

# Compliance Check Up

December 1, 2024



***Friends,***

Welcome to another edition of the Compliance Check Up, and the final edition of 2024.

Our feature article discusses what may happen, now that we know the results of the 2024 election season. While much of what we expect should be positive for our industry, some uncertainty remains.

Also, in this edition of the Check Up, read up on a new rule FEMA issued regarding flood insurance premiums that everyone should read. We were also informed this month that no new rulemaking efforts will take place until after the inauguration. Various forms of fraud were highlighted by FinCEN and Transunion this month.

Our Enforcement Actions section includes some interesting reads regarding overdraft fees, AML/CFT program deficiencies and a case of embezzlement.

Thank you for subscribing to our newsletter. Please share

this [link](#) with those at your organization or peers who aren't already signed up for the Check Up. If you have any questions or concerns, call us or email your questions to our [Compliance Hotline](#).

Sincerely,

The UBB Compliance Services Team

614-400-2699

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***THE PENDULUM SWINGS: HOW THE ELECTIONS MAY AFFECT COMMUNITY BANKS***

**By: Jeff Thompson, CRCM**

The results of the 2024 elections are in, and there will be a seismic shift inside the Beltway. That shift has already begun at a record pace, will have an effect on our industry, and it remains to be seen if those effects will be for better or for worse. The UBB Compliance Services team attended an ABA webinar three days after the election to get the Association's take on the future of banking under this new regime. This article is based mainly on what we learned at that webinar, and our own understanding of these kinds of pendulum swings we've seen in the course of our careers.

### **Capitol Hill**

As the House of Representatives and the Senate are now both under Republican Control, there will be inevitable leadership changes on key committees that affect our industry and the economy in general. In the House, the changes will not be overly drastic, as the House was already under Republican control, but many House Republicans have been tapped to serve in the administration and some were not re-elected, so changes in the makeup of some committees is certain.

In the Senate, there is a new leadership team, as Senator McConnell opted out of continuing his leadership position, and Senator John Thune of South Dakota has been elected as the new Senate Majority Leader. In addition, many current Republican ranking members for the minority will become the chairs of their committees. Senator Tim Scott is expected to lead the Senate Banking Committee, which should be a positive change for the industry. On the flip side, Senator Elizabeth Warren will likely be the ranking Democrat on that Committee. She will be a staunch supporter of the CFPB in its current structure, while Republicans may attempt to bring the Bureau under the direction of a board, rather than a single Director.

### **Secretary of the Treasury**

Many cabinet postings could have an effect on our industry and our customers, including the Departments of Labor, Agriculture and Commerce. The most consequential nominee for us is Scott Bessent for Secretary of the Treasury. This cabinet position oversees the FDIC, the OCC, FHFA, and FinCEN, not to mention the IRS. Mr. Bessent's background is quite varied. While he has supported Democrats and their policies in the past, he is also a deficit hawk who has embraced many of the concepts President-elect Trump touted on the campaign trail, so it will be interesting to see how he guides the Treasury Department. It will also be telling who he supports for the heads of the various agencies overseeing financial services.

### **Agency Changes**

With a new administration comes inevitable changes in the leadership positions of the prudential regulators, the Bureau, and several other posts affecting our industry. One position that will not change immediately is Jerome Powell's role as Chairman of the Federal Reserve. His term is five years, and he intends to finish it according to reports. The current FDIC Chair, the acting Comptroller of the Currency, and the Director of the CFPB are all expected to submit resignations right before the inauguration. Those three individuals also serve on the FDIC Board of Directors and/or the FFIEC. It is thought that whoever they are, the replacements will be less adversarial to the banking industry than the current agency heads.

### **Rules in Process**

As our readers are aware, there have been several new rules promulgated in DC over the past few years. Many of them are still in the process of legal challenges, and some have not yet become effective. Some are final rules that the new Congress and the White House may move to overturn or repeal. What may or may not happen will depend on each rule's status on January 20, 2025.

Final rules that may be subject to a Congressional overhaul include

CRA, 1071, Credit Card Late Fees, Open Banking (1033), and Bank Merger Guidelines. Rules that are in process that might be delayed, amended, or withdrawn include Basel III, Regulation II (Interchange Fees), Overdrafts, Medical Debt, Mortgage Servicing, FDIC Board Governance, and Brokered Deposits.

