THE RISK MANAGEMENT ASSOCIATION

CREDIT CHRONICLES

A publication of the Hampton Roads Chapter of the Risk Management Association

Winter/Spring 2016 Edition

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2015–2016 Hampton Roads Board of Directors

FROM YOUR CHAPTER PRESIDENT

Greetings Friends!

I am honored to serve as President of your Hampton Roads Chapter of the Risk Management Association for 2015-2016. This is a transition year for the Chapter, as we have recruited new members of the Board of Directors, are working on management succession and have begun work on a number of education options that will provide useful information for the commercial bankers in our community.

The members of the Board of Directors are listed on this page. If you get an opportunity, please thank them for all of their time and effort. Each is a volunteer and is working hard to make a difference for commercial bankers.

Save the Dates. On the next page you will see a listing of the Chapter's programs for the next several months. Please make an effort to attend and you will find it worthwhile. We are particularly excited about putting together a membership meeting in May that will feature a panel discussion of cybersecurity challenges and solutions for financial institutions. You also will see programming related to loan documentation, changes in the FASB regulations related to commercial leases and lending to non-profits.

Get Involved--Join. Engage. Lead. The Board of Directors is actively looking for bankers to join us in delivering a robust set of programming each year. Please contact me or anyone on the Board of Directors if you are interested in working on a committee or serving on the Board. Also, if there are particular educational topics that are of interest to your bank, then please also discuss those with me, Amanda Freeland or Susan Towler.

All of the events and programs that your RMA Chapter offers throughout the year will help you become better bankers. Take advantage of these opportunities by participating and, or even leading, an event. The quality and success of all of these programs depends on many people taking an active role.

C. Grigsby Scifres, President

2016 Calendar of Events

March 24: Lunch & Learn Series; Topic: "Documentology – Loan Document Potpourri" @ Williams Mullen and Old Point in Hampton
April 13: Young Professionals event; Topic and Location: TBD
April 21: Open Enrollment; Topic: "Lending to Non-Profits" @ TowneBank in Norfolk
April 28-29: Carolinas-Virginias Spring Conference in Asheville, NC
May 11: Lunch & Learn Series – "The Shift is On! New Lease Rules to Shift Leases Onto Corporate Balance Sheets"; Location: @ Williams Mullen and Old Point in Hampton
May 24: Spring General Membership Program – "Cyber Security" @ Hits at the Park.
June 22-24: Chapter Leaders Conference in Indianapolis, IN

Volunteer Spotlight: Susan J. Towler

Susan has had an impressive career. She started out as a bank teller while studying at Virginia Tech, and went on to hold the following positions: Auditor, Commercial Credit Analyst, Relationship Manager, Special Assets Officer, Commercial Credit Manager, Commercial Development Program Manager, Portfolio Manager, Risk Officer, and is currently the Portfolio Management Team Lead for the Virginia Division of SunTrust. Susan passed the CRC exam in 2010, which allowed her to pursue one of her passions: combining curriculum and real life experiences in a classroom setting, specifically SunTrust University. RMA has provided her with additional information and experiences to bring back to the classroom, and allows her to meet new folks and serve the banking community. When she isn't working, Susan enjoys spending time with her husband of twenty-three years and two children, walking her rescue dog (Arthur, the Once and Future King), playing the piano, and attending the Main Street United Methodist Church.

Susan – We are so happy to have you as an active member of our chapter!

Please Welcome Our Newest Member!

Rafal Winiarek, a Credit Analyst at Wells Fargo, joined RMA as an Associate Member in December 2015

Regulatory Update: CFPB Tweaks Changes to Mortgage Rules

In addition to finalizing changes to mortgage rules primarily focused on small lenders in rural and underserved areas, the Consumer Financial protection Bureau also has updated guidance to address the TILA/RESPA Integrated Disclosure Rule.
By Bernard Mason for the December 2015–January 2016 *RMA Journal*

The Consumer Financial Protection Bureau (CFPB) recently finalized several changes to its mortgage rule to facilitate responsible lending by small creditors, particularly those in rural and underserved areas.

The final rule will increase the number of financial institutions able to offer certain types of mortgages in rural and underserved areas and help small creditors adjust their business practices to comply with the CFPB's mortgage rules.

The CFPB issued several mortgage rules in 2013 that became effective in 2014. Since then, it has continued to monitor the mortgage market and seek public feedback. This new rule is a product of those efforts. The final rule incorporates the following changes:

Expand the definition of "small creditor": The loan origination limit for small-creditor status will be raised from 500 first-lien mortgage loans per year to 2,000 and will exclude loans held in portfolio by the creditor and its affiliates.

Expand the definition of "rural" areas: In addition to counties that are considered "rural" under the earlier rules, the final rule expands the definition to include census blocks that are not in an urban area as defined by the Census Bureau.

