CALIFORNIA BANKERS ASSOCIATION

California Banker

ISSUE 5 2023

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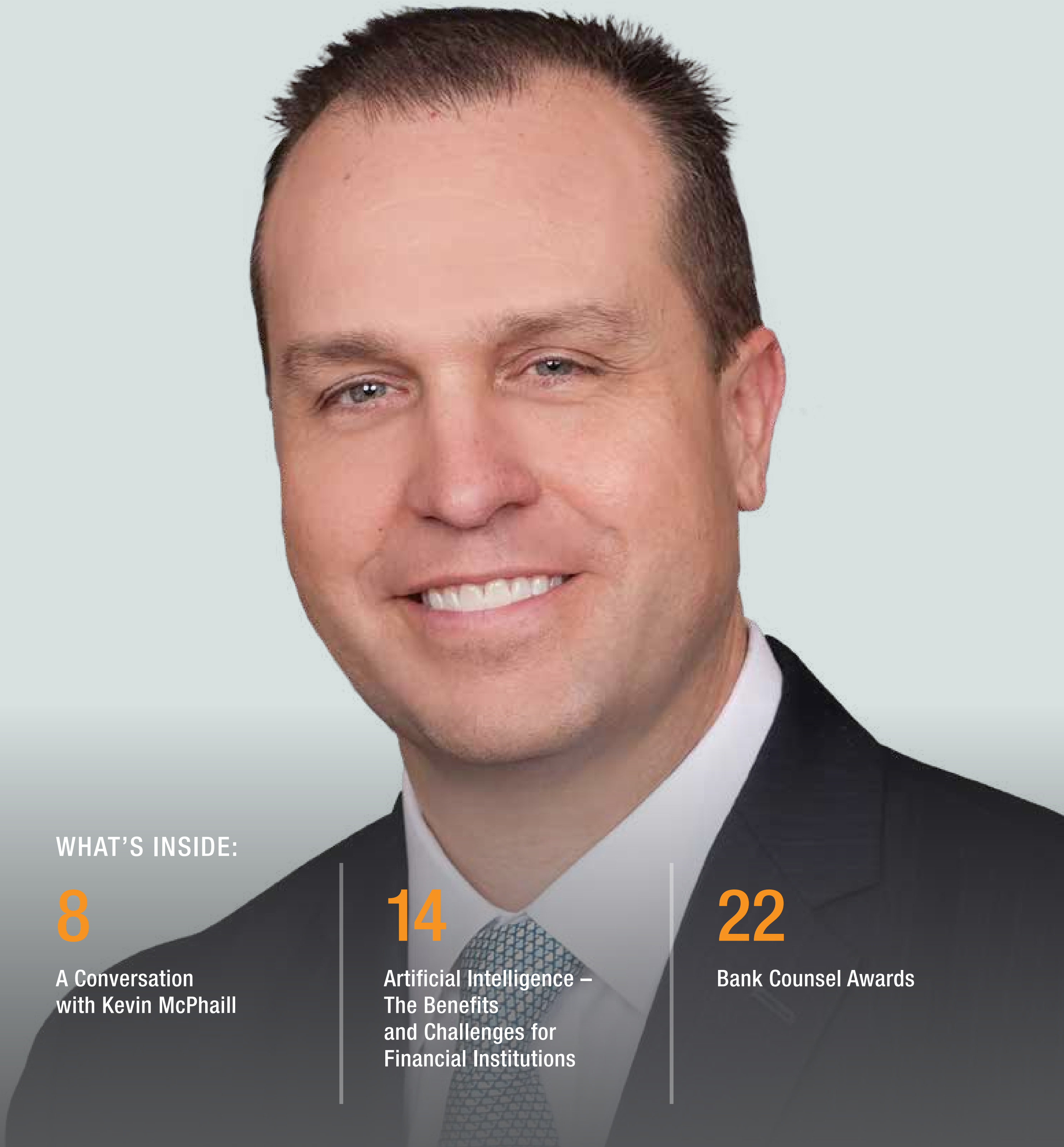

WHAT'S INSIDE:

TAP INTO THIS $72 BILLION DOLLAR OPPORTUNITY

GAIN EARNING ASSETS WITH CANNABIS LENDING

The U.S. cannabis market is poised for substantial growth, with New Frontier Data estimating it to reach $72 billion annually by 2030. This growth is primarily driven by the legalization of adult-use cannabis programs in 23 states, including California – the largest cannabis market in the country – where total market sales are expected to reach $9.3 billion by 2030.

