

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

Emphasis on *Consumer*

- ▶ 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



Questions??