

Integrated Mortgage Disclosure Rule FAQ

August 1, 2015, the Integrated Mortgage Disclosure Rule becomes law.

As a Title Company / Notary Company your must oversee business relationships with service providers in a manner that ensures compliance with Federal consumer financial law under the Integrated Mortgage Disclosure Rule which goes into effect August 1, 2015.

The Office of the Comptroller of the Currency (“OCC”) requires that financial institutions assess risk management throughout the lifecycle of a transaction regardless of whether the bank performs the activity internally or through a third party. The Integrated Mortgage Disclosure Rule adds further emphasis on a financial institutions obligations to vet third party service providers.

Further, the Consumer Financial Protection Bureau (“CFPB”) has issued guidelines that reflect the expectation that supervised banks and nonbanks must oversee their business relationships with service providers in a manner that ensures compliance with Federal consumer financial law, which is designed to protect the interests of consumers and avoid consumer harm. The CFPB’s exercise of its supervisory and enforcement authority will closely reflect this orientation and emphasis.

What financial institutions & Service Providers are impacted?

Impacted entities include supervised banks and nonbanks as well as the service providers that perform key activities on behalf of the supervised banks and nonbanks.

Service provider is generally defined in section 1002(26) of the Dodd-Frank Act as “any person that provides a material service to a covered person in connection with the offering or provision by such covered person of a consumer financial product or service.” (12 U.S.C. § 548 (26)). A service provider may or may not be affiliated with the person to which it provides services.

Impacted third party service providers include notaries and outside attorneys and may also include title insurance agencies and title insurance agents.

What is the CFPB’s Supervisory Authority over Service Providers?

The CFPB will exercise the full extent of its supervision authority over supervised service providers, including its authority to examine for compliance with Title X’s prohibition on unfair, deceptive, or abusive acts or practices. The CFPB will also exercise its enforcement authority against supervised service providers as appropriate.ⁱ

What are the CFPB’s Expectations?

The CFPB expects supervised banks and nonbanks to have an effective process for managing the risks of service provider relationships.

The CFPB will apply these expectations consistently, regardless of whether it is a supervised bank or nonbank that has the relationship with a service provider.

What are my responsibilities as a financial institution?

To limit the potential for statutory or regulatory violations and related consumer harm, supervised banks and nonbanks should take steps to ensure that their business arrangements with service providers do not present unwarranted risks to consumers. These steps should include, but are not limited to:

- Conduct a thorough due diligence to verify that the service provider understands and is capable of complying with Federal consumer financial law;
- Request and review the service provider's policies, procedures, internal controls, and training materials to ensure that the service provider conducts appropriate training and oversight of employees or agents that have consumer contact or compliance responsibilities;
- Create and include in the contract with the service provider clear expectations about compliance, as well as appropriate and enforceable consequences for violating any compliance-related responsibilities, including engaging in unfair, deceptive, or abusive acts or practices;
- Establish internal controls and on-going monitoring to determine whether the service provider is complying with Federal consumer financial law; and
- Take prompt action to address fully any problems identified through the monitoring process, including terminating the relationship where appropriate.

Due to the recent changes in laws and regulatory requirements, it is critical that all third party service providers are properly vetted. The use of technology tools that enable record, verified credential management, policy and procedure management that can be securely accessed by both the financial institutions and the third party service providers drastically reduces the administrative time and cost for the verification process.

OurRecords provides tool and services that support the required vetting of third party service providers. The OurRecords tools and services enable secure management and monitoring of third party service providers that add business and risk management value for both the third party provider and the financial institution.

- Due diligence tools to verify compliance for:
 - License maintenance
 - Insurance
 - Bond requirements
 - Background check requirements
 - Policy management
 - Training
- On-going monitoring to determine whether the service provider is complying with Federal consumer financial law
- Proactive notification of non-compliance with requirements
- Allows prompt action to notify third parties of requirement to address any problems identified through the monitoring process



What are the costs for an OurRecords account?

An organization may manage compliance requirements and affiliated third parties at ZERO cost.

Third party service providers may utilize an OurRecords account to demonstrate full compliance with the financial institution requirements at a cost of \$4/month. This cost effective account provides further benefit to the third party service provider by reducing administrative overhead and increasing opportunity to provide services for multiple financial institutions.

What are the benefits of an OurRecords account?

Continued participation as a notary / notary company by demonstrating compliance with CFPB, FDIC and OCC guidelines for managing third party risk

Easily and securely access third party shared records and credentials to meet due diligence requirements

Proactive system notification of third party expiring credential requirements

OurRecords provides 24/7 accessibility and data encrypted environment for all third party credentials.

Easily share your company's credential requirements, forms, manuals, procedures and policies with notaries and other vendors!

ⁱ Excerpts from CFPB Bulletin 2012-03, April 12, 2012