Lending is part of a holistic approach to providing banking services to the cannabis industry that helps financial institutions attract the best operators, build a strong book of deposits, and unlock higher yield earning assets. It is also an opportunity for banks to go beyond serving retailers and meet the demand for banking and lending by the broader wholesale market as well.

The **Shield Compliance Cannabis Lending Guide** helps bankers navigate the compliance, reputational, and credit risks associated with cannabis operators and cannabis-related collateral, and unlock the financial rewards of this industry.

Shield Compliance: A Leader in Cannabis Banking.

Since its inception, Shield has partnered with more than 65 financial institutions and monitored 7.5 million transactions including $32.6 billion in deposit volume. For the 12-month period ending June 30, 2023, Shield's financial institution customers have earned $31.5 million in fee income. As of June 30, 2023, these financial institutions have $920.5 million in deposit balances and $166.4 million in loans outstanding from over 5,000 cannabis-related businesses representing more than 13,000 active cannabis licenses.

Let Shield Compliance help your financial institution unlock the benefits of serving the legal cannabis industry.

Shield Compliance transforms how financial institutions manage risk, comply with regulations, and address the operational demands of the legal cannabis industry.

shield
assure

Compliance management for financial institution daily operations, including case management and automated reporting.

shield
engage

Informed account application process for underwriting and onboarding cannabis business accounts.

shield
transact

Compliant mobile payment and payroll solutions to reduce cash transaction dependency.

Earn the benefits of a compliant cannabis banking program with Shield Compliance.

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GET THE GUIDE

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shield compliance

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Save The Date

Annual Conference

& Directors Forum

April 19-22, 2024

CALIFORNIA BANKERS ASSOCIATION

Fairmont Orchid, Hawaii
Island of Hawaii • Hawaii

It has been a dynamic and amazing few months filled with opportunities to advocate for our members.

Dear Members,

The last few months have been incredibly eventful and I am excited to share an update on what we have been up to at your association.

During the final months of this year's state legislative session, we have been laser focused on finishing the year strong. We hunkered down on the frontlines of the battlefield on behalf of our members seeking to influence measures impacting the industry. On September 14, the Legislature adjourned leaving Governor Newsom until October 14 to take action on measures reaching his desk. The Legislature will be in recess for the balance of the year, reconvening for the second year of the two-year session on January 3.

Overall, the banking industry had a good legislative year. We stopped a number of harmful measures increasing liability for banks or imposing complicated new compliance burdens. We tackled difficult issues from making banks liable for elder financial abuse committed by others, increasing scrutiny on the use of automated decision-making, and mandating the handing over of confidential customer information on client trust accounts. Despite a successful year, the Governor signed two climate-related measures impacting certain entities doing business in California. One measure, SB 253 requires the annual reporting of Scope 1, 2 and 3 greenhouse gas emissions and the second, SB 261, requires the submission of a biennial climate-related financial risk disclosure.

Shortly after the legislative session concluded, we met with our Western states banking association peers in San Diego for the National Association of Bank Advocates fall meeting. These meetings are excellent opportunities to share experiences and advice on legislation from each of the various states, to learn from one another, and to strengthen important relationships.

In late September, we conducted our Annual Joint Visit to Washington, D.C., with the Florida Bankers Association. The visit was successful despite concerns at that time that the government may shutdown. We met with a dozen legislators on Capitol Hill and had productive discussions with the U.S. Treasury and Director Chopra from the CFPB. While we were in D.C., the Senate Banking Committee passed the bi-partisan S. 2860, known as the Secure and Fair Enforcement Regulation Banking Act (SAFER Banking Act). The measure, which will now advance to the full Senate for consideration, is a revised version of the banking industry supported SAFE Banking Act.

We also attended the ABA's Annual Convention in Nashville, providing an opportunity to connect with California bankers in attendance, peer state banking association executives, and the ABA team. Among other speakers, we heard updates from Michael Barr, board member of the Federal Reserve System, and Raphael Bostic, president and CEO of the Federal Reserve Bank of Atlanta.

We recently met in the State Capitol with banking and budget committee staff to discuss the industry's perspective and outlook on commercial real estate. This was a proactive opportunity for us to share our expertise on what the industry is experiencing and anticipating relative to CRE and to serve as a trusted resource to the Legislature.

