

HOW TO PREPARE FOR A REGULATOR EXAM

This may be the most important update you will ever read about the CFPB and their current Exam strategy.

Recently we obtained specific information about the CFPB's current Exam Procedures. The information is credible and shows with great clarity what the CFPB expects to accomplish in an exam. It shows how the CFPB has asked the states to incorporate their procedures into state audits.

The CFPB has also created an Exam Rating System and asked the states to adopt it. We have been seeing this rating system in use for six months in certain states. It is probably coming to your neighborhood soon.

There are **three principles** guiding the Exam supervisory process:

- Focus on consumers and protecting them from risk
- Data driven to include closed, denied, and withdrawn transactions
- Consistency in your application of your Compliance Program

Exams are guided by Risk Assessment. **Every examination must include a review of compliance management, any potential unfair, deceptive, or abusive practices (“UDAAP”), and regulatory compliance matters presenting risks to consumers.** There will also be an examiner review for discrimination.”

The Exams will validate how a supervised entity:

- Established its compliance responsibilities, executive assignments, corporate approval
- How it communicates those responsibilities to employees
- How it conducts and documents its required formal training especially related to AML, GLB, and Fair Lending
- How it ensures that responsibilities for meeting legal requirements and internal policies are incorporated into all business processes

- How it reviews its operations to ensure responsibilities are carried out and legal requirements are met
- How it takes corrective action; updates tools, systems, materials as necessary
- How it utilizes outside counsel to supervise and validate compliance program

A successful Compliance Program will have certain components.

- There will be Board and Management oversight regardless of the size of the entity
- The Compliance program will be formal and preferably not a canned “off the shelf” incomplete collection of policies
- There must be a good response procedure to consumer complaints
- Compliance audits should be performed periodically to detect weaknesses or non-compliance
- Vendor relationships MUST be managed.

The FFIEC (therefor, the CFPB) **Broker/Lender Rating System** is:

1. Entity in a strong compliance position
2. Entity in a generally strong compliance position
3. Entity in a less than satisfactory compliance position
4. Entity requires close supervisory attention and monitoring to promptly correct the serious compliance problems disclosed
5. Entity in need of the strongest supervisory attention and monitoring

To be in a “readiness state” for an Exam,

- Have a rigorous Compliance Management System that is supervised by an experienced, senior compliance officer with actual compliance or legal experience
- Periodically review your policies and procedures for accuracy and completeness and to avoid any potential violations of law
- Constantly review your actual practices to:
 1. Confirm that they are consistent with the policies and procedures and applicable law
 2. Identify any practices that may present risks to consumers
- Have outside counsel available to review your system and practices

By now, you should be clearly seeing this is continuing to be very serious business.

Our programs at Compliance Services were built according to these principles and include attorney oversight and the manuals, materials, and training needed to be in a robust state of readiness.

Contact us at (800) 656-4584 X103 to discuss engaging us.

Very affordable. We have many references. We have evidence of OUR clients who achieved a one or a two on their most recent Exam.

These are the results you need to protect yourself and your business.

Mention this report and receive a \$200 discount off your initial annual fee.

(800) 656-4584 X103