



January 17, 2014

### Compliance News

#### NCUA Issues Regulatory Alert Regarding HOEPA Rule

The National Credit Union Administration has issued a regulatory alert to all federally insured credit unions focusing on the new Homeownership Counseling and Consumer Protection Requirements under HOEPA requirements which went into effect on Friday, January 10.

The alert details information that credit unions need to know to implement the rules, and also provides helpful regulatory tips designed to make it easier to understand how and when the rules apply. According to the NCUA alert:

1. If your credit union makes any federally related mortgage loan (whether or not it is a high-cost mortgage), including open-end and closed-end credit, **you must provide a written list of homeownership counseling organizations to applicants within three days of the application;**
2. If your credit union makes mortgage loans to first-time borrowers that permit negative amortization (whether or not it is a high-cost mortgage), **you must confirm that these first-time borrowers have received homeownership counseling before consummation;** and
3. If your credit union makes high-cost mortgages or open-end credit secured by a consumer's principal dwelling, **you must comply with new HOEPA consumer protections and homeownership counseling requirements.**

The alert also addresses:

- Homeownership Counseling Provisions Unrelated to HOEPA Loans
  - Which loans are covered and what counseling information is required?
- High-Cost Mortgage Provisions
  - Which loans are covered?
  - What are the consumer protection requirements for HOEPA loans?
  - What other resources are available?

The regulatory alert contains some clear, easy-to-understand guidance and a great HOEPA Loans Summary that could be helpful to credit unions that are still working to ensure they are in compliance with the rules, as well as credit unions that want to feel more confident about the state of their compliance program. The full alert is available on the NCUA's website [here](#).

Source: NWCUA

#### Risk, Simpler Exams are NCUA 2014 Supervisory Priorities

High-risk activities and a simplified, forward-looking exam will be the National Credit Union Administration's supervisory focus in 2014, NCUA Chairman Debbie Matz said Friday in her Letter to Credit Unions (14-CU-02).

"As credit unions have steadily recovered from the financial crisis, NCUA is now able to devote more resources to focusing on the future of the credit union industry," Matz said, in letter to credit union CEOs and directors. She said that the agency's priority is to identify and minimize risks "before they threaten the viability of credit unions and the

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#### Highlight

#### Truth in Lending (Regulation Z)

The Truth in Lending topics in the Loans and Leasing Channel has been updated to reflect the recent changes to Regulation Z.

There are 7 subparts to Regulation Z:

- [Subpart A](#) - General Provisions define exemptions to Regulation Z and provides an extensive definition of Finance Charge.
- [Subpart B](#) - Defines the Regulation Z requirements for Open-end loans, those loans without defined end dates in the loan agreement.
- [Subpart C](#) - Defines the Regulation Z requirements for Closed-end loans, those loans with defined end dates in the loan agreement.
- [Subpart D](#) - Miscellaneous

stability of the (National Credit Union) Share Insurance Fund."

NCUA examinations will hone in on new rules, such as those dealing with loan participations, mortgages and credit union service organizations (CUSOs). They also, penned Matz, will gauge how credit unions are managing risks on the balance sheet, in technology and with new loan products.

Matz said that the NCUA will "streamline the exam process," and will issue a revised examination policy allowing examiners more leeway to expand or narrow an examination based on an initial evaluation. The agency, she said, will address which areas of review are required for an exam, which areas are recommended, and other aspects of a credit union that examiners might want to assess based on its risks.

The Credit Union National Association has regularly pushed for the NCUA to provide "increased clarity" in its oversight process, and has asked examiners to refrain from punishing credit unions or conducting supplementary reviews "for subjective reasons that are not based on legitimate and material safety and soundness concerns."

Matz wrote that interest-rate risk, cybersecurity threats, money service businesses, and private student lending will specifically be scrutinized this year.

"NCUA's primary responsibility is maintaining the safety and soundness of the credit union system," she said. "This involves supervising credit unions and enforcing compliance with rules intended to strengthen them."

CUNA is again encouraging member credit unions to complete its online National Examinations Survey after taking the exam this year. It will aggregate the information and use it when advocating with the NCUA on behalf of federally insured credit unions.

