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INTRODUCTION TO CONSUMER COMPLIANCE EXAMINATIONS (CA I)

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Federal Reserve Board

Course Description  
for CA I

Course Catalog Detail

11/09/2010

## INTRODUCTION TO CONSUMER COMPLIANCE EXAMINATIONS (CA I)

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### *Type of Participant Targeted*

Introduction to Consumer Compliance Examinations (CA I) is designed for Federal Reserve System consumer compliance examiners with at least three, but ideally no more than six months of examination experience. The course may also benefit other System professionals who work with consumer laws and regulations. *All assistant examiners involved in the consumer affairs specialty must complete this course before being commissioned.*

### *Prerequisites*

Before the course, participants should have:

- Completed the Examiner Orientation Program
- Participated in at least two consumer compliance examinations (participant would particularly benefit from assignments affording some exposure to Regulations B, C, D, E, Q, Z, CC and DD)
- Proficiency with the calculator issued by Reserve District.
- Proficiency with the **OCC's APR and APY calculation software programs**. These microcomputer programs should be loaded on their laptop computer or on a disk. Participants must have the most current version of both programs on their laptops, as the most up-to-date version will be used exclusively in the class. **Specifically, students must be equipped with APYWIN version 2.1, and APRWIN version 6.2.**
- Completed three written precourse assignments that take *approximately one hour*.
- Completed the "Examination Process" computer-based training module that will take *approximately four hours*.
- Completed the following Compliance Coach (CC) online training modules:
  - Fair Credit Reporting Act for Lenders – Version 2.0 (*70 minutes*)
  - Electronic Fund Transfer Act – Account Opening/Disclosures – Version 2.0 (*40 minutes*)
  - Electronic Fund Transfer – Error Resolution (*20 minutes*)
  - Expedited Funds Availability Act (Reg. CC): Part I- Funds Availability- Version 3.0 (*40 minutes*)
  - GLBA Information Security (*20 minutes*)
  - GLBA Privacy Notice (*20minutes*)

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- Truth in Savings Act (Regulation DD)- Version 3.0 (*45 minutes*)
- Lending to Servicemembers (*30 minutes*)

*These time estimates are from CC. Your actual time to complete a module may vary.*

### ***Course Overview***

CA I provides assistant examiners with an opportunity to focus on the consumer laws and regulations that govern deposit operations and non-real estate lending. The course emphasizes the knowledge and practical application of consumer compliance laws, examination techniques, and examination procedures.

At the end of each week, an open-book self-comprehension check will be given. Participant scores will not be shared with their Reserve Bank supervisor. However, these same subject matter areas may be contained in the Second Proficiency Examination, so the results may highlight target areas for self study prior to the exam. Homework may be necessary to complete unfinished in-class exercises and case study activities.

### ***Course Objectives***

After completing this nine day course, the participant, at a minimum, will be able to complete the following objectives:

- Discuss and apply concepts of risk-focused supervision
- Describe relevant consumer compliance laws and regulations.
- Apply System policies and procedures to assess compliance with consumer laws and regulations related to deposit and non-real estate lending operations
- Document and cite violations of consumer compliance regulations and statutes in accordance with System risk-focused guidelines
- Support examination findings using relevant workpapers
- Use the Federal Regulatory Service and other available System resources

### ***Post-Course Intervention***

After completing CA I, participants should be given on-the-job assignments that allow application of the concepts and competencies covered in the class. On-the-job assignments include assisting in an examination focusing on:

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- Regulation C (Home Mortgage Disclosure Act) and HMDA Loan Application Review (LAR) analysis.
- Regulations D, E, Q, CC, and DD.
- Fair Debt Collection Practices Act and the Right to Financial Privacy Act.
- Applicable portions of Regulations B, Z, the Fair Credit Reporting Act, and non-real estate related provisions.

