Consumer Compliance
Topics for Community Banks

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Community Bank Challenge

- Past 24 months has seen unprecedented volume in new compliance rules
  - Fallout from subprime - community banks not “bad guys”
- Focus on UDAP
  - HOEPA, Credit Cards, Overdraft Protection
  - Need this protection in Originate/Distribute Model
- Community Banks – Customer is Key!
  - Many of the new rules may seem obvious – induce a focus on consumer
- The Fed needs to provide a universal regulatory model
Significant efforts to develop clear and well–organized disclosures
  ◦ Allows the consumer to better make a sound financial decision
  ◦ Increased use of focus groups and consumer testing to ensure disclosures work. (i.e. new credit card disclosures)
Where disclosures are ineffective – practices banned or restricted
  ◦ Double cycle billing - credit cards
  ◦ HOEPA - Higher Priced Mortgage Loans – No collateral based lending, prepayment penalties prohibited in most circumstances
Even a PSA – Mortgage foreclosure rescue scams
  ◦ 30 second spot at movie theaters in 18 markets
Non-Bank Regulation

- CA 09-8 - risk-focused consumer compliance supervision of nonbank subs in BHCs /FBOs
- Still shaking out some of the details
  - Risk Assessments by YE 2009 (for large banks) and Q1 2010 (for CBOs)
  - Supervisory Plans – 2010
  - Also covers consumer complaint investigation
- Rating issued - Strong, Satisfactory, Fair, Marginal, or Unsatisfactory -
  - Results directed to Non-bank management and BHC management
  - Rolled up into annual Compliance Risk Management