The NCUA, meanwhile, is hosting a Jan. 22 webinar on its exam modernization efforts.

#### [NCUA Exam Modernization](#)

<https://event.on24.com/eventRegistration/EventLobbyServlet?target=registration>

*Source: CUNA*

#### **NCUA Reiterates TILA Guidance in Reg Alert**

Small servicers, those defined as servicing 5,000 or fewer mortgages, are exempt only from portions of the Consumer Financial Protection Bureau's new Truth In Lending Act (TILA) mortgage servicing rule that requires issuance of periodic statements for closed-end mortgage loans, the National Credit Union Administration reminded in a regulatory alert (14-RA-03).

The NCUA noted that the TILA mortgage servicing rule, which became effective on Wednesday, January 15, also requires:

- New and revised disclosures for certain adjustable-rate mortgages; and
- Prompt crediting of mortgage payments and responding to requests for payoff amounts.

The alert addresses timing requirements for standard and adjustable-rate mortgage statements, and what information must be included in the statements.

The agency also reminded that additional mortgage servicing requirements may apply under the new Real Estate Settlement Procedures Act (RESPA) mortgage servicing rule issued by the CFPB.

Credit unions that act as creditors, assignees, or mortgage servicers should be familiar with both of these mortgage servicing rules to determine whether these rules regulate the loans that they service, and if so, what their compliance obligations are under the rules, the NCUA added. [NCUA Release](#)

*Source: CUNA*

#### **GAO: Data Breach Policies Challenge Even Government Agencies**

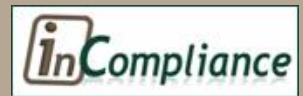
Merchants and financial institutions aren't the only ones with data breach headaches. A recent U.S. Government Accountability Office study reviewed eight federal agencies and

- [Subpart E](#) - Special Rules for Certain Home Mortgage Transactions
- [Subpart F](#) - Special Rules for Private Education Loans
- [Subpart G](#) - Special Rules Applicable to Credit Card Accounts and Open-End Credit Offered to College Students

For additional information to help your credit union stay in compliance, visit the Truth in Lending topics on the Loans and Leasing channel of InfoSight.

#### **CU Compliance Video: FFIEC Social Media**

The long awaited [FFIEC Social Media Guidance](#) has been issued. The guidance does not implement additional requirements, but it does require that credit unions review their processes and procedures in relation to social media services and interactions with members to ensure that all Federal and state regulations and laws are being followed.



#### **Materials Available On-line**

InCompliance Implementation materials can be found on our website at [www.mwcu.com](http://www.mwcu.com). These materials are located under the Compliance tab and "Resources" link.



#### **Ready for 2014?**

Be prepared to ride the wave of compliance rules effective in January 2014 by putting the industry's most powerful compliance tool at your fingertips! Compliance Solutions powered by NeighborBench offers a cloud-based, near real-time solution that identifies risks AND provides you access to experts. This innovative tool combines call-report data, onsite visits, and document review

found that while they "generally" developed data security breach policies and procedures, they inconsistently implemented them.

The National Credit Union Administration was not part of the study. However, the Federal Reserve, Federal Deposit Insurance Corp., Securities and Exchange Commission and the U.S. Treasury Department were.

The GAO summary explains that the term "data breach" generally refers to the unauthorized or unintentional exposure, disclosure, or loss of sensitive information and that such a breach can leave individuals vulnerable to identity theft or other fraudulent activity.

"Although federal agencies have taken steps to protect (personally identifiable information), breaches continue to occur on a regular basis. In fiscal year 2012, agencies reported 22,156 data breaches--an increase of 111% from incidents reported in 2009," the GAO noted.

The report was posted to the GAO website Dec. 9, 2013, coincidentally about nine days before news of the massive data breach at Target first broke.

[GAO-14-34](#)

Source: CUNA

### CFPB Updates Consumer Lending Information Publications

Due to the changes to mortgage lending implemented by the Consumer Financial Protection Bureau's Mortgage Rules the CFPB has updated the consumer lending information publications available in the [Learn More Section](#) of their website:

- What You Should Know About Home Equity Lines of Credit ([HELOC Brochure](#));
- Consumer Handbook on Adjustable-Rate Mortgages ([CHARM Booklet](#)); and
- Shopping for Your Home Loan, Settlement Cost Booklet ([Settlement Cost Booklet](#)).

