

Table of Contents

Introduction	6	Management Interlocks Act	31
Summary of Banking Laws and Regulations ...	7	National Bank Act	32
Bank Bribery Act	8	Real Estate Settlement Procedures Act	33
Bank Holding Company Act	9	Regulation O: Loans to Insiders	35
Bank Protection Act	10	Sarbanes-Oxley Act	37
Bank Secrecy Act	11	Securities Act of 1933/Securities Exchange Act of 1934	38
Check Clearing Act for the 21st Century ...	12	Servicemembers Civil Relief Act	39
Community Reinvestment Act	13	Truth in Lending Act	40
Consumer Leasing Act	14	Truth in Savings Act	42
Credit Practices Rule	15	Glossary of Compliance Terms	43
Electronic Funds Transfer Act	16	Compliance Calendar	
Equal Credit Opportunity Act	17	Reports Due January – December	49
Expedited Funds Availability Act	18	Reports With No Specific Date	54
Fair Credit Reporting Act	19		
Fair Debt Collection Practices Act	20		
Fair Housing Act	21		
Federal Deposit Insurance Act	22		
Federal Deposit Insurance Corporation Improvement Act of 1991	23		
Federal Reserve Act	24		
Financial Institutions Reform, Recovery and Enforcement Act of 1989	25		
Financial Institutions Regulatory and Interest Rate Control Act of 1978 ..	26		
Flood Disaster Protection Act	27		
Gramm-Leach-Bliley Act of 1999	28		
Home Mortgage Disclosure Act	29		
Internal Revenue Code Information Reporting Requirements	30		

Table of Contents (Regulations Only)

Regulation	Legislative Source	Page
AA (FTC)	Credit Practices Rule	15
B	Equal Credit Opportunity Act	17
BB	Community Reinvestment Act	13
C	Home Mortgage Disclosure Act	29
CC	Expedited Funds Availability Act	18
D	Federal Reserve Act	24
DD	Truth in Savings Act	42
E	Electronic Funds Transfer Act	16
G	Securities Exchange Act of 1934	38
H	Bank Protection Act	10
L	Management Interlocks Act	31
M	Consumer Leasing Act	14
O	Loans to Insiders	35
Q	Federal Reserve Act	24
R	Gramm-Leach-Bliley Act of 1999	28
T	Securities Exchange Act of 1934	38
U	Securities Exchange Act of 1934	38
V	Fair Credit Reporting Act	19
W	Federal Reserve Act	24
X (HUD)	Real Estate Settlement Procedures Act	33
X (FRB)	Securities Exchange Act of 1934	38
Y	Bank Holding Company Act	9
Z	Truth in Lending Act	40

Bank Secrecy Act

A Brief History

Congress passed the Bank Secrecy Act in 1970. In 1986, the Money Laundering Control Act was passed, marking the first time that disguising the source of illegally obtained money was a federal crime. In 1992, Congress passed the Annunzio-Wylie Anti-Money Laundering Act, giving regulators the authority to close institutions for criminal violations of the Bank Secrecy Act. Congress enacted the USA PATRIOT Act on October 26, 2001, that places into law a number of Bank Secrecy-related exam requirements already followed by depository institutions, such as due diligence for private banking and correspondent bank relationships, as well as formalizing the account opening process.

What Is the Purpose?

The Bank Secrecy Act (BSA) and related laws are intended to help detect, report, and deter white-collar crime, particularly money laundering—and more recently terrorism financing—by furnishing law enforcement agencies with reports of suspicious activities and large currency transactions. These reporting requirements provide the federal government with a paper trail by which law enforcement agencies can track and investigate financial crime.

More Detail

Banks must have Board-approved written BSA compliance programs that include internal controls, a designated BSA Officer, employee training and independent testing. In addition compliance requires a Customer Identification Program that enables the bank to reach a reasonable conclusion about the identity of its customer.

The Act and the implementing regulations issued by the Treasury Department require banks to keep detailed records or report certain transactions, including:

- large currency transactions involving more than \$10,000, including deposits, withdrawals, loan payments, cash exchanges, etc.
- certain wire transfers over \$3,000.
- the import or export of currency in the amount of \$10,000 or more either into or out of the United States (in limited situations).
- the purchasing of monetary instruments over \$3,000.

The bank can exempt some customers from the reporting requirements on large currency transactions, primarily customers listed on major stock exchanges and selected retail establishments that engage in so-called eligible business. Banks must monitor exempt customers carefully and may be fined for granting exemptions negligently.

With the USA PATRIOT Act, bank responsibilities have expanded. These now include searching of accounts for individuals suspected of terrorist financing from lists sent by the Treasury Department. In addition, banks are responsible for enhanced due diligence of customers who are senior political figures, non-U.S. persons engaged in private banking and foreign correspondent banking relationships.

Federal Deposit Insurance Act

A Brief History

As a response to the many bank failures and the loss of deposits in the Great Depression, Congress created the Federal Deposit Insurance Corporation in 1933.

In 1950, Congress consolidated the powers and responsibility of the FDIC in the Federal Deposit Insurance Act.

What Is the Purpose?

The major purpose for establishing the FDIC was to protect small depositors, maintain stability in the banking industry and lessen the impact of deep depressions by providing government insurance for deposits (up to a certain level) in banks that met FDIC standards. Subsequent amendments by such laws as the FDIC Improvement Act of 1991 and the Financial Institutions Reform, Recovery and Improvement Act of 1989 have added a number of supervisory and regulatory requirements to insured depository institutions.

