



Monthly Telephone BRIEFING

Friday, July 18, 2025 – 12:00 – 1:30 p.m.

Recent Developments in UDAP/UDAAP: Measuring Financial Institutions' Current Risks

For the past several years, compliance risks raised by allegations of unfair, deceptive or abusive acts or practices have left financial institutions in a tough spot. Because UDAP/UDAAP is a subjective standard (based on what the "reasonable" customer may deem unfair, deceptive, or abusive), absent precedent it is difficult for institutions (and their compliance personnel) to predict what a court, regulator, or plaintiff's attorney may deem to be UDAP/UDAAP. During the Biden presidential era, federal regulators leaned heavily on their UDAP/UDAAP authority to cite institutions for practices that examiners found fault with. However, during the Trump presidential administration agencies such as the CFPB have formally announced their rollback of UDAP/UDAAP enforcement efforts. Nonetheless, the CFPB has stated that certain consumer financial products and services, such as those aimed at servicemembers, remain subject to heightened UDAP/UDAAP risk. Furthermore, state-level UDAP/UDAAP enforcement efforts appear to remain heightened. For example, in April 2025, a bill was introduced in the California legislature which reaffirms the state's right to enforce federal UDAAP statutes, even against California-licensed banks and credit unions, without needing CFPB coordination. Furthermore, in recent months the California Department of Financial Protection and Innovation and the California Attorney General have both made statements indicating that they intend to ramp up consumer financial protection enforcement efforts in light of the CFPB's enforcement rollback. These announcements followed a January 2025 CFPB report which contained seven specific recommendations for state policymakers on UDAP/UDAAP-related issues such as junk fees and consumer privacy (this CFPB report was published days before Trump took office). This presentation will provide an overview of the current state of UDAP/UDAAP-related risk and enforcement at both the federal and state level. Because UDAP/UDAAP remains an area of heightened risk, this presentation is not one to miss.

CFPB Extends Compliance Deadlines for Section 1071 Rule

Section 1071 of the Dodd-Frank Act ("Section 1071") added small business loan data collection requirements to the Equal Credit Opportunity Act (ECOA), as set forth in Section 704B (15 USC 1691c-2). On March 30, 2023, the CFPB issued a final rule amending Regulation B (12 CFR Part 1002) to implement the changes to ECOA made by Section 1071. This rule, known as the Small Business Lending Data Collection Rule ("SBLDC Rule"), was published in the Federal Register on May 31, 2023.

While the SBLDC Rule was finalized back in 2023, the compliance deadlines extended were delayed as a result of preliminary injunctions issued in two notable court cases: *Tex. Bankers Ass'n, et al. v. CFPB, et al.*, 685 F. Supp. 3d 445 (S.D. Tex. 2023) and *The Monticello Banking Company et al. v. Consumer Financial Protection Bureau et al.*, No. 6:23-cv-00148-KKC (E.D. Ky. filed Sept. 14, 2023). While the SBLDC Rule ultimately survived these legal challenges, it has again come under scrutiny, this time by the CFPB itself (the agency that originally issued the rule). On May 28, 2025, the CFPB filed a motion to stay proceedings in the Monticello case to allow the CFPB time to conduct a new rulemaking under Section 1071 and reconsider the SBLDC Rule.

On June 18, 2025, the CFPB issued an interim final rule officially extending the compliance deadlines for the SBLDC Rule (SBLDC IFR). The interim rule extends the existing compliance deadlines for Tier 1, Tier 2, and Tier 3 lenders by about one year. The SBLDC IFR also clarifies which calendar years institutions may use to measure the amount of covered credit transactions they originated to determine their compliance tiers.

Please join us at the July Monthly Telephone Briefing, where the SBLDC IFR will be discussed.



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**ALDRICH
&
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* Janet Bonnefin has retired from the firm

Aldrich & Bonnefin is hosting a Monthly Telephone Briefing for Bankers' Compliance Group® Members on **Friday, July 18, 2025, at 12 Noon**. This meeting will be presented live and will include several question and answer sessions. Members can ask questions by telephone or email. Each Member that registers for the Monthly Telephone Briefing will be given a password and instructions on how to join the Briefing.

ORGANIZE YOUR PARTICIPANTS

BCG Main or Registration Contacts are encouraged to organize multiple attendees to participate at one or more locations. All Briefing connections are included in your BCG Membership.

REGISTRATION

To register, please contact your institution's BCG Main or Registration Contact or, if authorized, log in at **<http://register.bankerscompliancegroup.com/subadmin>**, and select "Register for Events." Registration closes at noon **two business days** prior to the Briefing date. On the day before the Briefing, registrants will receive an email with call-in instructions and a single-use PIN.

DOWNLOAD THE HANDOUTS

The Handout(s) are *generally* posted on the BCG Website by noon on the business day before the Briefing. All registrants will receive an email notification when the Handout(s) are posted. To download a Handout, go to **www.bankerscompliancegroup.com/monthly-telephone-briefing.php** and click on the "*Download Handout Here*" link at the end of each Handout description.

CANCELLATION

It is not necessary for registrants to contact BCG if they cannot attend a Briefing and need to cancel their registration.

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