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QUESTION NO: 1

A bank may engage in voluntary self-testing and self-correction of its compliance with Regulation

B. If the bank takes any appropriate corrective action, the reports, results, analysis, opinions, and conclusions of the self-test will be protected by a privilege. The privilege will be lost if

A. Loan and application files or other records related to a credit transaction and information derived from such files and records, even if it has been reorganized and summarized for analysis

B. If the bank takes any appropriate corrective action, the reports, results, analysis, opinions, and conclusions of the self-test will be protected by a privilege. The privilege will be lost if
The information is voluntarily disclosed to the government

C. The public or is used in any manner as a defense to a discrimination charge

D. credit information is furnished in response to inquiries concerning an account reflecting the participation of consumer

ANSWER: B C**QUESTION NO: 2**

If a bank receives a request for financial disclosure, how may the bank fulfill this request?

A. Provide copies of the call reports covering the current and previous year

B. Provide a copy of its statement of condition covering the year immediately preceding the request

C. Provide a copy of its most recent, unaudited financial statement

D. Provide copies of its Uniform Bank Performance Reports for three consecutive years

ANSWER: A**QUESTION NO: 3**

Which of the following statements regarding applications is correct?

A. Applications must be signed to be valid.

B. Creditors may accept oral applications.

C. Creditors may not develop their own definition for a completed application.

D. A creditor is not required to attempt to complete incomplete applications.

ANSWER: B

QUESTION NO: 4

Banks must establish and maintain effective risk management and control processes over its DCCs and DSAs, including:

- A. Appropriate recognition and financial reporting of income, expenses, assets, and liabilities
- B. Appropriate treatment of losses associated with these products
- C. Assessment of the adequacy of its internal controls and risk mitigation activities
- D. Before entering into a contract, the bank must obtain the customer's written affirmative election to enter into the contract and written acknowledgement of the receipt of the disclosures

ANSWER: A B C

QUESTION NO: 5

The sender agrees to indemnify each Reserve Bank for:

- A. Any loss or expense resulting from sender's lack of authority
- B. Any action taken by the Reserve Bank within the scope of its authority in the handling of the item
- C. An electronic item that is not a substitute check is not liable for any amount paid by a Reserve Bank that is attributable to the Reserve Bank's own lack of good faith or failure to exercise ordinary care
- D. Any warranty made by the Reserve Bank under Regulation J, Regulation CC, or the UCC

ANSWER: A B D

QUESTION NO: 6

Which of the following should be done during research and interpreting regulations Compliance professionals in mitigating compliance risk?

- A. Track regulatory proposals
- B. Implementing final regulatory rules
- C. Understanding the business units' operating environment and risk tolerance
- D. Ranking solutions as high, moderate and low risk

ANSWER: A B D

QUESTION NO: 7

Cash items' payment proceeds must be available to the Reserve Bank by the latest of:

- A. The next clock hour that is after the hour the paying bank receives the item
- B. 9:30 A.M. Eastern time
- C. Such other time as provided in the Reserve Bank's operating circulars
- D. Both A and B

ANSWER: A B C

QUESTION NO: 8

Consumers are not considered to be the customers if they do not have continuing relationship with the financial institution. A relationship is considered NOT to be a continuing relationship if:

- A. The consumer obtains financial services only in isolated transactions, such as using an ATM
- B. The consumer's loan is sold and servicing rights are retained
- C. The consumer purchases airline tickets or travel insurance in an isolated transaction
- D. The consumer is a beneficiary or grantor of a trust not administrated by the bank

ANSWER: A C

QUESTION NO: 9

A financial institution may provide a customer with a short form initial notice at the same time as it delivers an opt-notice. The short form notice must:

- A. Be clear and conspicuous
- B. State that a privacy notice is available on request
- C. Explain a reasonable means by which the consumer may obtain that notice Reasonable
- D. May be disclosed to the affiliates

ANSWER: A B C

QUESTION NO: 10

By presentation or transmission of an item a Reserve Bank warrants to a subsequent collecting bank and paying bank that:

- A. The Reserve Bank has good title to the item
- B. The item has not been altered
- C. The item bears all endorsements applied by parties that have previously handled the item in paper or electronic form
- D. All of these

ANSWER: D**QUESTION NO: 11**

EFT provides consumers with limitations on liability for unauthorized electronic fund transfers. It includes the following types of funds transfers EXCEPT:

- A. Point-of-sale transfers
- B. Automated teller machine (ATM) transfers
- C. Transfers initiated by Fax
- D. Withdrawals of funds, including merchant transactions where no electronic terminal is involved, if the customer's account is debited

ANSWER: C**QUESTION NO: 12**

The federal banking agencies have proposed an amendment to Regulation Z that would require a new early disclosure statement for loans secured by the borrower's principal dwelling. After reading the proposed change, what should the compliance professional do FIRST?