More Detail

As a general rule, the FDIC insures deposits up to a limit of \$100,000 per depositor per insured bank. Accounts that are held in different categories of ownership are provided separate insurance coverage. In addition, certain retirement accounts are insured to \$250,000. Beginning in April 2010, and every five years thereafter, the deposit insurance limits will be indexed for inflation, subject to approval by the FDIC. The limit was originally \$2,500.

Historically, the FDIC insured deposits only in commercial and savings banks. Today, however, one deposit insurance fund insures all banks and savings associations in the country. In addition,

the Federal Deposit Insurance Reform Act of 2005 gave the FDIC the authority to create a new risk-based system for calculating the premiums that banks and savings associations pay for federal deposit insurance. The new law also specifies the circumstances under which the FDIC must declare dividends to be paid to depository institutions from the Deposit Insurance Fund.

The FDIC issues regulations that govern the eligibility of an institution to receive deposit insurance. The agency also regulates state banks that are not members of the Federal Reserve System.

The FDIC receives no federal tax dollars. Insured financial institutions fund its operations.

Truth in Lending Act

A Brief History

Truth in Lending was enacted in 1968 as part of the Consumer Credit Protection Act. Congress was concerned that consumers were unable to shop effectively for credit due to the lack of uniformity in credit advertising and disclosures of interest rates and terms. Therefore, with Truth in Lending, all creditors that make 25 or more loans each year are required to give certain uniform disclosures to consumers.

During its first 10 years, Truth in Lending caused great confusion. No model forms were provided in the law, so each lender made up its own disclosure. Consumers were faced with a multitude of different forms when shopping for loans. Lenders also were confused. The Federal Reserve issued several hundred staff interpretation letters to answer questions concerning Regulation Z. Many Truth in Lending lawsuits were filed during this time period.

In 1980, Congress enacted the Truth in Lending Simplification and Reform Act, requiring the Federal Reserve to issue model forms that lenders could use and be protected from civil liability. Since then, Truth in Lending litigation has diminished dramatically. In 1987, uniform disclosures for adjustable rate mortgages were added. Real estate lending and open end credit lines were revised in 1988. The Home Ownership and Equity Protection Act of 1994 (HOEPA) added disclosures and restrictions in connection with reverse mortgages and high cost (high interest or high fee) mortgages. In addition, HOEPA bestowed on the Federal Reserve authority to regulate unfair or abusive practices in the residential mortgage market. In 2005, additional credit card and home equity loan disclosures were included, affecting periodic disclosures, introductory rates on applications, solicitations and promotional materials for credit cards.

The Federal Reserve Board issued Regulation Z (12 CFR 226) to implement Truth in Lending.

What Is the Purpose?

Truth in Lending is intended to provide information to consumers in a manner so that they can adequately compare credit term and rate information. It is also intended to protect consumers from inaccurate and unfair billing and credit card practices, provide consumers with rescission rights, provide for rate caps on certain dwelling-secured loans, and impose limitations on home equity lines of credit and certain closed-end mortgages. It is not intended to state how much interest a lender may charge or whether to grant credit. The act and regulation affect open-end credit, closed-end credit as well as certain mortgage transactions.

Regulation Z requires lenders to disclose information about consumer loan transactions involving amounts under \$25,000. Consumer loans for more than \$25,000 are covered if they are secured by real property or a dwelling. The disclosures are extensive and include the amount financed, the finance charge, the property pledged against the loan if applicable, any filing fees and other required fees associated with the loan, and the interest rate expressed as an annual percentage rate. A lender must provide the initial disclosure statement before the consumer becomes obligated on the loan. Certain loans involving security interests on the borrower's principal residence require additional disclosures at the time of application or within three days of application.

More Detail

Credit card lending and home equity lines of credit require Truth in Lending disclosures at time of application, prior to the first transaction and periodically when transactions occur. Credit card solicitations and applications must contain

Truth in Lending Act (continued)

specific disclosures. Periodic statements and billing rights statements are required periodically, as well as notification if certain terms or conditions change.

Truth in Lending also entitles borrowers to cancel certain transactions up to three business days after the transaction closes, assuming disclosures have been made correctly. Loans secured by the borrower's principal residence, are generally subject to this right of rescission. If disclosures have not been made correctly, the consumer has up to three years to rescind the transaction. Adjustable Rate Mortgages (ARMs), where the rate may change during the term, require a federal handbook and product description at time of application.

In addition, notices are required whenever the rate and payment adjust and the contract must contain a lifetime cap for adjustments. Similarly, certain high cost mortgages, or those that exceed a certain rate or fee threshold, require initial disclosures and contain certain limitations and prohibited features. Reverse Mortgages contain additional requirements not typically found in standard mortgage transactions.

The Truth in Lending Act also contains requirements on what can and cannot be stated in advertisements. Certain terms are considered "trigger terms" because they cause other facts to be stated.

The Federal Reserve continues to amend Regulation Z to address the disclosure requirements for credit card and mortgage practices.

Civil liability under Truth in Lending can include actual damages and statutory damages up to \$2,000 per violation plus attorney's fees. Class action lawsuits can result in damage awards up to \$500,000 or 1 percent of the lender's net worth. Higher penalties apply to certain high cost

mortgages. In the 1980 revision, Congress gave federal agencies the right to order that banks make restitution to borrowers if they underdisclose the annual percentage rate or the finance charge.