



Compliance Review Service for Consumer Loan Calculations



Providing independent professional calculation compliance and audit services to meet the requirements of CFPB and state statutes.

The Need

First it was the Dodd-Frank Act and the prohibition of UDAAPs. Then the Consumer Financial Protection Bureau (CFPB) was created providing broad powers to mandate adherence to consumer lending regulations. The CFPB has the authority to impose significant penalties for violations of federal and state lending laws.

CFPB recommends periodic independent calculation validation to assure regulatory compliance and alignment between the contract language, the loan origination system, and the servicing system to avoid potential UDAAP violations.

Is calculation validation included in your compliance program?

The Solution

Carleton's SmartCheck service provides a credible independent validation and audit review of consumer loan calculations as recommended by CFPB.

SmartCheck is part of Carleton's LoanSmart suite of software and compliance solutions used by lenders nationwide. SmartCheck provides the proper auditing controls necessary to make sure your loan origination and servicing software, provided by third-party vendors or developed internally, are fully compliant with all applicable federal and state regulations. This service can also be used to verify calculation compliance when purchasing loan portfolios.

The loan calculation compliance review includes the following audits:

- Regulatory maximum charge validation
- Truth-In-Lending Act (TILA) Annual Percentage Rate (APR) validation
- Federal disclosures (Fed Box) validation
- Loan balancing validation
- Loan fee(s) validation
- Loan servicing validation

smart CHECK

Steps to Calculation Compliance



Regulatory Review

- Review state statutes
- Review loan agreements
- Review interest and fee(s) calculations
- Audit contracted loans



Basis of Computations

- Audit actual contracted loans using regulatory review findings
- Reconcile with lender inconsistencies between audit and regulatory review
- Define calculation parameters and statute maximums derived from the regulatory review and audit



Loan Origination Validation

- Validate contracted transactions against the Basis of Computations
- Validate contracted transactions against Federal Truth-in-Lending disclosure requirements as defined in Regulation Z



Loan Servicing Validation

- Validate the loan servicing of contracted transactions against the Basis of Computations
- Validate earnings of interest and fees (late charge, NSF fees, etc.) charged based on actual payments made and date posted



Compliance Review Report

- Basis of Computations used to validate loan transactions
- Summary Findings, Risks, and Recommendations
- Detailed Findings Report
- Loan Amortization Exhibit

The Guarantee

Accuracy: Our research associates will provide consulting services to address any question related to the "Basis of Computations" and the analysis provided in the review.

Timeliness: We promise to complete a standard review within four weeks.

Confidentiality: We absolutely guarantee confidentiality related to all loan transaction data and the contents of the Compliance Review Report.

The Carleton Record

Carleton's track record for providing compliant calculations and compliance review services dates back over 40 years when we were an advisor to the Federal Reserve Board in 1969 and again in 1981 providing counsel related to the creation of Regulation Z and Appendix J. Through the years, Carleton has been a trusted name with many state consumer credit regulators. We serve on regulatory committees of national lending and credit insurance associations and have 12 states currently using our calculation compliance software during their examinations. Carleton regularly publishes research on regulatory computations and related issues, and serves as an educational consultant to the NACCA.

Carleton's compliant loan origination calculation software, SmartCalcs, is used by many of the largest national lenders and most third-party loan origination software providers in the United States. Thousands of finance and lending institutions trust and rely on Carleton's 40+ years of experience to provide loan computations that are compliant with their loan regulations not just today but whenever changes occur in the future.



About Carleton

Carleton is the leading provider of software and support services for consumer lending calculations, document preparation, and compliance research. More information is available at www.carletoninc.com.



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