The CFPB stated in their [Notice in the Federal Register](#) that Credit Unions who provide these publications may, at their option, immediately begin using the revised HELOC Brochure, CHARM Booklet, or Settlement Cost Booklet, to comply with the requirements in Regulations X and Z. The Bureau stated they understand that some credit unions may wish to use their existing stock of publications. Therefore, those who provide these publications may use earlier versions of these publications until existing supplies are exhausted. When reprinting these publications, the most recent version should be used.

Source: CFPB

### Advocacy Highlights

#### CUNA Seeks Feedback on Federal Reserve Board's Emergency Lending Proposed Rule

CUNA is seeking feedback from credit unions to our Regulatory [Call to Action](#) through **February 24, 2014**, on the Federal Reserve Board's (Fed's) proposed changes to Regulation A (Extensions of Credit by Federal Reserve Banks), regarding its emergency lending program.

While this proposed rule is not intended to affect the Fed's discount window lending to depository institutions, we are also interested if credit unions have feedback on the discount window program. The Dodd Frank Act amended the Fed's emergency lending authority in section 13(3) of the Federal Reserve Act. This proposed rule is intended to ensure the Fed's emergency lending program or facility is for the purpose of providing liquidity to the financial system, and is not to aid an individual failing financial company.

Source: CUNA

#### CFPB Extends Comment Period for Debt Collection

The CFPB extended the comment period deadline for the [Notice of Proposed Rulemaking on Debt Collection Practices](#). The Bureau stated they are "interested in learning about the debt collection system, about consumer experiences with the debt collection system, and about how rules for debt collectors might protect consumers without imposing unnecessary burdens on industry."

The Fair Debt Collection Practices Act was passed in 1977 and the Consumer Financial

to create a visual dashboard depiction of your compliance risk. Quickly and efficiently manage compliance risk, and still have time to do what you do best - serve your members.

For more information about how we can support your credit union's compliance operations, contact Melia Heimbeck at: [mheimbeck@mwcua.com](mailto:mheimbeck@mwcua.com) or (720) 479-3325 or 1 (800) 477-1697 ext. 3325



#### CU PolicyPro Updates For 2014

CU PolicyPro content updates were released on or about December 23, 2013. These updates include several new policies including "Ownership of Fixed Assets", "Anti-Steering in Lending Practices", "Ability to Repay" (including a separate policy for "Small Creditor Ability to Repay"), "Mortgage Servicing" (including a separate policy for "Small Servicer Mortgage Servicing") and "HOEPA Rule Requirement".

At least 20 other policies will also be updated, including several of the real estate lending policies which will be amended to include all of the new CFPB regulations which are required by January 2014.

If you have not signed up for this great resource, please click [HERE](#) for further information.

#### 2014 Compliance Calendar January 18

Appraisals for Higher Priced Mortgage Loans Effective Date

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CFPB Copy of Appraisals and Other Written Valuations Effective Date

#### January 20

Martin Luther King, Jr. Birthday – Federal Holiday

#### January 24

5300 Call Report Due to NCUA

#### January 31

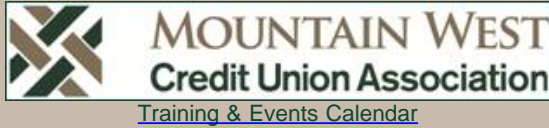
Credit Card Quarterly Agreement Submission Due to CFPB (10,000

Protection Bureau is the first Federal agency to possess the authority to issue substantive rules for debt collection under this statute. The Bureau may also address concerns related to debt collection using its authority under the Dodd-Frank Act to issue regulations concerning unfair, deceptive, and abusive acts or practices and to establish disclosures to assist consumers in understanding the costs, benefits, and risks associated with consumer financial products and services.

Source: CFPB

### Regulatory Advocacy Report

The [CUNA Regulatory Advocacy Report](#) contains information from Bill Cheney about regulatory issues that affect credit unions. You can view the current report and past reports from the archive.