- A. Establish a task force to study the proposed rule.
- B. Contact the bank's platform software vendor to determine whether it will be ready for the change NOTES
- C. Prepare a summary document that outlines the effects the proposed rule would have on the bank's operations
- D. Train bank staff on the new rule

ANSWER: C

QUESTION NO: 13

A Reserve Bank may present a noncash item for payment if instructed to do so by the sender and if the:

- A. Item provides that it must be presented for acceptance
- B. Item is payable elsewhere than at the residence or business of the payor
- C. Item sent directly to the paying bank or the nonbank payor
- D. Date of payment of the item depends on presentment for acceptance

ANSWER: A B D**QUESTION NO: 14**

According to FDIC Guidance on Spousal Signature Provisions, if the creditor requires the spouse's signature on an instrument that imposes personal liability, the creditor's belief should be:

- A. Supported by a thorough review of pertinent statutes, decisional law, or an opinion of the state's attorney general
- B. Supported by a thorough review of pertinent statutes
- C. Supported by decisional law
- D. Supported by an opinion of the state's attorney general

ANSWER: A**QUESTION NO: 15**

In Receiver's agreement-12 CFR 210.28 it is clearly mentioned that:

- A. Receiving bank authorizes the Reserve Bank to credit the receiving bank's account
- B. An off-line bank warrants to the Reserve Bank that it does not act as an intermediary bank or a beneficiary's bank for payment orders received for a beneficiary that is a bank, unless the offline bank notifies the Reserve Bank in writing
- C. A Reserve Bank has rights of a creditor to recover an overdraft, including the right of set off
- D. Reserve Banks, when acting as beneficiary's bank, payment order that identifies the beneficiary

ANSWER: A B**QUESTION NO: 16**

Country A (a foreign country that is boycotting Country B, another foreign country) has ordered goods from ABC, a U.S. corporation. Country A has opened a letter of credit with Overseas, Inc., a foreign bank. The letter of credit specifies that ABC must certify that it does not do business with Country

B. Overseas, Inc., sends a telegram to First National Bank, a U.S. bank, stating the major terms and conditions of the letter of credit and asking First National Bank to confirm the letter of credit. The telegram does not state the boycott provisions. Overseas mails the letter of credit to First National Bank and asks First National Bank to confirm it. What may First National Bank do?

A. First National Bank must confirm it if it previously agreed to do so.

B. Overseas, Inc., sends a telegram to First National Bank, a U.S. bank, stating the major terms and conditions of the letter of credit and asking First National Bank to confirm the letter of credit. The telegram does not state the boycott provisions. Overseas mails the letter of credit to First National Bank and asks First National Bank to confirm it. What may First National Bank do?

First National Bank may advise ABC of the letter of credit and administer its disposal, but may not confirm it and must report it to the Department of Commerce and the IRS.

C. First National Bank may do nothing but return the letter of credit to the issuing bank and report to the IRS.

D. First National Bank must confirm the letter of credit but should also report it to the Department of Commerce.

ANSWER: B

QUESTION NO: 17

The OCC recommends all but one of the following actions to help prevent a national bank's purchasing or acquiring predatory or abusive loans. Which practice is NOT recommended?

A. Establish policies on the bank's relationship with third-party brokers and originators

B. Review loan documentation

C. Audit the third-party broker

D. Require the broker to establish a reserve account for legal contingencies

ANSWER: D

QUESTION NO: 18

First National Bank is attempting to determine which of the following customers would qualify as exempt persons: • Nationwide Foods, Inc., is a national company with stock listed on the New York Stock Exchange

• National Paper Products, is a wholly owned subsidiary of Nationwide Foods, Inc.

• Products Incorporated, a depositor for three months, is a regional company whose stock is designated a NASDAQ Capital Markets Company and that sells and leases large boats

• Century Enterprises, a local company owning several local restaurants, is a long-time bank customer and frequently makes deposits in excess of \$10,000. All of Century's stock is owned by a local family. Which of these customers would qualify as an exempt person?

- A. All except for Nationwide Foods, Inc.
- B. All except for National Paper Products
- C. All except for Century Enterprises
- D. All except for Products Incorporated

ANSWER: D

QUESTION NO: 19

A bank has given a customer a merchandise gift with a fair market value of \$25.00 for opening a deposit account. Which of the following statements describes the proper reporting status of this gift?

- A. If the cost of the gift is under \$20.00, it is not reportable to the IRS.
- B. The cost of the gift is credited to the customer's account as a bonus, increasing the account balance.
- C. The fair market value of the gift is reported to the customer on the periodic statement.
- D. The fair market value of the gift is added to the interest paid and reported on Form 1099-INT.

ANSWER: D

QUESTION NO: 20

Which of the following usually comes under the heading of abusive lending?

- A. Abusive lending usually is defined by a variety of lending practices
- B. It is the excessive and hidden fees in the amount financed
- C. A fundamental characteristic is aggressive marketing of credit to prospective borrowers who cannot repay it on the terms offered
- D. Typically, such loans are underwritten on the liquidation value of the collateral rather than the creditworthiness of the borrower

ANSWER: A C D