Shining Light on Compliance

October - November 2024
Volume 14, Issue 6

Helping you safely navigate the regulatory waters

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Annual Threshold Changes Effective 1/1/2025

The Regulation Z (Truth in Lending) annual threshold requirements for 2025 will change as follows: Consumer loans not secured by real property will not be subject to disclosure rules if the loan amount exceeds **$71,900**.

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General Qualified Mortgages (APR may not exceed APOR as of the date the interest rate is locked {i.e., rate lock date})
Cannot exceed 2.25% for first-lien transactions with loan amounts equal to or greater than **$134,841**
Cannot exceed 3.5% for first-lien transactions with loan amounts equal to or greater than **$80,905** but less than **$134,841**
Cannot exceed 6.5% for first-lien transactions with loan amounts less than **$80,905**
Cannot exceed 6.5% for first-lien transactions secured by manufactured homes with loan amounts less than **$134,841**
Cannot exceed 3.5% for subordinate-lien transactions with loan amounts equal to or greater than **$80,905**
Cannot exceed 6.5% for subordinate-lien transactions with loan amounts less than **$80,905**

Qualified Mortgages (Points and Fees)
Cannot exceed 3% for total loan amounts equal to or greater than **$134,841**
Cannot exceed **$4,045** for total loan amounts equal to or greater than **$80,905** but less than **$134,841**
Cannot exceed 5% for total loan amounts equal to or greater than **$26,968** but less than **$80,905**
Cannot exceed **$1,348** for total loan amounts equal to or greater than **$16,855** but less than **$26,968**
Cannot exceed 8% for total loan amounts less than **$26,968**

High-Cost Mortgages [HOEPA] (Points and Fees)
Cannot exceed 5% for total loan amounts equal to or greater than **$26,968**
Cannot exceed 8% or **$1,348** for total loan amounts less than **$26,968**

Appraisal Rules
For closed-end, higher-priced mortgage loans [HPML] secured by a consumer's principal dwelling, a written appraisal must be obtained, which includes a physical inspection of the home's interior. Loans in amounts of **$33,500** or less are exempted from this requirement.

Jumbo Mortgages
The ceiling threshold for conventional mortgages for single-family homes will be increased for 2025 to **$806,500** for most areas and **$1,209,750** for higher market areas. [Refer to Supplement – Jumbo Loan Limits included with this newsletter for market area specifics.]

Community Reinvestment Act [CRA] and Home Mortgage Disclosure Act [HMDA] 2025 reporting thresholds have not yet been published.

FDIC Membership Rules – Extended to 5/1/2025

The Federal Deposit Insurance Corporation [FDIC] has extended the compliance date for parts of the new FDIC signage and advertising rule from January 1, 2025, to May 1, 2025. The extension applies to the provisions governing

- the use of the FDIC official sign, official digital sign, and other signs differentiating deposits and non-deposit products across all banking channels, including physical premises, automated teller machines [ATMs], and digital channels; and
- the establishment and maintenance of written policies and procedures to achieve compliance.

{Refer to Shining Light on Compliance Volume 14 Issue 5 for more details on the new rule.}

Section 1033 "Open Banking" Rule

The Consumer Financial Protection Bureau [CFPB] has finalized the personal financial data rights rule as required in Section 1033 of the Consumer Financial Protection Act (Dodd-Frank Act), which has become commonly known as the "open banking" rule. The rule requires "data providers to make covered data regarding covered financial products and services available to consumers and authorized third parties in an electronic format", subject to several requirements.

