



Compliance eNewsletter

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InfoSight News

Blocked property report reminder

OFAC has posted a [Treasury Department Bulletin](#) with a reminder that holders of property blocked in accordance with OFAC regulations have a mandatory annual reporting requirement on that blocked property. That report, of all blocked property held as of **June 30 is due by September 30** of each year.

To read more about this requirement, **check out the OFAC topic** in the Bank Secrecy Act channel today!

Compliance and Advocacy News & Highlights

CFPB to Extend Comment Period for Notice of Proposed Rulemaking on New Category of Qualified Mortgages

The Consumer Financial Protection Bureau (Bureau) is [extending the comment period](#) on its notice of proposed rulemaking (NPRM) to create a new category of seasoned qualified mortgages (Seasoned QMs) by three days, from September 28, 2020 to October 1, 2020 in order to accommodate for the Yom Kippur Jewish holiday.

On August 18, 2020, the Bureau issued a [press release](#) announcing the NPRM to create Seasoned QMs as a way to encourage innovation and help ensure access to responsible, affordable credit in the mortgage market.

Source: CFPB

FEMA suspends communities in AK, AZ, IA and WA

FEMA published [\[85 FR 58294\]](#) in a recent Federal Register a notice that it was suspending, as of September 18, communities in Alaska, Arizona, Iowa and Washington from the National Flood

Insurance Program for noncompliance with the floodplain management requirements of the program.

- Alaska: Fairbanks Northstar Borough and the City and Borough of Juneau
- Arizona: Goodyear
- Iowa: Harpers Ferry, Lansing, Postville, Waterville, and unincorporated areas of Allamakee County
- Washington: Chehalis Reservation, Elma, Montesano, Oakville, and unincorporated areas of Grays Harbor County

Source: FEMA

FATF AML and Terrorist Financing report

The Financial Action Task Force (FATF) has released a report, [Virtual Assets – Red Flag Indicators of Money Laundering and Terrorist Financing](#), to help national authorities detect whether virtual assets are being used for criminal activity. Based on more than 100 case studies collected by members of the FATF Global Network, it highlights the most important red flag indicators that could suggest criminal behavior. Key indicators in this report focus on:

- Technological features that increase anonymity, such as the use of peer-to-peer exchanges websites, mixing or tumbling services or anonymity-enhanced cryptocurrencies
- Geographical risks – criminals can exploit countries with weak, or absent, national measures for virtual assets
- Transaction patterns that are irregular, unusual or uncommon, which can suggest criminal activity
- Transaction size – if the amount and frequency has no logical business explanation
- Sender or recipient profiles – unusual behavior can suggest criminal activity
- Source of funds or wealth, which can relate to criminal activity

Source: FATF

CFPB Settles with Auto Lender for Unfair Loss Damage Waiver Practices

The Consumer Financial Protection Bureau (Bureau) settled with Lobel Financial Corporation, an auto-loan servicer based in Anaheim, California. The Bureau found that Lobel engaged in unfair practices with respect to its Loss Damage Waiver (LDW) product, in violation of the Consumer Financial Protection Act (CFPA).

When a borrower has insufficient insurance, rather than force-placing collateral-protection insurance, Lobel places the LDW product, which is not itself insurance, on borrower accounts and charges a monthly premium of approximately \$70 for the LDW coverage. The LDW product

provides that Lobel will pay for the cost of covered repairs and, in the event of a total vehicle loss, cancel the borrower's debt.

The Bureau found that Lobel continued to bill certain consumers for LDW coverage but then failed to provide it and assessed fees from consumers that they were not obligated to pay. The order requires Lobel to pay \$1,345,224 in consumer redress to approximately 4,000 harmed consumers and a \$100,000 civil money penalty. The order also prohibits Lobel from failing to provide consumers with LDW coverage or similar products or services for which it has charged consumers or from charging consumers fees that are not authorized by its LDW contracts.

Lobel's LDW agreement, which all Lobel borrowers must sign, specifies that if at any time the borrower fails to maintain car insurance subject to certain specifications, Lobel will add LDW coverage to the consumer's account and impose a monthly charge. If a borrower becomes ten or more days delinquent on an auto loan with LDW coverage, Lobel may stop the LDW coverage. The Bureau's investigation found that, since 2012, Lobel charged customers LDW premiums after they had become ten-days delinquent on their auto loans but did not provide them with LDW coverage. When these customers needed repairs or experienced total vehicle losses, Lobel denied their claims. This practice was unfair under the CFPB because consumers were charged for a service that they did not receive.

The Bureau also found that Lobel charged some customers LDW-related fees that Lobel had not disclosed in its LDW contract. This practice was also unfair under the CFPB.

Source: CFPB

Recent NCUA News

The NCUA board passed a final real estate appraisals rule, approved an exemption from the Bank Secrecy Act's Customer Identification Program and heard a briefing on the new MERIT Examination system at a recent meeting.

The [appraisals final rule](#) adopts the interim final rule approved by the board in June without change. It defers the requirement to obtain an appraisal or written estimate of market value for up to 120 days following the closing of certain residential and commercial real estate transactions, excluding transactions for acquisition, development, and construction of real estate.

It will be effective as soon as it is published in the Federal Register and remain in effect through Dec. 31.

CIP Exemption

The board also authorized [an order](#) granting an exemption from the BSA CIP requirements for certain loans to facilitate purchases of property and casualty insurance policies. This is a joint order together with the other federal financial regulators expanding a related order issued in September 2018.

MERIT scheduled for 2021 rollout

The [briefing on the MERIT](#), Modern Examination and Risk Identification Tool, demonstrated several benefits, including providing users the ability to:

- Securely transfer documents to an examiner;
- Securely access and download examination reports;
- Provide status updates on findings; and
- Request due date changes.

The second release of MERIT was deployed to pilot users in July, but wider rollout was postponed due to the pandemic. Instead, NCUA began an expanded pilot this month with over 100 additional NCUA and state supervisory agency users and 17 credit unions to gain additional feedback.

Source: NCUA

Articles of Interest

- [Top U.S. Credit Union Regulator Calls Financial Inclusion the “Civil Rights Issue of Our Time”](#)
- [OCC Announces Settlements with Three Former Senior Wells Fargo Bank Executives](#)

CUNA's Advocacy Resources:

- [This week in Washington](#)
- [CUNA Advocacy Issues - COVID-19](#)

WOCCU Advocacy Resources:

- [Telegraph](#)
- [Advocate Blog](#)

Compliance Calendar

- October 12th, 2020: Columbus Day - Federal Holiday
- October 20th, 2020: **Payday Lending, Vehicle Title, and Certain High-Cost Installment Loans (CFPB)**
- October 25th, 2020: **5300 Call Report Due to NCUA**
- November 11th, 2020: Veterans Day - Federal Holiday
- November 26th, 2020: Thanksgiving Day - Federal Holiday