***Overview of CA I Curriculum***

<b>Subject</b>	<b>Approximate Class Hours</b>	<b>Homework Hours</b>
Course Overview and Activities	1.25	--
Role of the Compliance Examiner	.50	1
Risk-Focus Examination Process	1.50	--
Regulations D & Q, RTFPA	3.00	--
Regulation DD	4.00	--
Regulation CC	3.00	--
Regulation E	1.00	--
Information Security Regulations	1.50	--
Regulation B – Technical Overview	3.75	--
HMDA/CRA Data Verification	3.00	--
Regulations M, AA, FDCP Act	1.00	--
Closed-end Regulation Z	11.00	-
Open-end Credit Topics	6.00	--
Credit Advertising	1.25	--
Operations Case Study Activities	8.00	--
Lending Case Study Activities	8.00	--
<b>Total</b>	<b>57.75</b>	<b>--</b>

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<sup>1</sup> Homework for this course consists of daily unfinished in-class and case study exercises.

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### *Learning Objectives*

*After completing each subject area, the participant, at a minimum, will be able to demonstrate the following skills and knowledge.*

#### Course Introduction

- Discuss and apply concepts of risk-focused supervision
- Describe relevant consumer compliance laws and regulations
- Apply System policies and procedures to assess compliance with consumer laws and regulations related to deposit and non-real estate lending operations
- Document and cite violations of consumer compliance regulations and statutes in accordance with System risk-focused guidelines
- Document and support examination findings using relevant workpapers
- Apply the Federal Regulatory Service and other available resources

#### Examination Process

- Explain the background and purpose of the risk-focused examination procedures
- Identify the elements of risk management
- Discuss differences between internal control and internal audit
- Describe the function of the Consumer Compliance Risk Assessment Summary Matrix and Consumer Compliance Institutional Profile
- Discuss differences between Continuous Supervision and Point-in-Time Supervision Programs
- Identify components of the Risk-Focused Consumer Compliance Supervision Program

#### Regulations D&Q and the Right to Financial Privacy Act

- Evaluate a bank's compliance with:
  - Account definitions,
  - Eligibility requirements,
  - Transaction limitations
- Discuss Regulation Q definitions
- Calculate certificate of deposit early withdrawal penalties
- Determine accuracy of penalties assessed by financial institutions
- Determine eligibility for NOW accounts
- Evaluate a bank's monitoring methods for excessive transactions for MMDA and savings accounts
- Discuss the Right to Financial Privacy Act requirements and examination procedures

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- Identify compliance management weaknesses and provide recommendations for improvements

### Regulation DD

- Identify the basic requirements of Regulation DD
- Review an initial Truth in Savings disclosure for compliance
- Verify annual percentage yield and interest calculations on different types of accounts
- Review the following for compliance with Regulation DD: periodic statements, schedule of account rates and yields, certificate of deposit renewal notice, and deposit advertisements
- Identify compliance management weaknesses in this area and provide recommendations for improvements.

### Regulation CC

- Identify the timing rules for the availability of all types of deposit accounts
- Distinguish between local and non-local checks
- Review exception holds and case-by-case holds for compliance with Regulation CC
- Review and assess a bank's availability policy
- Verify that disclosure notices contain all information required by the regulation
- Identify compliance management weaknesses in this area and provide recommendations for improvements

### Regulation E

- Identify the regulatory requirements of Regulation E
- Review and evaluate a bank's initial disclosure
- Review and evaluate a bank's ATM receipts
- Review and evaluate a periodic statement
- Recognize an electronic funds transfer (EFT) error
- Review and evaluate a sample of transactions from a bank's Error Resolution Log
- Describe the limitations on consumer liability

### Regulation P

- Review the coverage, delivery and opt out notice requirements; limitations on disclosure of customer information; and exceptions under the regulation
- Differentiate between a consumer and a customer
- Verify information sharing limitations of the regulation
- Assess the effectiveness of a bank's privacy program

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### FCRA/FACTA and Regulation V

- Determine if any violations represent deficiencies in the financial institution's compliance management program.
- Assess the effectiveness of a bank's procedures under the FCRA
- Evaluate a bank's practices and procedures for compliance with respect to:
  - Accessing credit bureau reports
  - Obtaining and sharing information from a credit bureau report
  - Using medical information
  - Using prescreened consumer reports and opt-out methods
  - Truncating account numbers
  - Disclosing credit scores by mortgage lenders
  - Providing required information in adverse action notices
  - Using fraud and active duty alerts appropriately
  - Providing required notices to consumers regarding furnishing of negative information to consumer reporting agencies
  - Establishing and implementing an Identity Theft Prevention Program
  - Using consumer information obtained from an affiliate to make marketing solicitations and related opt-out requirements

### Regulation B

- Review joint spousal loan information on consumer credit reports
- Review adverse action notices for compliance with timing and content
- Identify compliance management weaknesses in this area and provide recommendations for improvements.