- *Data Providers*: financial institutions, card issuers, or other persons who control or possess information concerning a covered consumer financial product or service that the consumer obtained from that person.
- *Covered Consumer Financial Products and Services*: an account for purposes of Regulation E, a credit card for purposes of Regulation Z, facilitation of payments from a Regulation E account or Regulation Z credit card, excluding products or services that merely facilitate first party payments.
- *Covered Data*:
  - Transaction information (at least 24 months)
  - Account balance information
  - Information to initiate payment from/to a Regulation E account
  - Terms and conditions
  - Upcoming bill payment information
  - Basic account verification information (name, address, email address, phone number, as well as truncated account number or other account identifier)

  Not Required to Provide:
  - Confidential commercial information
  - Information collected for the sole purpose of preventing fraud or money laundering or detecting or making any report regarding other unlawful or potentially unlawful conduct
  - Information required to be kept confidential by any other provision of law
  - Any information data provider cannot retrieve in the ordinary course of business with respect to that information

Mandatory compliance dates are rolling based on the asset size of the financial institution. Any financial institutions holding less than $850 million in total assets, based on an average of its Q3 2023 through Q2 2024 call reports, a**re not** required to comply with the rule as long as its total assets remain below the size standard. {The CFPB Executive Summary of the final rule is available at CFBP Executive Summary of Personal Financial Rights

FinCEN Alert – Deepfake Media

DIRECTOR'S CORNER

The Financial Crimes Enforcement Network [FinCEN] issued an alert to help financial institutions identify fraud schemes associated with the use of deepfake media created with generative artificial intelligence [GenAI] tools. FIN-2024-Alert004

Per a paper prepared by the Department of Homeland Security, the term 'deepfakes' is "derived from the fact that the technology involved in creating this particular style of manipulated content involves the use of deep learning techniques. Deep learning represents a subset of machine learning techniques which are themselves a subset of artificial intelligence. In machine learning, a model uses training data to develop a model for a specific task. The more robust and complete the training data, the better the model gets. In deep learning, a model is able to automatically discover representations of features in the data that permit classification or parsing of the data. They are effectively trained at a 'deeper' level."

FinCEN has observed increased suspicious activity reporting describing the suspected use of deepfake media in fraud schemes, often involving criminals altering or creating fraudulent identity documents to circumvent identity verification and authentication methods. The potential of deepfake media used in fraud schemes is a potential risk with emerging GenAI technologies, the abuse of which could contribute to fraud and cybercrime.

SAR filings indicated fraudsters are using GenAI to open accounts to funnel money and perpetrate fraud schemes such as check fraud, credit card fraud, authorized push payment fraud, loan fraud, or unemployment fraud. Deepfake media may also be used in phishing attacks and scams to defraud businesses and consumers using GenAI to impersonate trusted individuals.

FinCEN identified red flag indicators to assist financial institutions in detecting, preventing, and reporting potential suspicious activity related to using GenAI tools for illicit purposes. Reports are requested to include the key term "FIN2024-DEEPFAKEFRAUD" in SAR field 2 and the narrative.

- A customer's photo is internally inconsistent (e.g., shows visual tells of being altered) or is inconsistent with their other identifying information (e.g., a customer's date of birth indicates they are much younger or older than the photo would suggest).
- A customer presents multiple identity documents that are inconsistent with each other.
- A customer uses a third-party webcam plugin during a live verification check. Alternatively, a customer attempts to change communication methods during a live verification check due to excessive or suspicious technological glitches during remote identity verification.
- A customer declines to use multifactor authentication to verify their identity.
- A reverse-image lookup or open-source search of an identity photo matches an image in an online gallery of GenAI-produced faces.
- A customer's photo or video is flagged by commercial or open-source deepfake detection software.
- GenAI-detection software flags the potential use of GenAI text in a customer's profile or responses to prompts.
- A customer's geographic or device data is inconsistent with the customer's identity documents.
- A newly opened account or an account with little prior transaction history has a pattern of rapid transactions, high payment volumes to potentially risky payees, such as gambling websites or digital asset exchanges, or high volumes of chargebacks or rejected payments.

Consumer Compliance Outlook The Federal Reserve Bank has published its second/third issue 2024 of its quarterly newsletter. This periodical covers several topics, including top consumer violations (flood and RE requirements for servicers of purchased mortgage loans, and a regulatory calendar.

Banking with Third-Party Apps

How Deposit Insurance Smart Are You?

The FDIC has published several consumer resources to assist consumers with understanding FDIC insurance coverage and accounts opened at nonbank companies.