

Consumer Compliance Handbook

Division of Consumer and Community Affairs



Inquiries or comments relating to the contents of this manual should be addressed to:

Manager, Reserve Bank Oversight and Policy
Division of Consumer and Community Affairs
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

To obtain copies of this handbook, contact Publications Fulfillment at:

Publications Fulfillment
Mail Stop N-127
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

202-452-3244

publications-bog@frb.gov

The Board makes semiannual updates to the handbook. The updates are made available free of charge online at www.federalreserve.gov/boarddocs/supmanual.

About this Handbook

Since the late 1960s, Congress has enacted a number of consumer protection and civil rights laws directly related to the activities of financial institutions. Most transactions involving consumers and financial institutions are covered by these laws. In 2010, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which established a new regulator, the Consumer Financial Protection Bureau (CFPB). Under the Dodd-Frank Act, the CFPB has authority to examine insured depository institutions and insured credit unions with consolidated assets of more than \$10 billion and their affiliates, to assess compliance with the requirements of 18 enumerated federal consumer financial laws, and to assess risks to consumers and financial markets from consumer financial products and services.

The Federal Reserve retains supervisory responsibility for: 1) state member banks with consolidated assets of more than \$10 billion for their compliance with consumer protection laws not specifically transferred to the CFPB, and 2) state member banks with consolidated assets of \$10 billion or less for their compliance with all consumer protection laws. The Federal Reserve also retains responsibility for conducting Community Reinvestment Act (CRA) examinations for state member banks, regardless of asset size. In addition, the Federal Reserve remains the consolidated supervisor for all bank holding companies and has taken on additional supervisory responsibility as the dedicated supervisor for savings and loan holding companies.

Oversight is assigned to the Board's Division of Consumer and Community Affairs (DCCA); direct supervision of institutions is largely the responsibility of the Federal Reserve Banks, operating under delegated authority. Specially trained consumer compliance examination staff help carry out the Board's consumer compliance supervision program.

Intended Use

This *Consumer Compliance Handbook* provides Federal Reserve examiners (and other System compliance personnel) with background on the consumer compliance regulations and statutes covered by the Board's consumer compliance supervision program and guidelines for conducting consumer compliance examinations. Others in the compliance profession may also find it useful.

The *Handbook* describes each regulation (or, if no regulation exists, the statute) and, for most of the regulations, provides examination objectives, examination procedures, and a detailed examination checklist. Although most of the regulations are discussed in some detail, the discussions are not intended as a substitute for the regulation (or the statute). For complete information, examiners should refer to the regulation itself, as well as the statute, official interpretations, and any related CA Letters issued by the Division of Consumer and Community Affairs.

The *Handbook* primarily concerns examinations of state member banks, but it also covers supervisory activities related to foreign banking offices. For simplicity, most discussions refer to "state member banks" (or just "banks"), even when they may apply to foreign banking offices.

Contents

The first part of the *Handbook* covers aspects of the examination process in general; the remaining parts focus on individual regulations (or, in some cases, individual statutes):

- I. Risk-focused consumer compliance supervision
- II. Deposit-related regulations and statutes
- III. Credit-related regulations and statutes
- IV. Other regulations, rules, policies, and statutes
- V. Federal fair lending regulations and statutes
- VI. Community Reinvestment Act

Relationship to FFIEC-Issued Material

The *Handbook* has been prepared specifically for Federal Reserve examiners. Some of the chapters concerning regulations or statutes for which the FFIEC has issued supervisory materials are adapted from FFIEC documents. The differences between the *Handbook* and FFIEC materials are not substantive and primarily involve formatting or other minor changes to increase consistency among individual *Handbook* chapters.

Updates

Informal updates will be provided to System staff through CA Letters, conference calls, and other means of internal communication, as circum-

stances dictate. Formal updates will be distributed at least annually.

Questions

Questions and comments about this *Handbook* should be directed to the Manager, Reserve Bank

Oversight, Division of Consumer and Community Affairs.

An electronic version of this printed handbook is available on the Board's web site, at www.federalreserve.gov/boarddocs/SupManual/default.htm.

Consumer Compliance Handbook

Contents

About this Handbook

I. Community Bank Risk-Focused Consumer Compliance Supervision Program

II. Deposit-Related Regulations and Statutes

Regulation E (Electronic Fund Transfers)

Regulations Q and D (Interest on Demand Deposits/Reserve Requirements)

Regulation CC (Availability of Funds and Collection of Checks)

Regulation DD (Truth in Savings)

Garnishment of Accounts

III. Credit-Related Regulations and Statutes

Regulation C (Home Mortgage Disclosure)

Regulation H (Flood Insurance)

Fair Credit Reporting

Regulation Z (Truth in Lending)

Fair Debt Collection Practices Act

Homeowners Protection Act

Homeownership Counseling

Real Estate Settlement Procedures Act

Special Provisions for Service Members (Talent Amendment)

Servicemembers Civil Relief Act

IV. Other Regulations, Rules, Policies, and Statutes

Regulation G (Disclosure and Reporting of CRA-Related Agreements: CRA Sunshine Requirements)

Regulation H (Section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act)

Regulation M (Consumer Leasing)

Regulation P (Privacy of Consumer Financial Information)

Regulation AA (Unfair or Deceptive Acts or Practices: Credit Practices Rule)

Federal Trade Commission Act (Section 5)

Branch Closings

Children’s Online Privacy Protection Act

Right to Financial Privacy Act

Protecting Tenants at Foreclosure

V. Federal Fair Lending Regulations and Statutes

Overview

Regulation B (Equal Credit Opportunity)

Fair Housing Act

Examination procedures

Appendix

Alternative Examination Approach for Low-Risk Banks

VI. Community Reinvestment Act

Regulation BB (Community Reinvestment)

Small Institutions

Intermediate Small Institutions

Large Institutions

Institutions with Strategic Plans

Wholesale or Limited-Purpose Institutions

Supplementary Guidance