

DON'T FORGET THE LITTLE DETAILS

Don't miss small cracks while watching the big picture

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We spend much of our time these days trying to figure out how to focus our attentions on the significant, high-risk, big-ticket compliance items that are most crucial to our institutions and that can present the greatest potential for compliance risk. Everyone in the compliance profession is short on time, and long on problems to solve and issues to tackle. So, we need to budget our limited resources accordingly.

With that acknowledged, I'd like to make an appeal to not forget the Little Details of compliance that may seem to be of low risk when compared with the newer, more intricate regulatory issues of the day.

Little things creep in...

Not too long ago, I visited a bank and was reviewing its mortgage loan delinquency notices (for the HUD Homeownership Counseling notice requirement) and found that the required toll-free telephone number on the notice was misprinted and had been incorrect for many years without anyone realizing it. No one had ever actually called the phone number to check it. Presumably, no customer ever needed HUD Homeownership Counseling, because the bank also never heard about the wrong phone number from any of its mortgage customers.

At another bank, I recently found adverse action notices printed with the wrong suite number for the regulator's address in the ECOA notice. It is a small detail and easily overlooked.

Compliance risk management is all fine and dandy, but it's also worthwhile to spend time focusing on the little details of compliance that many of us take for granted or pass over in the search of the non-compliance of the higher-risk variety.

8 little traps to watch for

Don't forget some of these little snares:

1. Check the daily periodic rates on your credit disclosures (does the daily periodic rate multiplied by 365 = the APR you want it to be?)

2. Do the telephone numbers you disclose on required customer notices actually work and go to the right destination?

8. Even many of the "standard" Regulation Z disclosures such as security interest, prepayment, contract reference, late charge, assumption policy, and demand feature disclosure are often not reviewed, because we assume that the forms/loan documentation vendor has programmed correctly. Sometimes there's "operator error" at work or a system "enhancement" made that unintentionally triggered a change in a different disclosure.

You can probably add to this list of little details that we can watch for. It doesn't hurt to take a short break from the big picture from time to time and pull out those magnifying glasses.

About Nancy Derr-Castiglione

"Lucy and Nancy's Common Sense Compliance" is blogged by both Lucy Griffin and Nancy Derr-Castiglione, both ABA Banking Journal contributing editors on compliance.

Nancy, a Certified Regulatory Compliance Manager, is owner of D-C Compliance Services, an independent regulatory compliance consulting services business that has provided expertise in compliance training, monitoring, risk assessment, and policies and procedures to financial institutions since 2002.

Previously, Nancy held compliance positions with Bank One Corporation and with United Banks of Colorado.

In addition to serving as a Contributing Editor of ABA Banking Journal, Nancy has served on the ABA Compliance Executive Committee; National and Graduate Compliance Schools board; conference planning committees, and the Editorial Advisory Board for the ABA Bank Compliance magazine. She can be reached at nancycastiglione@comcast.net

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