### Fair Lending Basics for Volunteers Breakout Session at AMC

The world of Fair Lending has seen fines and the Department of Justice referrals skyrocket recently. While only a small number of credit unions have faced Fair Lending examinations, the number is increasing and expected to continue, likely resulting in additional enforcement actions. Make sure your board and committee members are up-to-speed by having them attend the 2014 Annual Meeting & Convention educational breakout session: *Fair Lending Basics for Volunteers* where attendees will walk out with a certificate of attendance that can be provided to regulators as proof of on-going education. Visit [www.mwcua.com/am](http://www.mwcua.com/am) for more details.

**January 22, 2014**

[Webinar: Your Loan Member Has Died: Now What?](#)

**January 28, 2014**

[Webinar: FRONTLINE SERIES: Reg CC Funds Availability, Liability, Exceptions, Holds & More](#)

**March 20, 2014**

[AZ: Consumer Lending Basics for Non-Lenders](#)

**May 22, 2014**

[CO: Consumer Lending Basics for Non-Lenders](#)

### CUNA Compliance Trainings

**January 23**

[Webinar: Robbery Safety – A New Approach to an Old Peril](#)

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**January 28**

[CUNA CU Finance for Non-Financial Managers and Volunteers eSchool](#)

[Webinar: The Financial Statement Game – Starting With the Basics](#)

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**January 30**

[Webinar: 2014 ACH Rule Changes](#)

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**January 31**

[Webinar: Internal Fraud – The Warning Signs](#)

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*or more open credit card accounts)*

**February 17**

Washington's Birthday/President's Day – Federal Holiday

**February 28**

IRS Forms Due to IRS/SSA

**March 1**

2013 HMDA Reports Due

**March 9**

Daylight Savings Time Begins

**March 21**

NACHA Operating Rule Changes

**March 31**

NCUA Liquidity & Contingency Fund Plans Effective Date

### CUNA 2014 Effective Dates of New and Revised Rules

- **January 10, 2014–CFPB**
  - [Mortgage Servicing Amendment to Reg X \(RESPA\)](#)
  - [Mortgage Servicing Amendment to Reg Z \(TILA\)](#)
  - [Mortgage Loan Originator Compensation Rule](#)
  - [Ability-to-Repay and Qualified Mortgages](#)
  - [High-Cost Mortgage Rules under HOEPA](#)
  - [Reg Z Ability-to-Repay & QM Standards re Escrows](#)
- **January 18, 2014–CFPB**
  - [Copy of Appraisals and Other Written Valuations under Reg B](#)
  - [Interagency Rule on Appraisals for Higher-Priced Mortgage Loans](#)
- **March 1, 2014–CFPB**
  - [Defining Larger Participants of the Student Loan Servicing Market](#)
- **March 31, 2014–NCUA**
  - [NCUA Emergency Liquidity Rule](#)
- **December 31, 2015–IRS**
  - "Foreign Account Tax Compliance Act" (FATCA) Rule

### 2014 CUNA Comment Call: Due Dates on Proposed Rules

- **February 24, 2014**
  - [Emergency Lending Authority](#)

## **February 4**

[Webinar: Financial Statement Analysis](#)

[Webinar: How to Successfully Develop and Implement a Holistic Security Strategy at Your Credit Union](#)

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## **February 6**

[Webinar: Call Center Security](#)

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## **February 10**

[Webinar: Money Mission Demo – Online Financial Literacy Game](#)

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## **February 11**

[Webinar: The Financial Statement Game – Getting a Bit More Sophisticated](#)

[Webinar: Auto Loan Pricing and the Impact of Credit Cycles](#)

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## **February 13**

[Webinar: Threats, Trends and Best Practices in Fighting CyberCrime](#)

## **February 18**

[Webinar: Rates, Risk and Return](#)

[Webinar Series: ACH Policies and Procedures – 2 part](#)

## **February 25**

[Webinar: The Financial Statement Game – Gaining a Deeper Understanding](#)

Please respond to [mrobey@mwcua.com](mailto:mrobey@mwcua.com) with any questions or concerns regarding content of this newsletter.  
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