Safeguard Properties

The Regulatory Environment & Impact on Safeguard

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Overview of Regulatory Environment & the Impact on Safeguard

Training Objective

To Increase Vendor Awareness of the Regulatory Environment in Which We Operate:

- Consumer Financial Protection Bureau (CFPB)
- False Claims Act
- Gramm-Leach Bliley Act (GLBA)
- Protecting Tenants at Foreclosure Act (PTFA)
- Servicemembers Civil Relief Act (SCRA)
- Fair Debt Collections Practices (FDCPA)
- Unfair Deceptive or Abusive Acts/Practice (UDAAP)
- HUD Debarment
- Compliance with state and local license requirements

Consumer Financial Protection Bureau (CFPB)

Overview of the CFPB

The CFPB was created by the Dodd-Frank Wall Street Reform & Consumer Protection Act ("Dodd-Frank Act"). This agency has the responsibility of monitoring financial institutions and its affiliates.

What the CFPB means to you

- Safeguard, our clients and vendors are directly regulated by the CFPB. We should expect to be audited
- The CFPB requires Safeguard and our clients to implement a compliance management system, which is one of the driving forces behind vendor audits.
- Consumer complaints need to be tracked, analyzed and trended, with corrective action taken to prevent future occurrences if the complaint has merit.
- Any Safeguard vendor that receives a consumer complaint should call Safeguard Customer Service.
- The CFPB can impose substantial fines for non-compliance.

Examples of Consumer Complaints

Definition of Consumer Complaint: A complaint regarding in-scope services Safeguard did or should have provided.

All of these examples would need to be tracked and reported to our clients

- Mortgagor calls a vendor and alleges that the vendor’s sub-contractors stole personal property.
- Neighbor of a property serviced by Safeguard sends an e-mail to a vendor indicating that the grass is overgrown at the property.
- Neighbor of a property serviced by Safeguard calls a vendor to indicate that vandalism has occurred at the property.
- Mortgagor e-mails a vendor indicating that she has been improperly locked out of her home.

CFPB Case Studies

<u>CFPB Fines Capital One - July 18, 2012</u>:- Capital One ordered to pay $165 million in refunds and regulatory fines. Capital One utilized a vendor to activate credit cards. Capital One customers were pressured or misled into buying credit card products they didn't understand, didn't want, or in some cases, couldn't even use. *Comptroller of the Currency Thomas Curry, who heads the OCC, said banks' <u>management of outside vendors is "an area we have identified as an increasingly significant risk."</u>*

<u>Ally Ordered to Pay $80 million – December 20, 2013</u>: - The CFPB and the DOJ ordered Ally Financial to pay $80 million in damages to harmed African-American, Hispanic, and Asian and Pacific Islander borrowers and $18 million in penalties due to discrimination in auto lending. "We are taking a firm stand against discrimination in a critical lending market," said Attorney General Eric Holder.

Although these are not the same types of consumer complaints you may receive, they illustrate how seriously CFPB responds to violations

False Claims Act

Overview of the False Claims Act

The False Claims Act is a federal law that assesses liability on anyone who knowingly submits to the government false claims or billings.

What the False Claims Act means to you

- Submitting incorrect or intentionally misleading information which may be used to obtain reimbursement from any government agency or sponsored entity (e.g., Fannie Mae, Freddie Mac, HUD, VA) may result in fines or criminal penalties.
- Never submit work order results or reports that contain false information
- If you have knowledge of any Safeguard employee, vendor or other representative making false claims, immediately report the incident to Vendor Management or the Safeguard Hotline at 855-271-2686.

False Claims Act

Case Study

You have handled several calls from sub-contractor working on a property. The sub-contractor is clearly confused about what they need to do and has been sent back out to the property twice. The work order is already late and your VSR has expressed concern. You know that by revising the vendor update, you can get the work updated and invoiced quickly, but the work has not yet been completed in accordance with investor guidelines.

What should you do?

Gramm-Leach Bliley Act (GLBA)

Overview of GLBA

GLBA is a federal law that requires that all “financial” institutions communicate consumer privacy rights to its customers, and develop and effectively institute secure information security policies and procedures.

What GLBA means to you

- You must ensure that all client records remain secure and confidential.
- Before releasing any information, make sure there is a genuine business purpose and the identity of the requester has been verified.
- You must ensure compliance with Safeguard’s Security Policies. The Security Policies are located on Vendor Web using the “Security” link
- You must sign confidentiality agreements and complete security awareness training to ensure continued compliance.

Protecting Tenants at Foreclosure Act (PTFA)

The PTFA protects tenants from eviction on a "federally related mortgage loan" due to foreclosure on the properties they occupy through December 31, 2014.

What the PTFA means to you

- You may become aware of tenants occupying property when you are performing services. This information must be communicated to Safeguard.
- Tenants of a property that have a "bona fide" lease may be allowed to stay in the property until the end of their lease, with two exceptions:
  - When the property has been sold after foreclosure to a purchaser who will occupy the property as a primary residence;
  - When there is no lease or the lease is terminable "at-will" under state law.
- Safeguard will inform clients of any tenants present.