### HMDA and CRA Verification Data

- Define covered institutions and types of loans covered under HMDA
- Review information provided on a bank's LAR
- Review examination scope, objectives, and procedures
- Review enforcement actions
- Identify compliance management weaknesses in this area and provide recommendations for improvements

### Regulations AA, M, and the Fair Debt Collection Act

- Determine if the bank is participating in any credit practices that are believed to be unfair or deceptive
- Distinguish between co-signer and co-borrower
- Verify that the bank is not participating in the pyramiding of late charges
- Describe the purpose of Regulation M

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- Describe the purpose of the Fair Debt Collections Practices Act

### Regulation Z – Closed-end Non-Real Estate Loans

- Discuss the requirements of Regulation Z related to consumer closed-end non-real estate loans
- Recognize what fees and charges associated with closed-end non-real estate loans are considered finance charges
- Determine the accuracy of the disclosed Amount Financed, Finance Charge, Total Payments, and APR
- Recognize other disclosure violations and inaccuracies
- Review consumer closed-end non-real estate loans.
- Identify and articulate in writing compliance violations and/or compliance program deficiencies related to this product

### Regulation Z – Open-end

#### *Initial and Supplemental Disclosures*

- Review the required format, timing and content of the initial disclosure statement
- Review the content and timing of disclosures for supplemental credit devices or additional credit features
- Discuss what events trigger a change in terms notice
- Describe when and how a change in terms notice must be provided

#### *Periodic Statements*

- Verify finance charges, APRs, and balances on which finance charges are computed are disclosed accurately
- Identify that opening and closing account balances are disclosed correctly
- Identify that "other charges" are disclosed properly
- Identify that all transactions have been identified adequately
- Verify that required dates have been disclosed
- Verify that the statement includes the address for billing error notices
- Verify that a bank sends periodic statements in a timely manner

#### *Billing Error Resolutions*

- Identify what constitutes a billing error
- Review the bank's obligations for resolving billing errors
- Determine if the bank complies with the subsequent disclosure requirements for billing error resolution notices



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### *Credit and Charge Card Disclosures*

- Apply procedures for applications and solicitations
- Apply procedures for credit card renewals
- Apply procedures for changes in insurance providers

### *Special Rules for Open-End Credit*

- Describe how payments must be credited to the consumer's account
- Discuss what the bank must do if the consumer's account has a credit balance
- Describe special rules applicable to credit cards, including card issuance
- Describe consumer liability in the event of an unauthorized use of a credit card
- Describe claims and defenses the consumer may raise against the bank for disputes the consumer has with the merchant
- Determine if the bank complies with sections 226.10-12 and 226.21 of Regulation Z

### Credit Advertising

- Identify an advertisement under Regulation Z
- Review general rules for advertising of credit terms
- Identify the differences between closed-end and open-end credit and respective triggering terms
- Review fair housing advertising and poster requirements
- Identify compliance management weaknesses in this area and provide recommendations for improvements

### *Class Size*

The optimal class size for CA I is 20 participants. To provide sufficient variety of interaction among class participants, the minimum class size is 10 participants. Because CA I incorporates in-class exercises and case studies, sufficient instructors are needed to assist individuals and small groups. Accordingly, to ensure a manageable instructor workload and maintain a reasonable participant-to-instructor ratio, a maximum class size is 25 participants.

### *Instructors*

CA I includes one Lead Instructor and four additional instructors with consumer compliance examination experience. Other instructors may include Board staff that has expertise in specific topics.