Provide grace periods for small creditor and rural and underserved creditor status: Creditors that exceeded the origination limit or asset-size limit in the preceding calendar year will be allowed to operate, in certain circumstances, as a small creditor with respect to mortgage transactions with applications received prior to April 1 of the current calendar year. The final rule will create a similar grace period for creditors that no longer operated predominantly in rural or underserved areas during the preceding calendar year.

Create a one-year qualifying period for rural or underserved creditor status: The final rule will adjust the time period used in determining whether a creditor is operating predominately in rural or underserved areas, from any of the three preceding calendar years to the preceding calendar year.

Provide additional implementation time for small creditors: Eligible small creditors had been able to offer balloon-payment qualified mortgages and balloon-payment high-cost mortgages, regardless of where they operate, under a temporary exemption scheduled to expire January 10. The new rule will extend that period to include balloon-payment mortgage transactions with applications received before April 1, 2016, allowing creditors more time to understand how any changes will affect their status and to adjust their business practices.

Several minor or technical changes have also been made to the previous rules. The final rule goes into effect January 1.

To download this article in its entirety, please visit our website: *http://rmajournal.org/rmajournal/december_2015-january_2016*.

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First Round of ATR Cases Goes to Banks

By J. P. McGuire Boyd, Jr., Attorney at Williams Mullen

The CFPB's ability-to-repay (ATR) rule became effective in January 2014. It requires mortgage lenders to determine during underwriting that a borrower has a reasonable ability to repay a loan according to its terms. In the event of default resulting in foreclosure, borrowers can defend against foreclosure by claiming that their lender failed make a reasonable and good faith determination of their ability to repay. One year and nine months into this new regime, early cases indicate that borrowers cannot simply prevent foreclosures by assignees or servicers of their debt without facts showing that the loan originator committed an ATR violation.

For example, in Khadher v. PNC Bank, N.A., 577 F. App'x 470 (6th Cir. 2014), the Sixth Circuit affirmed summary judgment in favor of an assignee, PNC Bank, N.A., finding "no evidence" that the loan's originator, National City Mortgage Services Company, failed to make a reasonable ATR determination. Id. at 480.

More recently, in Pitts v. Wells Fargo Bank, N.A., 2015 WL 5728879 (D.D.C. Sept. 29, 2015), the United States District Court for the District of Columbia granted a servicer's motion to dismiss an ATR claim finding that the borrowers failed to "name[] the loan originators as defendants, and they allege no facts supporting Defendant Wells Fargo's liability for the alleged TILA violations by the loan originators." Id. at *4.

Together, these two cases suggest that courts will not let borrowers avoid or unwind foreclosures based on loose allegations of ATR violations. Instead, borrowers must name their loan originator and marshal actual facts showing that their loan originator failed make a reasonable and good faith determination of their ability to repay.

Credit Risk Certification (CRC)

Why CRC?

In today's rapidly changing financial services industry, you need practical, day-to-day knowledge that will help you excel in your profession. You need the latest skills—skills that are current and complete. And you need the demonstrated ability to serve a diverse base of clients. Plus, you need all of your knowledge, skills, and abilities to be validated by a respected organization like RMA.

For more information, visit http://www.rmahq.org/crc.

Credit Risk Management Audio Conference Series

March 8, 2016 – SBA Lending Update: Using Programs and Talent to Your Advantage

Time: All audio conferences will be held at 1:00 p.m. Eastern Time (10:00 a.m. Pacific Time).
Fees*
RMA Associate members: $120 for each audio conference (per phone line).
RMA Professional members: $130 for each audio conference (per phone line).
Nonmembers at RMA member institutions: $130 for each audio conference (per phone line).
Nonmembers: $180 for each audio conference (per phone line).
*Additional listeners cost $0.

Visit www.rmahq.org for the complete list of upcoming Credit Risk Management, Enterprise Risk Management (ERM), Operational Risk, and Regulatory Audio Conferences.

About RMA

Founded in 1914, The Risk Management Association is a not-for-profit, member-driven professional association whose sole purpose is to advance the use of sound risk management principles in the financial services industry. RMA promotes an enterprise approach to risk management that focuses on credit risk, market risk, and operational risk. Headquartered in Philadelphia, Pennsylvania, RMA has 2,500 institutional members that include banks of all sizes as well as nonbank financial institutions. They are represented in the association by more than 18,000 risk management professionals who are chapter members in financial centers throughout North

Mission Statement

RMA is a member-driven professional association whose sole purpose is to advance sound risk management principles in the financial services industry.

Why should you join?

RMA helps our members use sound risk principles to improve institutional performance and financial stability, and enhance the risk competency of individuals through information, education, peer sharing, and networking.

Our chapter presents opportunities for individuals to get involved. Chapters rely on the talents of volunteers to stage many of their programs, conduct membership development efforts, and promote the ideals of the Association. To find out more about how you can get involved in our chapter, email Phil Richard at PRichard@bofhr.com. If you are a college student or know of one who might be interested in joining, visit www.rmahq.org/studentmembership.