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Servicemembers Civil Relief Act (SCRA)

Overview of the SCRA

The SCRA restricts foreclosures and rental evictions of service members and their dependents. The SCRA applies to all members of the United States military on active duty.

What the SCRA means to you

- You may become aware of property owners or tenants that are service members. You need to communicate this information to Safeguard so that we can inform our clients.
- Safeguard's obligation is to report the information to the client. Only our clients can determine if the protection provided by SCRA applies for a specific property.

Fair Debt Collections Practice Act (FDCPA)

Overview of the FDCPA

The FDCPA is a federal act created to protect consumer rights by preventing abusive practices in the collection of consumer debts.

What the FDCPA means to you

- Never represent Safeguard as trying to collect any payments from the property owner.
- Do not make reference to collection activity or attempts to collect a debt.
- Refer all questions you receive from mortgagors related to bank fees, charges, payments, balances, mortgages / loan agreement and bank programs to Safeguard.
- Never make false, deceptive or misleading statements to the mortgagor.

Unfair Deceptive or Abusive Acts/Practice (UDAAP)

Overview of UDAAP

UDAAP prohibits material misrepresentations or omissions that affect choices made by consumers because such misrepresentations are likely to cause consumer harm.

What the UDAAP means to you

- Refer all questions related to bank fees, charges, payments, balances, mortgages / loan agreement and bank programs to Safeguard.
- Never make false, deceptive or misleading statements to the mortgagor
- Never use information you receive as part of your work for Safeguard for personal gain.
- Never offer or accept bribes or kickbacks.

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Case Studies on Kickbacks

CFPB Takes Action Against Four Mortgage Insurers – April 4, 2013: The CFPB alleged that four mortgage insurance companies violated federal consumer financial law by engaging in widespread kickback arrangements with lenders across the country.

CFPB Files Lawsuit Against – October 24, 2013: The CFPB filed a lawsuit against Kentucky law firm Borders & Borders, PLC for illegally paying kickbacks for real estate settlement referrals through a network of shell companies. The law prohibits kickbacks for referrals of settlement service business involving federally related mortgages because it can hurt competition and inflate real estate settlement costs for consumers.

CFPB Fines Fidelity Mortgage – January 16, 2014: - Fidelity Mortgage Corporation, and its former owner, Mark Figert, were ordered to pay $81,076 for funneling illegal kickbacks to a bank in exchange for real estate referrals.

HUD Debarments

A debarment sanction means that an individual, organization and its affiliates are excluded from conducting business with any Federal Agency government-wide. Debarment is the most serious compliance sanction and is generally imposed for a three-year period or longer.

Who does HUD sanction?
The following are some occupations that could be sanctioned:

- Real Estate Brokers or Agents
- Appraisers and Inspectors
- Contractors

Causes for Debarment: Debarment is imposed for criminal and/or serious HUD program violations, which could include:

- Use of False Documents
- Embezzlement, Theft, Forgery
- False Statements, False Claims
- Bribery

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Compliance with Safety and Licensing Requirements is Also Essential

Case Studies of Enforcement Actions

August 2013 - A Woodburn-based construction company was fined $52,500 for repeatedly not protecting its employees from falls, according to the Oregon Occupational Safety and Health Division. Bravo's Construction Services LLC has been fined six times since December 2012 for a lack of fall protection, according to an OSHA press release. The latest fine resulted from an inspection on June 11.

July 2013 - 79 people were arrested in sting operations by the California contractors license board. The Contractors State License Board conducted 13 undercover operations in seven locations.

January 2014 - Six people were cited on misdemeanor charges for contracting without a license. In California, all home improvement jobs valued at $500 or more (combined labor and material costs) must be conducted by a company or person with a Contractors State Licensing Board-issued license. First-conviction penalties for contracting without a license include up to six months in jail and/or up to $5,000 in fines. Penalties escalate with successive violations.

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Additional Licensing Case Studies

October 2011- Jericho of Louisiana LLC, of New Orleans, was fined $8,000 plus a $500 administrative fee for performing at least three jobs without the proper contractor's license.

July 2012 – Rapid City, SD revoked the license of a local contractor after receiving complaints of shoddy work, no insurance, and not paying subcontractors.

March 2012 – New Brighton, MN electrical contractor license was revoked when he allowed unlicensed employees to perform work with qualified supervision. The contractor was fined $10,000, with $7,500 suspended if contractor adheres to terms of agreement.

May 2013 – One contractor blogged he was fined $1,736 for not having a pesticide applicator license. Another blogged he was fined $1,500 and had his vehicle and equipment seized till after the court date.

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Summary: Key Takeaways

We are operating in a highly regulated environment. Please remember to:

- Report all consumer complaints
- Always provide accurate updates and invoices
- Never accept or offer bribes or kickbacks
- Report any form of fraud
- Keep relevant information secure and confidential
- Report properties occupied by tenants, military service members and their dependents
- Avoid any reference to debt collection activity

If you have any questions or are not clear on how these requirements apply to you, please contact Vendor Management.