

**MISSOURI BANKERS ASSOCIATION  
FEDERAL LENDING COMPLIANCE WORKSHOP MANUAL  
2025 UPDATE – OCTOBER 2025**

Enclosed are pages which contain updated information to replace existing pages in your MBA Federal Lending Compliance Workshop Manual (2023 version only). The new FCRA and Reg. Z pages show in the footer that they were updated in 2025, which does not necessarily indicate the effective date. All of the other pages still show the 2023 date in the footer. The new flood determination form is also included in this update. If you have any questions about the changes, please call Carol Barnett at the MBA at (573) 636-8151. Below is a list of the pages to remove and replace and the primary reasons why the changes have been made.

| <b>Remove<br/>Page No.:</b>                                               | <b>Replace with<br/>Page No.:</b>                                         | <b>Why:</b>                                                                                                                                                                                    |
|---------------------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FCRA 10                                                                   | FCRA 10                                                                   | Added language at the bottom of the page regarding a change in federal law that will essentially ban “trigger leads” on residential mortgage loans, which will go into effect on March 5, 2026 |
| Flood Determination Form (7 <sup>th</sup> page of Flood Insurance Module) | Flood Determination Form (7 <sup>th</sup> page of Flood Insurance Module) | Updated form issued by FEMA with an expiration date of 02-28-2027                                                                                                                              |
| Reg Z 4                                                                   | Reg Z 4                                                                   | Fixed spacing issue in citation column                                                                                                                                                         |
| Reg Z 5                                                                   | Reg Z 5                                                                   | Added note stating that AVM rule applies even if loan to consumer is not for consumer purposes                                                                                                 |
| Reg Z 63                                                                  | Reg Z 63                                                                  | Added note stating that AVM rule applies even if loan to consumer is not for consumer purposes                                                                                                 |
| Reg Z 65                                                                  | Reg Z 65                                                                  | Added new language at bottom of page regarding section 1026.42(i) governing Automated Valuation Models (AVMs) that went into effect October 1, 2025                                            |



## Prescreening

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Prescreening is a system where a bank provides certain criteria to a consumer reporting agency, which in return submits back to the bank a list of everyone who satisfies that criteria. This is commonly done in order to send “preapproved” offers, such as for credit cards, to consumers. The consumer reporting agency is limited by the law as to the information furnished in response to a prescreening request.

Every person who appears on the list and satisfies the minimum criteria set by the bank must be given a “firm offer of credit or insurance,” defined as any offer of credit or insurance to a consumer that will be honored if the consumer is determined, based on information in a consumer report, to meet the specific criteria used to select the consumer for the offer.

The Act does allow the bank to condition the offer on certain criteria, such as verifying information submitted on the consumer’s application or in meeting conditions relating to collateral or other specified issues bearing on credit worthiness or insurability.

The CFPB prescribes rules and model notices to implement this section of the law. The rule requires a “short notice” and a “long notice” to be included in the solicitation. The short notice states that the consumer has the right to opt out of receiving prescreened solicitations and provides the toll-free number to call to exercise that right. The long notice contains all of the information required by the statute. Details about type size, format, and location of the notices are prescribed. Appendix D of the CFPB rule contains model notices that may be used.

Effective March 5, 2026, if a person requests a consumer report from a consumer reporting agency in connection with a credit transaction involving a residential mortgage loan, that agency may not, based in whole or in part on that request, furnish a consumer report to another person under this subsection of the law unless:

- the transaction consists of a firm offer of credit or insurance; and
- that other person:
  - has submitted documentation to that agency certifying that such other person has, the authorization of the consumer to whom the consumer report relates; or
  - has originated a current residential mortgage loan of the consumer to whom the consumer report relates;
  - is the servicer of a current residential mortgage loan of the consumer to whom the consumer report relates; or
  - is an insured depository institution or credit union and holds a current account for the consumer to whom the consumer report relates

Banks who want to engage in prescreening activities should consult the statute and regulation for full details.

DEPARTMENT OF HOMELAND SECURITY  
Federal Emergency Management Agency

OMB Control No. 1660-0040  
Expires: 02-28-2027

**STANDARD FLOOD HAZARD DETERMINATION FORM (SFHDF)**

**SECTION I - LOAN INFORMATION**

|                                     |                    |                                                                                                    |  |
|-------------------------------------|--------------------|----------------------------------------------------------------------------------------------------|--|
| 1. LENDER/SERVICER NAME AND ADDRESS |                    | 2. COLLATERAL DESCRIPTION (Building/Mobile Home/Property) (See instructions for more information.) |  |
| 3. LENDER/SERVICER ID #             | 4. LOAN IDENTIFIER | 5. AMOUNT OF FLOOD INSURANCE REQUIRED                                                              |  |

**SECTION II**

**A. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) COMMUNITY JURISDICTION**

|                        |                |          |                          |
|------------------------|----------------|----------|--------------------------|
| 1. NFIP Community Name | 2. County(ies) | 3. State | 4. NFIP Community Number |
|------------------------|----------------|----------|--------------------------|