In November, we hosted our Annual Legislative Forum at the Citizen Hotel in Sacramento. This fast-paced state legislative advocacy event is designed to bring key decision-makers and influencers to one location for a discussion on California politics. Among other issues, we discussed the recent increase in bank assessments with the DFPI, caught up with the chair of the Assembly Committee on Banking and Finance, and heard from experts on upcoming legislation and regulation on automated intelligence.

On the conference side, we delivered our third major in-person gathering. Bankers Summit, which was held at Caesars Palace in Las Vegas, featured four learning tracks including risk management, compliance, lending and finance. Attendance was strong and the event provided a valuable platform for networking, knowledge sharing, and exploring new opportunities. Next year's Summit will be held at Caesars Palace, October 1-4, 2024.

Our highly anticipated Women in Banking Mixer is just around the corner, scheduled for November 29, at the Tamayo Restaurant in Los Angeles. This event aims to celebrate the contributions of women in our industry and provides a forum for networking and mentorship. We hope that you will encourage your colleagues to attend this event.

Please also mark your calendars for the Bank Presidents Seminar, scheduled for January 10-11, 2024, at the Montage Laguna Beach. This premiere event is an excellent opportunity for bank CEOs. The Seminar will include opportunities for peer-to-peer networking supported by timely and fresh content to help bankers stay ahead of an ever-evolving industry.

It has been a dynamic and amazing few months filled with opportunities to advocate for our members; share the industry's story on the many ways in which banks support their customers and communities; and, to network with bankers. As always, we remain dedicated to serving the needs of our members. Thank you for your continued support of our association. We look forward to seeing you soon. »

Bringing members together. Making our banks better.

Kevin Gould
President & CEO, California Bankers Association

[In the 33 years since I started in banking], I never wanted to leave. I fell in love with the industry and eventually worked my way into lending and management.

A Conversation with Kevin McPhaill

Q: Can you tell us about your background and how you came to be the CEO of Bank of the Sierra?

While attending college at night, I needed a job to pay for school and a friend mentioned that a local bank was hiring tellers. I applied for the position and was thrilled to get the job! I originally planned to leave banking once I completed college, but in the 33 years since, I never wanted to leave. I fell in love with the industry and eventually worked my way into lending and management. Over 22 years ago, I had the opportunity to join Bank of the Sierra as a branch manager. I worked my way up to Chief Banking Officer and eventually was privileged to become President and CEO of Bank of the Sierra in 2015.

What sets Bank of the Sierra apart from other financial institutions, and what is your vision for the bank's future?

Bank of the Sierra is a wonderful place to work! Our community bank roots really set us apart. That legacy is what drives us to connect to our communities, our customers, and our employees. While our history helps define us, we must continually look forward for opportunities to grow. Over the years, most of our growth has been organic. Additionally, we have had opportunities to partner with other banks, having completed four whole bank acquisitions. It is important that we continue to grow our bank, with a continued focus on profitability and growth. Further consolidation is inevitable, and I remain confi-

dent that our management team is capable of growing and scaling our organization. Growth will be needed to meet increasing regulatory expectations while providing appropriate returns to shareholders. I believe we are well positioned to partner with smaller institutions that will be looking for strategic alternatives in the future. While we would be very deliberate when considering M&A, we have worked hard to build a strong community bank with the appropriate infrastructure and risk profile to expand.

The COVID-19 pandemic brought significant challenges to the financial sector. How did Bank of the Sierra respond to the pandemic, and what lessons did the bank learn from that experience?

The pandemic was challenging for not just the banking industry but society as a whole. We took the opportunity to solidify our customer connections further. We needed our customers to know we were there for them. As many banks did, we participated in the Paycheck Protection Program, which provided wonderful assistance for small businesses and our communities. Additionally, while branch access was modified, our customers were able to visit our offices and complete banking transactions. We also found that our customers appreciated being able to do business digitally or over the telephone, as they continued to shift their behavior and rely more on technology. Finally, we moved to a hybrid work model. Initially, this move was in response to the pandemic and the need for business continuity. We continue to benefit from this model today, as it has greatly improved our ability to recruit and compete for new talent.

Banking has seen significant changes in recent years, including digital transformation. How is Bank of the Sierra adapting to these changes, and what role do you see technology playing in the future of the industry?

