



RISK ADVISORY

Regulatory Compliance Digest

October 2024

The Regulatory Compliance Digest's October issue provides a summary of the latest updates from FinCEN, CFPB, FDIC, OFAC and federal bank regulatory agencies. This issue also includes hot topics in the regulatory compliance space and guidance on how financial institutions can prepare for 2025 compliance challenges.

The Regulatory Compliance Digest is intended to keep you informed of regulatory changes in advance of their effective date, so your institution can evaluate changes or updates to necessary policies, procedures and processes in place to be compliant at the time of enactment.



Preparing for the New Year

With 2025 only a couple months away, financial institutions must begin devising a plan to tackle compliance challenges the new year will bring. Luckily, regulators have provided some initial information to jumpstart the planning process and procedures.

The following predictions and regulatory focuses for the new year include:

► **Bank Secrecy Act (BSA) /Anti-Money Laundering (AML) /Countering the Financing of Terrorism (CFT) and Office of Foreign Assets Control (OFAC)**

- Evaluation of financial institutions' fraud identification, investigations and suspicious activity report filing processes.
- Evaluation of change management processes for rulemakings implementing the AML Act of 2020, including the Corporate Transparency Act, as those rulemakings are finalized.

► **Fair Lending**

- Because examination risk focus will be data driven, consider integrating this same process into the institution's fair lending program and analysis.
- Fair lending encompasses the full lifecycle of credit products, so the fair lending program, including risk assessment, should analyze the potential for mortgage lending discrimination throughout the process, including those that could result in appraisal bias or discriminatory property valuations.

► **Community Reinvestment Act (CRA)**

- 2025 performance evaluations will still be based on existing examination procedures, but it is still important to have an implementation plan in place for the impending changes.
- The focus will remain on assessment area reasonableness and redlining, as well as lending, to Low to Moderate Income (LMI) census tracts to detect instances of illegal discrimination.

► **Consumer Compliance**

- Evaluate the overall strength of the institution's compliance management system and program.
- Evaluate the new product and service development process.

- Evaluate products and services offered through third-party relationships and FinTechs.
- Evaluate the of third-party compliance risks, particularly as it relates to fair lending.

The underlying theme is to implement a strong compliance management system that is dynamic and nimble. Increasing focus on the change management process as it relates to regulatory changes and the institution's responsiveness to those changes necessitates constant reevaluation of the program, resources and processes in place. The compliance management program must evolve as the institution's size, complexity and risk evolve.

CFPB Publishes 2025 HMDA Filing Instructions Guide

On September 22, 2024, the Consumer Financial Protection Bureau (CFPB) published the [2025 FIG](#) for HMDA filing.

Questions and Answers Regarding FDIC Official Signs and Advertising Requirements, False Advertising, Misrepresentation of Insured Status and Misuse of the FDIC Name or Logo

On August 16, 2024, the Federal Deposit Insurance Corporation (FDIC) announced the [publication of a series of Questions and Answers \(Q&As\)](#) related to the final rule governing FDIC Official Signs and Advertising Requirements, False Advertising, Misrepresentation of Insured Status, and Misuse of the FDIC Name or Logo (part 328). The Q&As are a collection of the most frequently asked questions (FAQs) that the FDIC has received to date from stakeholders, including banks, trade associations, technology companies, vendors, and other entities. The Q&As provide clarifying information on the final rule to support stakeholders in the [implementation of part 328](#).

Filing Instructions Guide for Small Business Lending Data Collected in 2025

On August 18, 2024, the CFPB published the [2025 filing instructions guide](#) to help financial institutions file small business lending data with the Consumer Financial Protection Bureau (CFPB) in 2026 covering the period from July 18, 2025, to December 31, 2025.

CFPB Takes Action to Stop Contract-for-Deed Investors from Setting Borrowers Up to Fail

On August 13, 2024, the CFPB released an [advisory opinion and research report](#) on a form of home seller financing that is often referred to as a contract for deed. Under contract-for-deed deals, the seller agrees to turn over a home's deed only after the buyer completes a series of payments. The deals often have little oversight, and investment groups and other sellers can set a series of traps that leave buyers in unlivable homes, on the hook for tax liens and expensive repairs, and at risk of losing their down payments and homes.

The advisory opinion affirms that federal home lending rules and laws cover contracts for deed and provide key consumer protections. The report describes how predatory lenders use contracts for deed to target low-income borrowers, particularly in religious communities, and set them up to fail so the sellers can kick them out and repeat the process with a new family.

Fair Hiring in Banking Act

On August 4, 2024, the FDIC [revised its regulations](#) to conform with the Fair Hiring in Banking Act (FHBA), which was enacted on and immediately effective as of December 23, 2022. Among other provisions, the FHBA excluded or exempted categories of otherwise-covered offenses from the scope of statutory prohibitions on participation in banking. These categories pertain to certain older offenses, offenses committed by individuals 21 or younger, and relatively minor offenses.

The FHBA also clarified several definitions in section 19 and provided application-processing procedures. The FDIC considers most of the revisions to its regulations to be required by the FHBA. Most other revisions reflect the FDIC's interpretation of statutory prohibitions in light of the FHBA. The rule is effective October 1, 2024.