### **Other Observations**

Based on their own experience, ABA staff believe a few things may be true with the upcoming administration. It is thought that the SAFER Banking Act (cannabis) will not move through the next Congress, at least in 2025. Beyond that is anyone's guess. Most of the CFPB "guidance" that has been published these past few years may very well disappear with the stroke of a pen, as in his prior Administration President-elect Trump specifically clarified that guidance does not rise to the level of regulation. Litigation will continue over CRA and 1071 unless the rules are changed prior to any decisions.

### **Summary**

Changes are coming, and it is widely thought that the changes could be positive for our national economy, local economies, and our industry. However, those changes will come with their own challenges, and compliance professionals throughout our industry will be tasked with managing those changes, because that is what we do.

#### ***LENDING***

November 1 - FEMA published a final [rule](#) that will allow 12 monthly installment plans for flood insurance premiums, effective December 31, 2024. FEMA [FAQs](#) were also updated.

November 21 – The CFBP published annual adjustments to thresholds under [TILA](#) and [FCRA](#) that will be applicable January 1, 2025.

November 26 – The FHFA [announced](#) conforming loan limits

(CLL) for 2025. In most of the U.S., the CLL value for one-unit properties will be \$806,500, an increase of \$39,950 from 2024.

November 26 - HUD announced the 2025 loan limits for FHA insured forward mortgage loans and FHA insured Home Equity Conversion Mortgages (HECMs) in [ML 2024-21](#) and [ML 2024-22](#).

## **DEPOSITS**

November 11 - The Treasury Department's Bureau of the Fiscal Service [implemented](#) a new payee name validation capability within its *Treasury Check Verification System* application programming interface.

## **AML/CFT & FRAUD**

October 28 – The ABA published a free SAR [guide](#) for combating Elder Financial Exploitation (EFE).

October 29 – FinCEN [extended](#) Beneficial Ownership Information (BOI) reporting deadlines by six months for disaster victims.

November 1 – Transunion released a [report](#) that indicates the percentage of synthetic identities among accounts opened by U.S. lenders for auto loans, bank credit cards, retail credit cards and unsecured personal loans reached an all-time high at the end of the first half of 2024.

November 12 – FinCEN, law enforcement, and financial industry representatives [met](#) to discuss efforts to combat fentanyl trafficking finance.

November 13 – FinCEN [released](#) FIN-2024-Alert004 on fraud schemes involving deepfake media targeting financial institutions. The alert should be noted as *FIN-2024-DEEPFAKEFRAUD* in SARs.

November 21 – FS-ISAC [published](#) *Stop the Scams: A Phishing Prevention Framework for Financial Services*.

November 25 – FinCEN [joined](#) a multi-sector task force dedicated to prevention of fraud and scams.

## ***MISCELLANEOUS***

November 4 – The FDIC [announced](#) list of banks examined for CRA compliance.

November 18 – The FDIC [extended](#) the comment period for the proposed rule to establish new recordkeeping requirements for banks that partner with third-party fintechs to provide deposit products and services. Comments now may be received by January 16, 2025.

November 19 – The FDIC [announced](#) updates to the *Risk Management Manual of Examination Policies*, specifically *Section 22.1 – Examination Documentation Modules*.

November 20 – During an oversight [hearing](#) before the House Financial Services Committee, lawmakers stated they do not anticipate moving forward on any rulemakings until the new administration is in place.

November 21 – The CFPB [finalized](#) the rule to supervise the largest nonbank companies, those with transaction thresholds at 50 million annually, offering digital funds transfer and payment wallet apps.

November 26 – The OCC [released](#) CRA evaluation schedules for Q1 and Q2 of 2025.

November 27 – The OCC [published](#) Bulletin 2024-32 informing of changes to fees and assessment charges for 2025.

November 29 – The FDIC [issued](#) CRA examination schedules for Q1 and Q2 of 2025.



## **ENFORCEMENT ACTIONS**

November 7 – The CFPB is [ordering](#) Navy Federal to refund more than \$80 million to consumers, stop charging illegal overdraft fees, and pay a \$15 million civil penalty to the CFPB's victim relief fund. This is the largest amount the CFPB has ever obtained from a credit union for illegal activity.

November 19 – The Federal reserve [announced](#) enforcement actions, including a cease and desist order against a Kansas bank with less than \$100 million in assets for deficiencies in the AML/CFT program.

November 21 – The OCC [announced](#) enforcement actions for November, including violations related to AML/CFT and more.

November 21 – The Federal Reserve [issued](#) an enforcement action with a former CEO of a Kansas bank who embezzled \$47.1 million of bank funds in a cryptocurrency scheme.

November 29 – The FDIC [announced](#) enforcement actions, including those related to credit administration, succession planning, and flood insurance penalties.

## **About UBB Compliance Services**

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