Technology has changed customer expectations and will continue to do so. We not only compete with other banks but find that consumers are looking for a banking experience without friction – much like purchasing an item on-

A career in community banking taught me the value of teamwork. I saw very quickly that the leaders I wanted to emulate did an amazing job hiring and building strong teams. My primary focus as CEO is to build a strong team and collaborate as much as possible.

line. While the banking industry has a distance to go, the goal is to have both "bricks" and "clicks." Customers, whether retail or business, appreciate the ability to bank online with the knowledge that they can go into a physical location if they so choose. To meet those expectations, we have expanded our online and mobile capabilities, including account opening and lending.

How does Bank of the Sierra engage with and support the local communities it serves? Can you share some examples of the bank's community involvement and social responsibility initiatives?

Our mission is to make every community that we are a part of better and we are focused on doing just that! One example is our Sierra Grant Program that we established in 2004. To date, we have donated more than $3.8 million through that program alone! Additionally, most of our bankers volunteer their time for efforts in financial literacy, community improvement, economic development, and many other worthwhile causes. In fact, earlier this year we had 50 bankers work with the Sequoia Parks Conservancy and One Tree Planted to plant trees in Sequoia National Park. That's just one example of how we are directly involved in making our communities better.

Can you share some insights into the future of banking and finance? What trends and innovations do you anticipate will shape the industry in the coming years, and how is Bank of the Sierra prepared to adapt?

Digital is playing a larger role in the financial services industry, specifically impacting banking. The fintech industry and digital channels like Amazon are shaping customer expectations. We maintain a strong branch network and see this as a valuable connection with our customers, but the role of the branch is changing. With ITMs, cash recyclers, and other branch technology, personal interaction is still important, but it is evolving. It is important that as a banking industry, we continue to meet customer expectations for interaction, whether in person or digitally.

Leadership and management styles can vary greatly among CEOs. What leadership principles and philosophies guide your decision-making and the direction of the Bank of the Sierra?

A career in community banking taught me the value of teamwork. I saw very quickly that the leaders I wanted to emulate did an amazing job hiring and building strong teams. My primary focus as CEO is to build a strong team and collaborate as much as possible. Early in my career, I read a quote from Ken Blanchard that states, "Everyone has their strengths and weaknesses, and whilst each member of our team is an expert in what they do, not one of us is as smart as all of us together as a team." I have worked hard to integrate this knowledge into my leadership style. I am very proud of our leadership team, and we certainly lean into our ability to make better decisions together.

SAVE THE DATE

2024 Bank Presidents Seminar

January 10-11, 2024
Montage Laguna Beach
Southern California

CALIFORNIA BANKERS ASSOCIATION

That's A Wrap

By Jason Lane, Vice President and Acting Director of Government Relations, California Bankers

The California Legislature adjourned for the year on September 14, and they are now in interim recesses until January. Legislatively, CBA was successful in opposing SB 278 (Dodd). Sponsored by the Consumer Attorneys of California, this measure makes financial institutions liable for elder financial abuse if the institution should have known that the likely result of a transaction initiated by an account holder would result in fraud, and the institution failed to stop it.

We opposed this expanded liability, which fundamentally alters the relationship between banks and their senior citizen account holders. Under the measure, a bank employee could take the appropriate steps to warn an account holder that the transaction they've initiated with the bank may result in fraud, but if the employee honors the transaction, the bank could be held liable. With no clear safe harbor for institutions to utilize to avoid liability, banks will be forced to reevaluate their customer relationship with account holders over the age of 65.

We launched a successful media campaign opposing SB 278 and worked with aging experts at Stanford University and the Milken Institute to publish an opinion editorial related to the measure. This legislation was ultimately held in the Assembly Banking Committee and will not advance this year but remains eligible for consideration next year. The legislature is highly focused on passing legislation in 2024 and we have committed to work with the committee during the fall to craft legislation intended to be an alternative to SB 278.

A CBA-sponsored measure adopting the Uniform Fiduciary Income and Principal Act has been signed by the Governor. The Act recognizes modern portfolio theory by allowing trustees to invest for the maximum total return, whether the return is in the form of income or growth of principal and provides more flexible terms giving trustees discretion to accumulate income or access principal when advantageous to further the purposes of the trust. Another uniform measure headed to the Governor, and supported by CBA, adopts the Uniform Directed Trust Act which provides a framework for allocating fiduciary power and duty between a trust director and a trustee by allocating the primary duty to the director while simultaneously maintaining a minimum core duty for the trustee to avoid willful misconduct.

