

PUBLICATION

Keep Your Eye On the Ball: Begin 2014 With a Renewed Effort at Compliance

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While most of the financial world has been focused on the new CFPB mortgage rules that went into effect on January 10, the Bureau has continued its enforcement activities in other areas. On January 16, 2013, the CFPB announced an order against a Missouri mortgage lender and its former owner and current president to pay a fine of \$81,076 to the CFPB for illegal payments to a bank for mortgage referrals.

The Bureau charged that Fidelity Mortgage Corporation, a St. Louis-based non-depository mortgage lender, entered into an agreement with a bank in which the bank referred potential borrowers to Fidelity in exchange for kickbacks. The order claimed the kickbacks were disguised as inflated lease payments for renting office space within the bank. Section 8 of the Real Estate Settlement Procedures Act (RESPA) and its implementing regulation prohibits giving and receiving kickbacks for referrals of settlement-service business involving federally-related mortgages.

As organizations pay attention to the ever-changing compliance requirements, it is important they not lose sight of the CFPB's announced enforcement actions. In this new heightened regulatory environment, it appears the CFPB is using its enforcement actions to signal where it will focus its future enforcement proceedings. In light of this, we are urging our clients to proactively begin internal reviews of all current financial operations to ensure compliance, in order to avoid costly and avoidable enforcement proceedings.

If you haven't already done so, the beginning of the year is a great time to review your internal compliance policies and procedures to protect against these types of enforcement actions. Services that we offer our clients include both keeping them informed of developments in the regulatory arena and reviewing internal policies and procedures to make sure they are up to date with the spirit and letter of the CFPB's regulations.

As the CFPB continues to accelerate the pace and scope of its investigative and enforcement actions and implements many new regulations, it is past time for financial services companies to get serious about internal compliance.