Agencies Remind Banks of Potential Risks Associated with Third-Party Deposit Arrangements and Request Additional Information on Bank-Fintech Arrangements

On July 25, 2024, the joint agencies [issued a statement](#) to note potential risks related to arrangements between banks and third parties to deliver bank deposit products and services to end users. This statement highlights examples of risk

management practices by banks to manage such risks. This statement reemphasizes existing guidance; it does not alter existing legal or regulatory requirements or establish new supervisory expectations.

Agencies Finalize Interagency Guidance on Reconsiderations of Value for Residential Real Estate Valuations

On July 18, 2024, the joint agencies [issued final guidance](#) addressing reconsiderations of value (ROVs) for residential real estate transactions. The guidance advises on policies and procedures that financial institutions may implement to allow consumers to provide financial institutions with information that may not have been considered during an appraisal or if deficiencies are identified in the original appraisal.

The guidance offers examples of ROV policies and procedures that a financial institution may implement to help institutions identify, address and mitigate discrimination risk; describes the risks of deficient residential real estate valuations; and explains how financial institutions may incorporate ROV processes into risk management functions.

BSA & AML OFAC Update

Beneficial Ownership Reporting Outreach and Education Toolkit

On September 19, 2024, the Financial Crimes Enforcement Network (FinCEN) [released a Beneficial Ownership \(BO\) toolkit](#). As of January 1, 2024, the bipartisan Corporate Transparency Act, enacted in 2021 to curb illicit finance, requires many companies doing business in the United States to report information to FinCEN about the individuals who ultimately own or control them. FinCEN is a bureau of the U.S. Treasury Department.

Filing is simple, secure and free of charge. Beneficial ownership information reporting is not an annual requirement. A report only needs to be submitted once, unless the filer needs to update or correct information.

Companies that are required to comply (reporting companies) must file their initial reports by the following deadlines:

- ▶ **Existing companies:** Reporting companies created or registered to do business in the United States before January 1, 2024, must file by January 1, 2025.

- ▶ **Newly created or registered companies:** Reporting companies created or registered to do business in the United States in 2024 have 90 calendar days to file after receiving actual or public notice that their company's creation or registration is effective. Beginning in 2025, newly created or registered companies will have 30 days.

FinCEN Issues Notice to Financial Institution Customers on Beneficial Ownership Information Requirements

On July 26, 2024, FinCEN [issued a notice](#) to customers of financial institutions about reporting beneficial ownership information. The Corporate Transparency Act requires certain entities, including many small businesses, to report to FinCEN information about the individuals who ultimately own or control them. A separate regulatory requirement currently requires many financial institutions to also collect beneficial ownership information from certain customers that seek to open accounts as part of Federal customer due diligence requirements.

Today's notice provides answers to key questions about [reporting beneficial ownership information](#) to FinCEN under the Corporate Transparency Act; and it provides beneficial ownership information to financial institutions in connection with Federal customer due diligence requirements. FinCEN encourages financial institutions to share this reference guide with customers who may be required to report beneficial ownership information.

OFAC Guidance on Extension of Statute of Limitation

On July 24, 2024, OFAC [issued guidance](#) addressing questions raised by recent legislation that extended the statute of limitations for violations of certain sanctions administered by the Office of Foreign Assets Control (OFAC). OFAC is also issuing a new Syria FAQs ([FAQ 1180](#)) and amending a number of Syria FAQs.

About Cherry Bekaert

"Cherry Bekaert" is the brand name under which Cherry Bekaert LLP and Cherry Bekaert Advisory LLC, independently owned entities, provide professional services in an alternative practice structure in accordance with applicable professional standards. Cherry Bekaert Advisory LLC is not a licensed CPA firm. Cherry Bekaert LLP is a licensed CPA firm that provides attest services, and Cherry Bekaert Advisory LLC and its subsidiary entities provide tax and advisory services. To learn more about Cherry Bekaert, visit [cbh.com](#).

© 2024 Cherry Bekaert. All Rights Reserved. This material has been prepared for general informational purposes only and is not intended to be relied upon as tax, accounting, or other professional advice. Before taking any action, you should consult a professional advisor familiar with your particular facts and circumstances.

v.10.28.2024 Brochure_Regulatory-Compliance-Digest-October_2024_1509444941

Beneficial Ownership Information FAQ Update

On September 10, 2024, FinCEN [prepared another update](#) to its FAQs in response to inquiries received relating to the Beneficial Ownership Information Reporting Rule and Beneficial Ownership Information Access and Safeguards Rule.

Have Questions?

If you would like to discuss any compliance matters for your institution, please contact your Cherry Bekaert Advisor or reach out to the Firm's [Risk Advisory](#) regulatory compliance team today.

For more information please contact:



Nicole Lloyd

Managing Director, Risk Advisory Services
nicole.lloyd@cbh.com



Janet Golonka, CRCM, CAMS, CRP

Director, Risk Advisory Services
janet.golonka@cbh.com

DISCLAIMER

External links to other websites outside of [www.cbh.com](#) are being provided as a convenience and for informational purposes only. The links do not constitute an endorsement or an approval by Cherry Bekaert of any of the information, products, services, or opinions of the organization or individual. Cherry Bekaert bears no responsibility for the accuracy, legality, or content of the external websites or for that of subsequent links. Contact the external website for answers to questions regarding its content.

[cbh.com](#)



 **Cherry Bekaert**
Your Guide Forward