WHO ARE YOU TALKING ABOUT UDAAP WITH?

Who is training your front-line in this critical area? (Anybody, anybody?)

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Recently, I gave a presentation on compliance to a group of bank marketing professionals at ABA's 2012 Marketing Conference in San Diego, Calif.

Not surprisingly, it was the only compliance session at the three-day conference. But it was a chance to speak about the importance of compliance to a group that, bank by bank, sometimes has a bit of "discussion" with the compliance fraternity.

I was asked to talk about the important current compliance issues affecting bank marketing. Naturally, UDAAP (Unfair and Deceptive and Abusive Acts or Practices) is paramount on that list of important compliance issues affecting bank marketing.

We talked a lot about UDAAP.

But one of the bankers asked a very interesting question that got the whole room buzzing.

Who is spreading the word about UDAAP?

She asked whose responsibility it was--Compliance or Marketing--to educate the front-line bankers about UDAAP?

Who should be telling them that they must provide full and accurate information about products and services? In a manner that is clear and conspicuous? And not misleading? With no contradictory information? With no high pressure sales tactics? And no hidden costs? With full disclosure of material terms and conditions?

And no "mouse print"?

Stop preaching to the choir, Compliance

Compliance folks have been talking about UDAAP--amongst ourselves--a lot, for a couple of years n ow.

The past two ABA Regulatory Compliance Conferences have been heavily weighted in UDAAP topics. Our own magazines regularly feature articles about UDAAP.

But, are we getting the message out beyond the compliance family?

Are we getting the right UDAAP message to the right people in the bank?

Folks, this is serious.

UDAAP affects all aspects of the banking business. It impacts product and service design and marketing, lending, customer service, operations, collections, etc.

If UDAAP is seen as just a compliance issue in a bank, the job of integrating UDAAP into the many facets of day-to-day banking will be a huge challenge for the compliance officer. The compliance officer has to ensure that the UDAAP message is being communicated in such a way that it is clearly and conspicuously understood that it must be disseminated throughout the ranks.

If we continue to just talk about it amongst ourselves, we're not reaching the right audience with the message. If we just talk to the marketing department, we're still not reaching all of the right audience. We need to be talking to EVERYONE in the bank, especially the bankers who are interacting with the customers.

So, whose job is it?

There were many different opinions on the question of whose responsibility it is to talk about UDAAP to the frontline bankers.

- • Some believed that it was a Compliance responsibility.

- • Some believed it was a Marketing responsibility.

- • Some felt it was a joint responsibility.

- • Some felt strongly that it wasn't the kind of message that the marketing officer should have to relay, and that it should come from the compliance officer (the usual bearer of bad news).

You could have Scenario A, in which the compliance officer is the UDAAP messenger. Whenever there is a new product introduced or promotion offered, the compliance officer is there with the marketing officer explaining to the front-line bankers how to sell the product accurately and fairly and with no unfair and deceptive acts or practices.

Or, you could have Scenario B, in which the marketing officer, who is familiar with the UDAAP regulatory environment,

can coach the front-line bankers on how to sell the product accurately and fairly and with no unfair and deceptive acts or practices.

And the answer is ...

The right answer for each bank will depend on the individual circumstances for that bank.

If the compliance officer is the primary UDAAP messenger for the bank, the compliance officer is going to need a pair of winged sandals like Mercury and will be very, very busy.

- • Who have you UDAAP'ed?

- • Do you have a UDAAP training plan?

- • Who has received UDAAP training in your bank?

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• New accounts reps

• Lenders

• Tellers

• Branch managers

• Marketing

• Loan assistants

• Customer service reps

• Call Center

• Receptionists

• Collectors

• Compliance

• Auditors

Who wasn't on that list?

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- • Have you reviewed existing products and services training for UDAAP coverage?

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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