

Commercial Lenders & 1071: What You Need to Know Today

By Alesha Briley, CMCP

If you've gone to any banking conferences or webinars, you know that 1071 (also known as Section 1071 of the Dodd-Frank Act) is top of mind for commercial bankers.

While the CFPB isn't required to release its final rule until March 31, 2023, that hasn't stopped bankers from speculating. I've been tracking 1071 since June 2022, dedicating close to 200 hours to studying the proposal and reading through other relevant materials, including industry comment letters and expert opinions.

Here are some of the most common questions bankers are asking.

Q: What is your plan when the final 1071 rule is released?

A: The proposed rule is approximately 900 pages long. The final rule is likely to be just as long.

My priority will be to thoroughly review the final rule to gain a concrete understanding of its impacts and necessary actions. I will be working closely with our product and development team to align our Ncontracts 1071 transmittal product with the final rule. I will also be involved in creating resources and training materials, such as videos, webinars, whitepapers, and checklists, to assist both our team and clients in their preparations.

Q: How do you see the collected 1071 data being used?

A: The data collected from 1071 could be both beneficial and troublesome depending on how it's collected and analyzed. Like the Home Mortgage Disclosure Act (HMDA) and Community Reinvestment Act (CRA) data, if the data is not properly analyzed and managed, it could pose fair lending and compliance risks.

Q: What actions can commercial lenders take now to prepare for 1071?

A: Commercial lenders should assess their current systems and identify any gaps. This includes standardizing application forms, having a loan origination system, and planning for training. It's important to understand the capacity, constraints, and requirements for 1071 compliance. Consideration should also be given to the potential cost of compliance, such as new loan systems, third-party service providers, and additional staff.

Q: How will Section 1071 impact the commercial lending landscape?

A: The availability of pricing information may result in financial institutions losing their competitive edge. Commercial loan officers may also be affected by the data collection requirements, especially those who are not familiar with data collection from the residential mortgage or SBA lending.



Q: What would be your final message for commercial lenders?

A: Don't panic yet. It's important to be cautious and prepared, but there's no need to panic. With a solid foundation and preparation, you'll be well-equipped for the changes brought about by 1071.

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