

## 10 | Introducing the Consumer Financial Protection Bureau

The creation of the Consumer Financial Protection Bureau will clearly impose new obligations on all providers of financial products and services directed to consumers for personal, family, or household purposes. This article provides a detailed overview of what laws and regulations the bureau will be responsible for and the institutions that it will supervise.

BY KEN BAEBEL, CRP AND JOHN C. SOFFRONOFF, JR.

## 14 | Managing the Risks of Mortgage Partnerships

Mortgage lenders often use many types of business partners to market products and provide services to successfully get mortgage loans closed and funded. Recognizing and managing these risks is an important part of any mortgage compliance program. This article will survey those risks and recommend actions to mitigate them.

BY KATHLYN "LYN" L. FARRELL, CRCM, CAMS, AMLP AND CARL G. PRY, CRCM

## 20 | Vendor Management: The Devil's in the Details

You probably view vendor management in the traditional sense—it's an information technology (IT) or operations function. However, as this article reveals, vendor management and compliance are inextricably related. And, as you will see the devil is in the details.

RICHARD H. HARVEY, JR., ESQ., CRCM, AND SHAWNDRU RUTLEDGE, CRCM

## 30 | Managing UDAP-Related Risks in Uncertain Times

Across the banking industry, numerous lawsuits and investigations remain pending involving unfair or deceptive acts and practices (UDAP). Given the current consumer-focused regulatory environment, we should examine in more detail UDAP regulation.

BY COURTNEY EDEN



**Introducing the Consumer Financial Protection Bureau**

**MORE RED TAPE FOR COMPLIANCE PROS**

BY KEN BAEBEL, CRP AND JOHN C. SOFFRONOFF, JR.

**THE MOST COMPREHENSIVE FINANCIAL REGULATORY LEGISLATION SINCE THE 1930s, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was signed into law on July 21, 2010. The Consumer Financial Protection Bureau (CFPB) is a new federal agency established to enforce consumer financial protection laws and regulations. The new bureau will be completely independent of the Federal Reserve and will have a budget that is separate from the Federal Reserve's. The CFPB will be responsible for enforcing consumer financial protection laws and regulations, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, and the Real Estate Settlement Procedures Act. The CFPB will also be responsible for supervising and examining banks, credit unions, and other financial institutions that provide consumer financial products and services. The CFPB will be the first federal agency to have a primary mission of consumer protection. The CFPB will be a powerful new force in the financial industry, and its creation is a landmark event in the history of consumer protection in the United States.**

**What's Required**

CFPB will be responsible for enforcing consumer financial protection laws and regulations, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, and the Real Estate Settlement Procedures Act. The CFPB will also be responsible for supervising and examining banks, credit unions, and other financial institutions that provide consumer financial products and services. The CFPB will be the first federal agency to have a primary mission of consumer protection. The CFPB will be a powerful new force in the financial industry, and its creation is a landmark event in the history of consumer protection in the United States.



**Managing the Risks of Mortgage Partnerships**

BY KATHLYN "LYN" L. FARRELL, CRCM, CAMS, AMLP AND CARL G. PRY, CRCM

**IT IS OBVIOUS TO ANYONE who's been paying attention that for the last few years the major players in the mortgage lending industry—including brokers, appraisers, and financial institutions—have all taken hits in the markets, with regulations, and with the public. With the collapse of the real estate bubble, lower mortgage loan applications are being generated and the number of mortgage loan loans and their originators has declined. By some estimates, the number of mortgage lenders in the United States is only half of what it was in 2006.**

**The Risks**

As a result of the financial crisis, mortgage lenders are being forced to seek out new ways to generate revenue. This has led to the rise of mortgage partnerships, where lenders partner with other entities to originate and service loans. While these partnerships can provide a source of new business, they also introduce a host of new risks for the lender. This article will survey those risks and recommend actions to mitigate them.

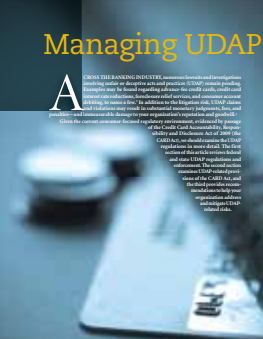


**Vendor Management: The Devil's in the Details**

BY RICHARD H. HARVEY, JR., ESQ., CRCM, AND SHAWNDRU RUTLEDGE, CRCM

**IF YOU'RE A COMPLIANCE OFFICER you no doubt have very little leisure time for reading articles that appear to have little, if any, applicability to the compliance responsibilities you already own. This, of course, is the case with the traditional sense of vendor management—the IT or operations function. However, as this article reveals, vendor management and compliance are inextricably connected. And, as you will see, the devil is in the details.**

**How do we get where we are today? Well, let's start by taking a walk in time. Vendor management first came on the scene as a specific topic of risk around 2000. It started in the IT area and has moved into its own space of the regulatory examination process. It has always been the starting point for vendor management. It truly began with the lay of fear about the Year 2000 (Y2K) problem in software systems. As early as December 17, 1997, statements such as the following were made by the Federal Financial Institutions Examination Council (FFIEC) regarding vendor due diligence:**



**Managing UDAP-Related Risks in Uncertain Times**

BY COURTNEY EDEN

**ACROSS THE BANKING INDUSTRY, numerous lawsuits and investigations remain pending involving unfair or deceptive acts and practices (UDAP). Given the current consumer-focused regulatory environment, we should examine in more detail UDAP regulation.**

**UDAP Regulation and Enforcement**

UDAP regulation is a complex and ever-evolving area of consumer protection. It involves a wide range of laws and regulations, including the Federal Trade Commission Act, the Consumer Financial Protection Act, and various state laws. Enforcement of UDAP regulations is primarily the responsibility of the Federal Trade Commission (FTC) and the Consumer Financial Protection Bureau (CFPB). The FTC has a long history of enforcing UDAP laws, and it has been particularly active in recent years. The CFPB, which was created in 2010, has also been active in enforcing UDAP laws, and it has the authority to bring civil actions on behalf of consumers. The CFPB's enforcement of UDAP laws is a relatively new development, and it is likely to become more prominent in the future.

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