



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

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ERIC S. BELSKY
DIRECTOR
DIVISION OF CONSUMER
AND COMMUNITY AFFAIRS

CA 15-5

September 17, 2015

**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS
SECTIONS:**

Applicability to Community Banking Organizations: This guidance applies to institutions supervised by the Federal Reserve with total consolidated assets of \$10 billion or less that are not affiliates of insured depository institutions with total assets of more than \$10 billion.

**SUBJECT: Transfer of SAFE Act Supervisory Responsibilities and Publication of
SAFE Act Examination Procedures**

As of October 1, 2015, responsibility for examining Federal Reserve-supervised institutions for compliance with the Consumer Financial Protection Bureau's (Bureau) rule¹ implementing the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act)² will transfer from safety-and-soundness examiners to consumer compliance examiners. This transfer is intended to better align System supervisory responsibilities within the appropriate line of business. This transfer will not impose new requirements on supervised institutions.

Consumer compliance examiners will employ the principles contained in the Community Bank Risk-Focused Consumer Compliance Supervision Program to determine if they should include a review of SAFE Act compliance in an examination. If SAFE Act compliance is included in the examination scope, examiners will use the same

¹ See 12 C.F.R. 1007 (Regulation G); 76 *Fed. Reg.* 78483 (December 19, 2011). The Bureau's *Federal Register* notice may be found at <http://www.gpo.gov/fdsys/pkg/FR-2011-12-19/pdf/2011-31730.pdf>.

² See 12 USC 5101-5116, Title V of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289, 122 Stat. 2654, 12 USC 5101 et seq.) as amended by Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203, 124 Stat. 1376) (Dodd-Frank Act).

examination procedures previously used by safety-and-soundness examiners to conduct SAFE Act reviews. The examination procedures, which are attached to this letter, were developed and issued on an interagency basis by the Federal Financial Institutions Examination Council (FFIEC) member agencies³ in March 2012 to assist supervisory staff in reviewing supervised institutions' compliance with federal mortgage loan originator (MLO) registration requirements under the SAFE Act.

The SAFE Act rule requires covered entities to adopt written policies and procedures to ensure that their MLO employees are registered and that their registration information, as reflected in the institution's records, is accurate. These policies and procedures should be appropriate to the nature, size, complexity, and scope of residential mortgage lending activities of each institution. Additionally, the SAFE Act rule requires covered entities to conduct independent testing, at least annually, to review compliance with the rule. Such independent compliance testing may be conducted by an institution's internal audit function, compliance (or similar function), or an outside party.

When SAFE Act compliance is included in an examination's scope, the examination procedures will assist Federal Reserve consumer compliance examiners in reviewing the required policies and procedures and independent compliance testing. Based on this review, Federal Reserve examiners will determine whether there are any violations of the SAFE Act rule or significant deficiencies identified by the independent compliance testing that need to be corrected.

Reserve Banks are asked to distribute this letter to supervised institutions in their districts, consumer compliance examiners, and other appropriate supervisory staff. Questions regarding this letter should be directed to Tim Robertson, Manager, at (202) 452-2565 (operational questions), or Amal Patel, Senior Supervisory Consumer Financial Services Analyst, at (202) 912-7879 (general questions). In addition, institutions may send questions via the Board's public website.⁴

Sincerely,

Attachments:

- SAFE Act General Overview
- SAFE Act Examination Procedures for Depository Institutions

³ The Board, the Bureau, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency. The Chair of the State Liaison Committee is also a voting member of the FFIEC.

⁴ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>