Minnesota Housing Finance Agency

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Equal Opportunity Housing and Equal Opportunity Employment

EXHIBIT B

TO: Subgrantees and Contractors, National Foreclosure Mitigation Counseling Program

FROM: Minnesota Housing on behalf of NeighborWorks America

DATE: July 15th, 2016

RE: NFMC Program requirements on protection and disposal of clients' personal information

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Minnesota Housing would like to take this opportunity to remind all Subgrantees and Contractors about the importance of responsible handling and disposal of clients' personal information. This element of NFMC Program compliance is informed by four sources:

- National Industry Standards for Homeownership Counseling;
- HUD's standards for approval of housing counseling;
- Applicable federal laws, including the Gramm-Leach-Bliley Act and accompanying regulations issued by the Federal Trade Commission; and
- Applicable state laws that involve protecting personally identifiable information and preventing identity theft.

The Subgrantees and Contractors must agree to maintain data security measures that are consistent with industry best practices and standards so that it:

- Protects the privacy, confidentiality, integrity and availability of clients' personal information when handling, in transmission and in storage
- Protects against accidental, unauthorized, unauthenticated or unlawful access, copying, use, processing disclosure, alteration, transfer, loss or destruction of clients' personal information
- Complies with all applicable federal and state laws, rules, regulations, directives and decisions that are relevant to the handling, processing, and use of clients' personal information in accordance with the established agreement
- The Subgrantees and Contractors shall assign responsibility for information security management to a senior management officer or a designated data steward to maintain the security of clients' personal information. The Subgrantees and Contractors must provide this contact information to Minnesota Housing. The Subgrantees and Contractors must notify Minnesota Housing immediately, within 24 hours of verification, if a Personally Identifiable Information (PII) breach has occurred.

The Subgrantees and Contractors must agree to provide Minnesota Housing with evidence of destruction of Minnesota Housing information upon the end or termination of the established agreement

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Upon request, at least annually, the Subgrantees and Contractors should agree to provide Minnesota Housing with an information technology audit report as to provide an understanding of the Subgrantees and Contractors's security controls and requirements in place.

1. ***National Industry Standards for Homeownership Counseling***
   All Subgrantees and Contractors certify that they will adhere to the National Industry Standards for Homeownership Counseling, a copy of which is included with NFMC Program funding announcements and grant agreements. In addition, Minnesota Housing is responsible for monitoring all Subgrantees and Contractors to ensure that all Subgrantees and Contractors adhere to the standards.

   The National Industry Standards for Homeownership Counseling include recommended benchmarks for Recordkeeping. Two provisions specifically address the protection of clients' personal information: (1) Files should be maintained in secured file cabinets in order to protect client privacy. Scanned documents or electronic files should maintain the highest level of client security. (2) At the time of disposal, files should be shredded or electronic copies should be deleted.

2. ***Requirements for HUD Housing Counseling Approval***
   All Subgrantees and Contractors must certify that meet or exceed HUD's requirements for housing counseling approval. In addition, Minnesota Housing is responsible for monitoring Subgrantees and Contractors to ensure that all Subgrantees and Contractors adhere to the standards.

3. ***Applicable federal laws***
   NFMC Program Grantees are required to remain fully informed of all federal laws and regulations that apply to them, including the Gramm-Leach-Bliley Act and its accompanying regulations issued by the Federal Trade Commission ("FTC"). To protect consumer information and reduce the risk of identity theft, the Gramm-Leach-Bliley Act requires entities that possess consumer information for a business purpose to ensure the security and confidentiality of personally-identifiable information. Under this law, the FTC issued two rules that provide standards for safeguarding sensitive client information and disposing of client information:

   The Safeguards Rule requires companies to develop a written information security plan that describes their program to protect customer information. The plan must be appropriate to the company's size and complexity, the nature and scope of its activities, and the sensitivity of the customer information it handles. As part of its plan, each company must:
   - designate one or more employees to coordinate its information security program;
   - identify and assess the risks to customer information in each relevant area of the company's operation, and evaluate the effectiveness of the current safeguards for controlling these risks;
   - design and implement a safeguards program, and regularly monitor and test it;
   - select service providers that can maintain appropriate safeguards, make sure your contract requires them to maintain safeguards, and oversee their handling of customer information; and
   - evaluate and adjust the program in light of relevant circumstances, including changes in the firm's

business or operations, or the results of security testing and monitoring.

The Disposal Rule requires disposal practices that are reasonable and appropriate to prevent the unauthorized access to – or use of – information in a consumer report. For example, reasonable measures for disposing of consumer report information could include establishing and complying with policies to:

- burn, pulverize, or shred papers containing consumer report information so that the information cannot be read or reconstructed;
- destroy or erase electronic files or media containing consumer report information so that the information cannot be read or reconstructed;
- conduct due diligence and hire a document destruction contractor to dispose of material specifically identified as consumer report information consistent with the Rule. Due diligence could include:
  - reviewing an independent audit of a disposal company's operations or its compliance with the Rule;
  - obtaining information about the disposal company from several references;
  - requiring that the disposal company be certified by a recognized trade association;
  - reviewing and evaluating the disposal company's information security policies or procedures.

4. Applicable state laws

Many states have passed additional laws to protect clients' personally identifiable information and prevent identify theft. Each Subgrantees and Contractors is responsible for being informed about all state laws that may apply to its use and disposal of client information, and for satisfying the specific standard required in its own state. Minnesota Housing also responsible for ensuring that all Subgrantees and Contractors are in compliance with the applicable laws of their respective states.