**B. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING BUILDING/MOBILE HOME**

|                                                                                       |                                            |                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. NFIP Map Number or Community-Panel Number (Community name, if not the same as "A") | 2. NFIP Map Panel Effective / Revised Date | 3. Is there a Letter of Map Change (LOMC)?<br><input type="radio"/> NO<br><input type="radio"/> YES (if yes, and LOMC date/no. is available, enter date and case no. below.)<br>Date Case No. |
| 4. Flood Zone                                                                         | 5. No NFIP Map                             |                                                                                                                                                                                               |

**C. FEDERAL FLOOD INSURANCE AVAILABILITY (Check all that apply.)**

1. ☐ Federal Flood Insurance is available (community participates in the NFIP). ☐ Regular Program ☐ Emergency Program of NFIP

2. ☐ Federal Flood Insurance is not available (community does not participate in the NFIP).

3. ☐ Building/Mobile Home is in a Coastal Barrier Resources Area (CBRA) or Otherwise Protected Area (OPA). Federal Flood Insurance may not be available.

CBRA/OPA Designation Date: \_\_\_\_\_

**D. DETERMINATION**

**IS BUILDING/MOBILE HOME IN SPECIAL FLOOD HAZARD AREA (ZONES CONTAINING THE LETTERS "A" OR "V")?** ☐ YES ☐ NO

If yes, flood insurance is required by the Flood Disaster Protection Act of 1973.

If no, flood insurance is not required by the Flood Disaster Protection Act of 1973. Please note, the risk of flooding in this area is only reduced, not removed.

This determination is based on examining the NFIP map, any Federal Emergency Management Agency revisions to it, and any other information needed to locate the building /mobile home on the NFIP map.

**E. COMMENTS (Optional)**

**F. PREPARER'S INFORMATION**

|                                                        |                       |
|--------------------------------------------------------|-----------------------|
| NAME, ADDRESS, TELEPHONE NUMBER (If other than Lender) | DATE OF DETERMINATION |
|--------------------------------------------------------|-----------------------|

## Executive Summary (cont.)

| Regulation Z Compliance Summary |                                                                                                         |            |
|---------------------------------|---------------------------------------------------------------------------------------------------------|------------|
|                                 | Issue                                                                                                   | Regulation |
| <b>Subpart E</b>                | <b>Special Rules for Certain Home Mortgage Transactions</b>                                             |            |
|                                 | General Rules                                                                                           | §1026.31   |
|                                 | Requirements for High-Cost Mortgages                                                                    | §1026.32   |
|                                 | Requirements for Reverse Mortgages                                                                      | §1026.33   |
|                                 | Prohibited Acts or Practices in Connection with High-Cost Mortgages                                     | §1026.34   |
|                                 | Requirements for Higher-Priced Mortgage Loans                                                           | §1026.35   |
|                                 | Prohibited Acts or Practices and Certain Requirements for Credit Secured by a Dwelling                  | §1026.36   |
|                                 | Content of Disclosures for Certain Mortgage Transactions (Loan Estimate)                                | §1026.37   |
|                                 | Content of Disclosures for Certain Mortgage Transactions (Closing Disclosure)                           | §1026.38   |
|                                 | Mortgage Transfer Disclosures                                                                           | §1026.39   |
|                                 | Requirements for Home Equity Plans                                                                      | §1026.40   |
|                                 | Periodic Statements for Residential Mortgage Loans                                                      | §1026.41   |
|                                 | Valuation Independence                                                                                  | §1026.42   |
|                                 | Minimum Standards for Transactions Secured by a Dwelling                                                | §1026.43   |
| <b>Subpart F</b>                | <b>Special Rules for Private Education Loans</b>                                                        |            |
|                                 | Special Disclosure Requirements for Private Education Loans                                             | §1026.46   |
|                                 | Content of Disclosures                                                                                  | §1026.47   |
|                                 | Limitations on Private Education Loans                                                                  | §1026.48   |
| <b>Subpart G</b>                | <b>Special Rules Applicable to Credit Card Accounts and Open-End Credit Offered to College Students</b> |            |
|                                 | Ability to Pay                                                                                          | §1026.51   |
|                                 | Limitations on Fees                                                                                     | §1026.52   |
|                                 | Allocation of Payments                                                                                  | §1026.53   |
|                                 | Limitations on Imposition of Finance Charges                                                            | §1026.54   |
|                                 | Limitations on Increasing APRs, Fees, & Charges                                                         | §1026.55   |
|                                 | Requirements for Over-the-Limit Transactions                                                            | §1026.56   |
|                                 | Reporting and Marketing Rules for College Student Open-End Credit                                       | §1026.57   |
|                                 | Internet Posting of Credit Card Agreements                                                              | §1026.58   |
|                                 | Reevaluation of Rate Increases                                                                          | §1026.59   |
|                                 | Credit and Charge Card Applications and Solicitations                                                   | §1026.60   |
|                                 | Hybrid Prepaid - Credit Cards                                                                           | §1026.61   |

Several appendices and the official interpretations (commentary) are also important to consult.