We successfully negotiated several mortgage-related measures that are still active. We secured amendments requiring lender consent for borrowers that wish to separately convey an accessory dwelling unit from the parcel.

We helped redraft a measure as a means to improve compliance that requires a transferor mortgage servicer to furnish to a transferee mortgage servicer material written records regarding damaged residential 1-4 property resulting from a disaster where a state of emergency has been called. A measure adopting remote online notarization in California, supported by CBA also passed out of the legislature.

On the labor and employment front, SB 399 (Wahab), a measure that would have restricted employer communications was held and will not move forward this year. It is eligible to move forward in 2024 as a two-year bill.

CBA opposed the measure on the basis that it would have restricted communications about pending or recently enacted legislation and regulations, which is highly concerning from a compliance perspective. This measure was the highest priority of CBA's current engagement in labor and employment-related legislation.

Additionally, CBA was asked to join an opposition coalition to express concern about a package of water rights-related measures that are important to our agriculture lending community. CBA joined the coalition, and the package of measures were set aside for the remainder of the legislative year, though they will be eligible to move forward in 2024 as two-year measures.

Two important climate-related measures passed out of the legislature this year. SB 253 (Wiener) requires all entities that do business in California and earn an annual revenue of more than $1 billion to publicly disclose their greenhouse gas emissions, including scope 3 emissions associated with supply chains. SB 261 (Stern), the Climate-Related Risk Disclosure Act, is modeled on a framework proposed by the Task Force on Climate-Related Financial Disclosures (TCFD), mandating the report for entities doing business in California with more than $500 million in annual revenue.

Jason Lane is vice president and acting director of government relations for the California Bankers Association and manages California state tax policy for the association, which involves analyzing legislation and regulatory activity, and the development of policy positions for the association. Lane is one of three lobbyists at CBA and, in addition to his primary focus on taxation, he also lobbies on behalf of the association on issues related to the state budget, and consumer lending legislation.

Artificial Intelligence – The Benefits and Challenges for Financial Institutions

By Julia A. Gutierrez, Director of Education, Compliance Alliance

The technologies of artificial intelligence (AI) are becoming an integral piece of the world in which we live. These technologies are being deployed across a plethora of fields ranging from simple devices such as cell phones to more complex technologies such as autonomous vehicles or the diagnosing of diseases.

Artificial intelligence is even rearing its advancing technological head into the playing field of banking. It is a constantly evolving technology that many industries are jumping into while others slowly push them along in their efforts to thrive.

For banks, it’s critical to embrace the advancements of the future, but also to consider the security and regulatory requirements and overall risk to the organization and its customers.

What is Artificial Intelligence?

Artificial Intelligence is a term that commonly references the various technological capabilities that allow for the analysis of data and the identification of patterns to make decisions and impact an outcome. Some examples of these AI type activities or branches include machine learning, natural language processing, robotics process automation, and speech and object recognition. Machine learning is a branch of AI and computer science that focuses on the use of algorithms and data to imitate human learning patterns, while gradually improving the accuracy.

With machine learning, the system learns and improves as new data is made available.

Another branch of computer science and AI is natural language processing. This branch of AI enables computers to process human language, received through text and spoken words, and to understand the meaning and intent. It basically allows a computer system to understand the semantics of conversational language.

The AI branch of robotics process automation, also known as software robotics, is the use of applications and systems to perform human-like tasks. It uses intelligent automation technologies and rule-based software to perform business process activities at a more efficient volume, reducing the need for human resource or involvement in the task.

Finally, the AI branch of speech recognition enables a system to identify and process human speech into a written format. Speech recognition may also be referred to as automatic speech recognition, computer speech recognition, or speech-to-text. This AI technology is often confused with voice recognition which focuses on identifying an individual user's voice. However, speech recognition focuses on translating speech from verbal to text. Each of these artificial intelligence branches are utilized throughout financial institutions and countless other industries around the world.

The Benefits of Artificial Intelligence

Artificial intelligence is used in various fields and applications ranging from online shopping, advertising, machine translation enabling cross-language communication, to improving the overall operations and cost efficiency of financial institutions. The use of artificial intelligence technologies in financial institutions can drastically reduce operational costs while significantly increasing productivity.

