INFOGRAPHIC

MORTGAGE COMPLIANCE FACEOFF: Nquiry vs. General-Purpose AI

Spoiler alert: Nquiry wins every time

Mortgage compliance professionals are using AI to manage the workload — and for good reason. It can transform hours of research into minutes. But general-purpose AI tools don't tell you when they're wrong. It doesn't matter whether a citation is accurate or invented or if a rule applies to your mortgage company or not. They answer with the same polished confidence.

If you want even a shot at getting an accurate answer, you'll need to provide enough context without exposing confidential information, then verify what comes back. At that point, the time savings disappear.

We put general-purpose AI head-to-head against Nquiry, the AI-powered compliance tool available in Ncomply that delivers auditable, accurate regulatory answers in minutes. Here's what happened.

3 Compliance Questions. Zero Correct Answers.

3 of 3	Tests where general AI cited incorrect or incomplete regulatory guidance
0 of 3	Times general AI flagged active proposed rules that could change the answer
2 of 3	Tests where following general AI's answer would produce a materially flawed compliance procedure

Test 1: We use an AI-based underwriting model that produces adverse action, but the model is not fully explainable. How do we satisfy ECOA adverse action notice requirements?

General AI — Right themes, wrong regulatory grounding

General-purpose AI correctly identified that there is no AI exception under ECOA and that model opacity is not a defense. But it did not cite CFPB Consumer Financial Protection Circular 2022-03 — the specific supervisory document that formally establishes the CFPB's technology-neutral interpretation — relying instead on general newsroom communications and third-party commentary. Its governance framework also presented AI adverse action requirements as industry best practices rather than active examination areas, which significantly understates the risk for a mortgage company operating AI-assisted underwriting at scale.

What this could cost you:
A compliance officer building policy or responding to an examiner can't cite a news release. The distinction between primary agency authority and secondary commentary matters in the examination room.

Nquiry — Specific authority, correct risk framing

Nquiry cited Circular 2022-03 directly, paired it with the underlying Regulation B requirement at 12 CFR 1002.9, and quoted the specific regulatory language establishing that statements attributing adverse action to internal standards or a credit scoring system's failure to produce a qualifying score are explicitly insufficient — the standard most directly implicated when AI model outputs are involved. Also identified the FCRA parallel obligation and its limits, the four-reason practical ceiling from regulatory commentary, the three timing triggers under 12 CFR 1002.9, and a November 2025 proposed rulemaking that is under consideration but does not currently alter the adverse action requirements.

The difference:
Primary regulatory authority rather than secondary sources, the specific insufficiency standard that applies to AI model outputs, and a risk framing that accurately reflects the current examination environment.

Test 2: How long do we need to retain a credit application?

General-Purpose AI — Single-regulation answer to a multi-regulation question

General-purpose AI treated this as a Regulation B question only — providing consumer (25 months) and business (12 months) retention tiers, then stopping. It acknowledged overlapping rules like HMDA at the end of the response, then never addressed them. For a mortgage company, this gap is especially significant: TILA and HMDA retention requirements are not edge cases — they govern the majority of your loan files.

What this could cost you:
A retention policy that looks complete but leaves TILA and HMDA obligations unmet — two frameworks that are core to mortgage compliance, not peripheral to it.

Nquiry — Full regulatory stack

Nquiry recognized this as a multi-regulation question from the start, delivering a layered answer across Reg B, TILA Regulation Z, and HMDA — including TILA's 5-year retention for completed closing disclosures, HMDA's 3-year loan/application register retention, and the conditional triggers that apply to large business credit. Also flagged an active NCUA proposed rulemaking on records preservation under 12 CFR 749.

The difference:
The full retention landscape across Reg B, TILA, and HMDA — with specific timeframes, conditional triggers, and active rulemaking awareness.

Test 3: Do construction loans have to follow TRID disclosure requirements?

General AI — Material error on a foundational disclosure question

General-purpose AI characterized Appendix D of Regulation Z as a mandatory compliance requirement for construction loan disclosures. It's optional — it provides a safe harbor estimation methodology, but creditors may use other reasonable methods. Framing it as mandatory could lead a compliance team to treat every non-Appendix D estimation method as per se non-compliant, which is incorrect. The response also left the RESPA temporary financing exemption entirely unaddressed — a known compliance tripwire that mortgage teams encounter regularly and that a complete answer must explain and rule out.

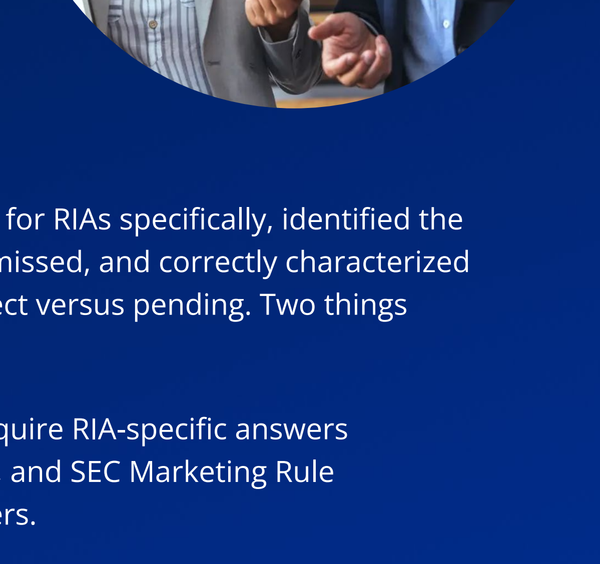
What this could cost you:
A TRID construction loan procedure built on a false mandatory requirement, with no analysis of the RESPA exemption question that examiners and auditors will ask about.

Nquiry — Correct characterization and full coverage

Nquiry correctly identified Appendix D as optional, traced the coverage analysis through both 12 CFR 1026 and 12 CFR 1024, and walked through all four RESPA temporary financing exemption carve-outs — concluding that most residential construction loans fall outside the exemption and are covered by TRID. Also surfaced the loan purpose "Construction" field requirement under 12 CFR 1026.37(a)(9)(iii) and the precise re-disclosure safe harbor citation at 12 CFR 1026.19(e)(3)(iv)(F).

The difference:
Optional versus mandatory correctly distinguished, the RESPA exemption fully analyzed, and the specific CFR citations a mortgage compliance team needs to build defensible procedures.

How NQUIRY NTELLIGENCE Gets It Right



Across both tests, Nquiry cited the correct regulatory authority for RIAs specifically, identified the compliance thresholds and program requirements general AI missed, and correctly characterized what is mandatory versus optional and what is currently in effect versus pending. Two things defined the gap in every case.

Institution-type accuracy. RIA compliance questions require RIA-specific answers — grounded in 31 CFR 1032, the Investment Advisers Act, and SEC Marketing Rule guidance, not frameworks built for banks or broker-dealers.

Regulatory precision. Answers are anchored to the specific CFR sections and agency authority that govern your firm — not secondary sources, news releases, or law firm summaries that sound authoritative but don't hold up in an examination.

Proprietary data. Nquiry draws on 17 years of anonymized audit findings, management findings, and practitioner-verified answers from more than 5,000 financial organizations — data general AI tools don't have.

Current regulatory awareness. Nquiry flags proposed rulemakings and pending changes, so you're working from the current landscape, not a snapshot of it.

Looking for how general AI performed on financial institution compliance questions — including BSA, flood insurance, and Reg E?
General AI Gets Compliance Questions Wrong. Here's the Proof. →

Still fact-checking your AI? There's a better way. Learn how Nquiry can help.

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