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# Coverage

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## ***Coverage of Reg. Z - §1026.1***

Reg. Z applies to any individual or business that offers or extends credit when four conditions are met:

- the credit is offered or extended to consumers  
**and**
- the credit offering or extension is done regularly  
**and**
- the credit is subject to a finance charge **or** is payable in more than four installments  
**and**
- the credit is primarily for personal, family, or household purposes

In general, a consumer is a natural person to whom consumer credit is offered or extended. However, there are other considerations related to who is considered a “consumer” for certain purposes in the regulation.

- For purposes of rescission (covered later in this module) a consumer will also include a natural person in whose principal dwelling a security interest is or will be retained or acquired, if that person’s ownership interest in the dwelling is or will be subject to the security interest.
- Guarantors, endorsers and sureties are generally not covered by the definition of consumer – however they might be a consumer for purposes of rescission under certain circumstances.
- Consumer-purpose credit extended to trusts established for tax or estate planning purposes is considered to be extended to a natural person for purposes of the definition of consumer in this regulation.

In addition, a successor in interest can be a consumer. A successor in interest is a person to whom an ownership interest in a dwelling securing a closed-end consumer credit transaction is transferred from a consumer, with restrictions outlined in the regulation.

Note: For purposes of §1026.42(i) – Quality Control Standards for Automated Valuation Models – the term “consumer” means a natural person to whom credit is offered or extended, even if the credit is primarily for business, commercial, agricultural, or organizational purposes.

Note: If a credit card is involved, certain provisions apply even if the credit is not subject to a finance charge, or is not payable in more than four installments, or if the credit card is to be used for business purposes.

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# Valuation Independence

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Section 1026.42 applies to any consumer credit transaction (open-end and closed-end) secured by the consumer's principal dwelling.\*

"Covered persons" include creditors, mortgage brokers, appraisers, appraisal management companies, real estate agents, and other settlement service agents. For purposes of this module the focus will be on banks as users of "valuations."

"Valuation" means an estimate of the value of the consumer's principal dwelling (prepared by a natural person) in written or electronic form, such as an appraisal report prepared by an appraiser, or an estimate of market value prepared by a real estate agent.

A valuation does not include an estimate of value produced exclusively using an automated model or system. However, a valuation includes an estimate of value developed by a natural person based in part on an estimate of value produced using an automated model or system.

## ***Coercion - §1026.42(c)***

No covered person is permitted to (directly or indirectly) cause the value assigned to the consumer's principal dwelling to be based on any factor other than the independent judgment of a person that prepares valuations, through:

- coercion, extortion, inducement, bribery or intimidation of  
**or**
- compensation or instruction to  
**or**
- collusion with

a person that prepares valuations or performs valuation management functions.

\*Note: For purposes of §1026.42(i) – Quality Control Standards for Automated Valuation Models – the term "consumer" means a natural person to whom credit is offered or extended, even if the credit is primarily for business, commercial, agricultural, or organizational purposes.

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## Valuation Independence (cont.)

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### ***Extension of Credit Prohibited - §1026.42(e)***

A bank that knows, at or before consummation, of a violation of the regulation in connection with the valuation cannot extend credit based on the valuation, unless the bank documents that it has acted with reasonable diligence to determine that the valuation does not materially misstate or misrepresent the value of the dwelling.

### ***Customary and Reasonable Compensation - §1026.42(f)***

The bank must compensate a fee appraiser for performing appraisal services at a rate that is customary and reasonable for comparable appraisal services performed in the geographic market of the property being appraised. Depending on the facts and circumstances, the relevant geographic market may be a state, metropolitan statistical area (MSA), metropolitan division, area outside of an MSA, county, or other geographic area.

The regulation outlines a process for determining customary and reasonable rates that would provide a presumption of compliance with the rule.

### ***Mandatory Reporting - §1026.42(g)***

Any covered person that reasonably believes an appraiser has not complied with the Uniform Standards of Professional Appraisal Practice (USPAP) or ethical or professional requirements for appraisers under applicable state or federal statutes or regulations must refer the matter to the appropriate state appraiser certifying and licensing agency if the failure to comply is material (likely to significantly affect the value assigned to the dwelling). The notification must be made within a reasonable period of time.

### ***Quality Control Standards for Automated Valuation Models - §1026.42(i)***

This section implements requirements related to the use of AVMs in determining the value of collateral in connection with making a credit decision. AVM is defined as any computerized model used by mortgage originators and secondary market issuers to determine the value of a consumer's principal dwelling collateralizing a mortgage. Policies, practices, procedures, and control systems must be adopted to ensure that AVMs adhere to quality control standards outlined in the regulation.