With its broad range of uses, AI can potentially aid financial institutions in reducing costs associated with products and services, and it can enhance the overall customer experience as it bridges the gap between customer convenience and relationship. AI can benefit a financial institution's lending process as it can expand credit access, assist in financing decisions, decrease the underwriting times and costs, and enhance both the borrower and lender experience. AI can be beneficial throughout other areas within financial institutions such as identity validation and real-time anti-fraud monitoring. The opportunities and benefits when it comes to AI and financial institutions seem to be endless. But there have to be challenges, right?

Artificial Intelligence Challenges

Artificial intelligence isn't perfect. Like any other enhancing technologies, AI comes with its own set of risks and challenges. Some of those risks and challenges include system integration and a gap in skills. With system integration, the data behind AI is equally as critical as the technology itself. In order for the utilization of AI to be beneficial and effective, the data quality and quantity need to be accurate. This involves organizing data and preparing for integration. This means that financial institutions with a core processor will have to coordinate between their core system and their AI technologies. This can often be a complex and costly undertaking and financially burdensome, especially for small financial institutions and community banks.

Financial institutions may also run into more complicated integration processes if their core processors and AI solutions vendors are competitors of the same or similar products and services. This challenge often leads to increased fees and costs for integration. Even if financial institutions are able to work out all the kinks related to system integration, there is always the challenge of obtaining expertly trained staff who are knowledgeable in building and deploying AI solutions.

With the rapid advancement and use of AI technologies, it has led to a shortage of skilled AI experts in the broader labor force. While this is a challenge that is expected to improve in the future, at present, it leaves financial institutions competing with large tech companies such as Apple or IBM when recruiting for AI talent.

An even more challenging area associated with artificial intelligence and financial institutions is meeting compliance expectations on technologies that are surrounded by so much regulatory uncertainty. Financial institutions are expected to identify and manage all risks related to artificial intelligence and how it is used within the organization.

It's not enough for financial institutions to simply employ the technologies of AI, but rather they are expected to understand the data or inputs that drive the outcomes. Financial institutions are expected to ensure that all data used within the various branches of AI, align with regulatory compliance requirements.

For example, if the machine learning branch of AI is used in the decision-making for credit, the bank should understand and be prepared to explain what the contributing factors were that the AI system used to make that decision (i.e., what data was inputted to receive the outcome/decision).

It is critical that financial institutions are not only able to understand and explain this process, but also that all the data used within the AI system meet regulatory requirements. This means ensuring that the AI system isn't using information that may violate consumer or fair lending laws.

Financial institutions that are utilizing AI should have processes in place that allow for the identification of risk, both new and emerging, as well as controls for managing that risk. Because of the rapidly evolving technologies of AI, there is always the challenge of changes in risk level or even unidentified risk developing.

Financial institutions need to be prepared to rise to the occasion when it comes to meeting those regulatory and risk challenges, whether that be through an increased frequency in monitoring and reviewing established controls or contracting with external vendors to conduct robust third-party risk management.

The use of AI technologies within financial institutions has captured the interest of regulators and policymakers alike. A couple of key concerns are always the safety and soundness of financial institutions and consumer protections. While AI is constantly growing and advancing, many of the banking laws and regulations currently on the books are still a little behind the times, leaving some areas of regulatory uncertainty. Nevertheless, regulators acknowledge the benefits of AI and support the responsible innovation by financial institutions.

In 2021, the agencies (Consumer Financial Protection Bureau, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and Federal Reserve Board) issued RFIs (request for information) on the use of artificial intelligence by financial institutions. In 2022, the OCC (Office of the Comptroller of the Currency) issued supervisory expectations for how banks should manage risks associated with AI. And most recently, in April 2023, a joint statement was issued by the agencies on the enforcement efforts against discrimination and bias in automated systems. The 2023 statement outlines some of the challenges of AI and serves as a reminder that financial institutions must embrace responsible innovation.

