarily reflect the views or policies of any governmental agency, business entity, organization, or institution. CFPB Forum makes no representation concerning and does not guarantee the source, originality, accuracy, completeness, or reliability of any statement, information, data, finding, interpretation, advice, opinion, or view presented herein.

CFPB Forum is not associated or affiliated with the Consumer Financial Protection Bureau (CFPB).

CFPB Forum is a "discussion venue" that is designed to share information about the CFPB.

The discussions on CFPB Forum do not constitute legal advice from or to other CFPB Forum members or any other person. CFPB Forum encourages an exchange of information and views, but is not responsible for the information, comments, advertising, products, resources or other materials of this site, any linked site, or any link contained in a linked site. The inclusion of any link does not imply endorsement. Your use of any linked site is subject to the terms and conditions applicable to that site. CFPB Forum may be used for lawful purposes only. Please do not post content that is obscene, otherwise objectionable, in violation of federal or state law, or that encourages conduct that could constitute a criminal offense or give rise to civil liability; that discloses any non-public transactions, business intentions, or other confidential information; and, that infringes the intellectual property, privacy, or other rights of third parties. Material protected by copyright or other proprietary right may not be uploaded, posted, or otherwise made available to CFPB Forum participants without the permission of the copyright owner, if such permission is required. The CFPB Forum administrator reserves the right to remove content at any time and without notice that is deemed to be inappropriate and/or in violation of comment rules.

CFPB Forum. Simple template. Powered by [Blogger](#).