Banking and Finance Law Daily Wrap Up, TOP STORY—Fed issues credit reporting, mortgage servicing examination procedures for CARES Act compliance, (Jul. 9, 2020)

Banking and Finance Law Daily Wrap Up

Click to open document in a browser

By Charles A. Menke, J.D.

The procedures apply to the CARES Act provisions that created new requirements for furnishers of credit information and mortgage servicers of federally backed mortgage loans with respect to COVID-19-impacted consumers and borrowers.

The Federal Reserve Board has issued a Consumer Affairs letter (CA 20-11) with accompanying examination procedures for the credit reporting and mortgage servicing provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The examination procedures are structured as a series of modules, grouping similar requirements together, and are designed to provide the framework for an institution's examination, including evaluation of the adequacy of the institution's compliance management system. For the credit reporting provisions, the guidance applies to supervised institutions with total consolidated assets of $10 billion or less. For the mortgage servicing provisions, the guidance applies to all supervised institutions, including those with total consolidated assets of $10 billion or less.

The CARES Act was enacted to provide relief to those impacted by the COVID-19 pandemic emergency and, among other provisions, created new responsibilities for furnishers of certain credit information and for mortgage servicers of certain mortgage loans. With respect to furnishers of credit information, the CARES Act amended the Fair Credit Reporting Act to require furnishers who provide a credit accommodation to a consumer affected by the COVID-19 emergency to continue to report the consumer's account or credit obligation as current if the consumer was current prior to the accommodation. With respect to mortgage servicers, the CARES Act generally requires servicers of federally backed mortgage loans to grant forbearance requests from COVID-19 impacted borrowers experiencing financial hardship.

The Fed advised that in exercising supervisory and enforcement responsibilities it intends to take into consideration the unique circumstances impacting borrowers and institutions resulting from the COVID-19 emergency. Therefore, the Fed does not expect to initiate a consumer compliance public enforcement action against an institution if the circumstances were related to the COVID-19 emergency and the institution made good faith efforts to support borrowers and comply with consumer protection requirements, and responded to any necessary corrective action. The Fed further said it expects supervisory feedback for institutions to be focused on identifying issues, correcting deficiencies, and ensuring appropriate remediation to consumers.

MainStory: TopStory BankingOperations CFPB ConsumerCredit CommunityDevelopment Covid19 FairCreditReporting FederalReserveSystem FinancialStability GovernmentSponsoredEnterprises Loans Mortgages PrudentialRegulation