Conclusion

For financial institutions to thrive in the industry and remain relevant in the market, they must continue to be forward thinking and responsible in their innovation efforts. Artificial intelligence is an ever evolving technology and convenience in the world in which we live. Financial institutions must engage in the balancing act of supporting new and innovative technologies for its customers, while also acknowledging the managing the risks and challenges of such growth. It is imperative to fully understand the technologies that our institutions rely on for their operations, and that we remain abreast of any arising issues in the regulatory world. Artificial intelligence is the future and it's filled with risks and rewards. »

Julia A. Gutierrez serves as Compliance Alliance's Director of Education, developing curriculum and presentations, as well as presenting at various schools and seminars, both live and in a livestream/hybrid format. Gutierrez has over 20 years of financial industry experience with the Compliance Alliance team.

Q&A

ASK THE COMPLIANCE GURU

Q: Can I issue an access device off of a HELOC?

A: While not prohibited, there are some risks to keep in mind. The main federal compliance issue is that debit cards issued for HELOCs are generally considered "credit cards" for Regulation Z purposes, subjecting them to the Regulation Z credit card provisions.

Regulation Z's Commentary to 12 CFR 1026.2(a)(15)-2(ii)(C) states that "if a line of credit can also be accessed by a card (such as a debit card), that card is a credit card for purposes of §1026.2(a)(15)(i)", meaning that the debit card falls under Regulation Z's definition of "credit card".

https://www.consumerfinance.gov/rules-policy/regulations/1026/2/#2-a-15-Interp-2-ii-C

Further, in accordance with 12 CFR 1026.12(d), since the debit card would be a "credit card" under Regulation Z, the bank would generally lose its right of offset under the regulation.

https://www.consumerfinance.gov/rules-policy/regulations/1026/12/#d

Q: For an open-end credit card account can a due date on the monthly billing statement vary if the usual due date lands on a Sunday? Example: A due date is usually the 27th of the month. However, 8/27/23 is a Sunday so my billing statement reflects the due date as 8/28/23 this month.

A: The answer to this question depends on how the bank determines their due date and/or whether this change will be adjusted. The regulation provides the following guidance:

"6. Same day each month. The requirement that the due date be the same day each month means that the due date must generally be the same numerical date. For example, a consumer's due date could be the 25th of every month. In contrast, a due date that is the same relative date but not numerical date each month, such as the third Tuesday of the month, generally would not comply with this requirement. However, a consumer's due date may be the last day of each month, even though that date will not be the same numerical date. For example, if a consumer's due date is the last day of each month, it will fall on February 28th (or February 29th in a leap year) and on August 31st.

7. Change in due date. A creditor may adjust a consumer's due date from time to time provided that the new due date will be the same nu-

merical date each month on an ongoing basis. For example, a creditor may choose to honor a consumer's request to change from a due date that is the 20th of each month to the 5th of each month, or may choose to change a consumer's due date from time to time for operational reasons. See comment 2(a)(4)-3 for guidance on transitional billing cycles."

https://www.consumerfinance.gov/rules-policy/regulations/1026/7/#7-b-11-Interp-6

"(A) The due date for a payment. The due date disclosed pursuant to this paragraph shall be the same day of the month for each billing cycle."

https://www.consumerfinance.gov/rules-policy/regulations/1026/7/#b-11-i-A

Q: Is it standard for a Reg O loan to have a demand feature?

A: It is required for a Reg O loan to an executive officer to have a demand feature. It is not specifically required for any other type of insider, however. Some banks we have spoken to do include a demand feature for all Reg O loans, but that would be a matter of internal policy.

"(d) Any extension of credit by a member bank to any of its executive officers shall be: ...

(4) Made subject to the condition in writing that the extension of credit will, at the option of the member bank, become due and payable at any time that the officer is indebted to any other bank or banks in an aggregate amount greater than the amount specified for a category of credit in paragraph (c) of this section."

https://www.ecfr.gov/cgi-bin/text-idx?SID=a925cc4ab3799100a8a2591c6bad3b84&mc=true&node=pt12.2.215&rgn=div5

Q: A loan to purchase and renovate a dwelling to flip it for resale is not subject to HMDA reporting, correct?

A: If the loan is temporary and is designed to be replaced by permanent financing by the same or another borrower afterwards, it could potentially fall under the temporary financing exception below. That said, generally flipping a dwelling for resale will not be considered temporary financing as there are generally not plans to replace the loan with permanent financing at a later date.

Generally flipping a dwelling for resale will not be considered temporary financing as there are generally not plans to replace the loan with permanent financing at a later date.

Q: Is a co-signer on a mortgage loan required to receive any disclosure specifically regarding their status as a co-signer?

A: The Cosigner Notice required under the former Reg AA is not specifically required by law anymore after the repeal of the regulation, but it's not uncommon for it to still be provided from a UDAP perspective under bank policy or procedure - for example:

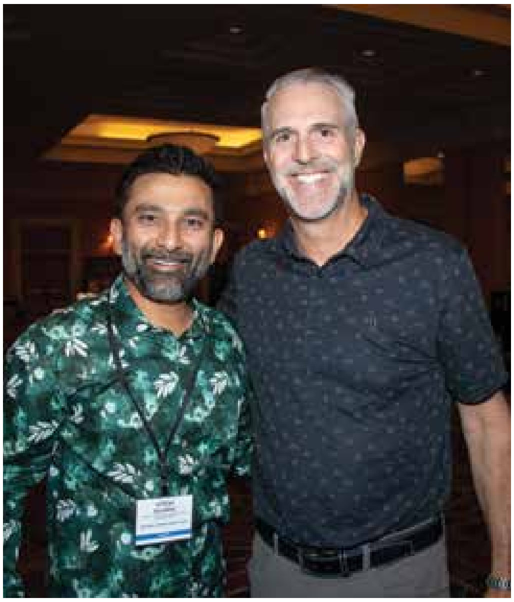
" The Agencies note that the FTC's Credit Practices Rule requires—and the former credit practices rules applicable to banks, savings associations, and Federal credit unions required—creditors to provide a "Notice to Cosigner" explaining the cosigner's obligations and his or her liability if the borrower fails to pay. The Agencies believe that creditors have properly disclosed a cosigner's liability if, prior to obligation, they continue to provide a "Notice to Cosigner.""

https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20140822a2.pdf

Compliance Alliance *offers a comprehensive suite of compliance management solutions. To learn how to put them to work for your bank, call* (888) 353-3933 *or email info@compliancealliance.com and ask for our Membership Team.*

BANKERS SUMMIT

SEPTEMBER 12-15
CAESARS PALACE, LAS VEGAS

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BANK COUNSEL AWARDS

The CBA is pleased to announce that Thomas Jeffrey Pello Levine and Nancy R. Thomas received awards at the 2023 Bank Counsel Seminar. Levine received the Almon McCallum Award for distinguished and meritorious legal service to the California banking industry. Thomas received the Robert Frandzel Award for superior and noteworthy legal assistance by an outside counsel to the California banking industry.

Levine received his law degree from Southwestern University School of Law in Los Angeles, and his Bachelor's degree in Government from California State University, Sacramento.

Thomas received her law degree cum laude from the University of Chicago Law School, where she was an associate editor of the Law Review and Order of the Coif. She is a past president of the Los Angeles Chapter of the Association of Business Trial Lawyers. She is on the board of directors and the executive committee of the Constitutional Rights Foundation, a non-profit, bipartisan organization dedicated to teaching students how to participate in the democratic process.

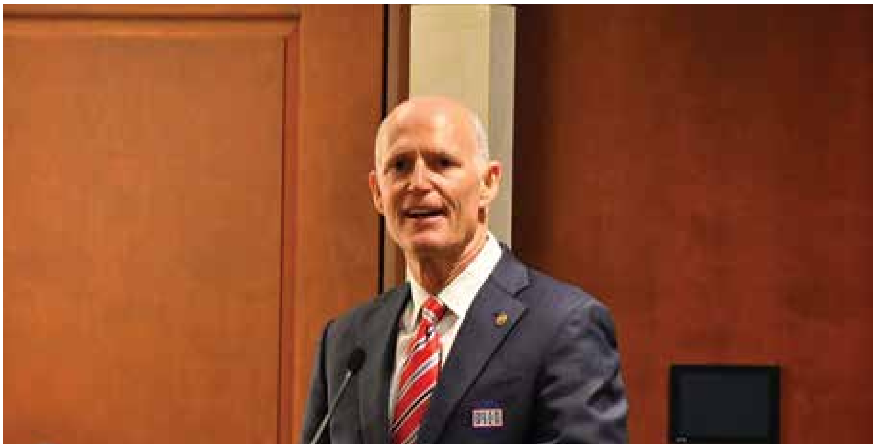
JOINT VISIT TO D.C.

WITH THE FLORIDA BANKERS ASSOCIATION

SEPTEMBER 26-28
WASHINGTON, D.C.





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