

Compliance News

Updated Reverse Mortgage Guide: Two Things You Should Know

More and more homeowners are considering tapping their home equity as they approach retirement age. Getting a reverse mortgage is one way that some older homeowners can do that. Reverse mortgages are a special type of home equity loan sold to homeowners aged 62 years and older, which are repaid when the borrowers sell the home, move out, or die. It's a complicated type of loan that works best for homeowners who carefully consider all of their options.

Things to Consider

Before borrowing, seniors and their families should consider:

- The cost of homeowners' insurance and taxes
- Plans for staying in the home or leaving it to family members
- Plans for dependents or others living in the home
- Alternatives to reverse mortgages

Because some important things about reverse mortgages have changed recently, we've updated our [guide to reverse mortgages](#).

First-Year Payout Limits

This change limits the amount of money you can draw from your loan in the first year.

Borrowers often get into trouble by taking a lump-sum payment early on. It may feel great to get a big payment up front, but borrowers can outlive this money – which spells financial trouble for borrowers who live longer lives.

This limit encourages borrowers to make their money last longer. Borrowers can still take out lump-sum single payments – but this is still a risky choice. Borrowers should strongly consider the monthly payment or line of credit options before choosing to get a lump-sum. These options provide more long-term security than lump-sum payments.

Protections for Non-Borrowing Spouses

Another important change is for couples considering a reverse mortgage. In the past, couples who took out a reverse mortgage loan in the name of only one spouse ran into trouble when the borrowing spouse passed away. When a borrower died, the “non-borrowing spouse” had to pay back the reverse mortgage or move out. Many surviving spouses were surprised to learn this, and lost their homes. With recent changes, a non-borrowing spouse may be able to continue to live in the home under certain conditions, even after the spouse who signed the loan passes away. However, the non-borrowing spouse will still stop receiving money from the reverse mortgage after his or her spouse dies.

For couples considering a reverse mortgage, borrowing together makes more sense. If both spouses sign the reverse mortgage, then the surviving spouse can continue to receive monthly payments or use an existing line of credit. It also ensures that a surviving spouse may live in the home after his or her spouse (co-borrower) dies.

These changes help protect reverse mortgage borrowers, but make no mistake—reverse mortgages are still not right for everyone and can be risky and expensive. If you're considering a reverse mortgage, get the information you need to make an informed

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Fair Credit Reporting Act

The purpose of the Fair Credit Reporting Act (FCRA) is to ensure fair and accurate reporting of consumer

decision and give yourself time to weigh your options.

Source: CFPB

FHA Issues 1st Chapter of Guidance for Lenders

The Federal Housing Administration (FHA) has released the first chapter of its "[Single Family Handbook](#)," which is designed to be a "single, authoritative source of policy" to lenders on the agency's underwriting requirements.

U.S. Housing and Urban Development Secretary Julian Castro, who took office in July, said the handbook is meant to be a "definitive guide to doing business with the FHA." Three sections of the handbook were published for comment in late August, and this is the first finalized section.

According to the agency, the handbook uses clear, consistent and more direct language to explain the regulations, making it easier for lenders to understand and implement policy changes.

The 334-page first chapter of the handbook consists of guidance from origination of the loan through post-closing and endorsement. It will apply to loans starting June 15, 2015.

When completed, the handbook will consolidate 900 mortgagee letters and other policy guidance into a single document, Castro said in a September speech. Sections on servicing and appraisals will come later.

Source: CUNA News Now

Cybersecurity Symposium Offered Nov. 13-14 by CUNA, NASCUS

The Credit Union National Association and the National Association of State Credit Union Supervisors (NASCUS) are partnering to host a [Credit Union Cybersecurity Symposium](#) Nov. 13-14. The symposium is designed to cover "a wide range of mission-critical cybersecurity issues that all credit unions and examiners should understand."

Credit union managers, compliance officers, information officers and examiners are the target audience for the event. In addition to policymakers and intelligence experts responsible for assessing cyberthreats to the financial system, speakers will include:

- Ian Harper, former chief information officer of Pentagon FCU, Alexandria, Va., with \$17 billion in assets, who will share his real-life experience with breaches and breach responses;
- Randy Gainer, a cybersecurity attorney specializing in breach avoidance and breach response; and
- Tom Schauer, CEO of TrustCC, an information technology security firm.

Presentations will include:

- "The Intersection of Disaster Preparedness and Cyber Security;"
- "A Look at the Preparedness of Third-Party Vendors;"
- "A Survey of the Cyber-Threats Facing Credit Unions;"
- "Understanding the Use of the NIST Framework to Develop Cyber-Risk Assessments;" and
- "Mitigating Reputation Risk."

The event will take place at the Hyatt Arlington and will be emceed by TrustCC, which has performed examinations and training for federal and state regulators.

Source: CUNA News Now

NCUA Issues Bulletin on Restructuring TDR Loans

The National Credit Union Administration has issued a bulletin adopting a revised regulatory reporting policy for loans that have been modified in a troubled debt restructuring (TDR).

The bulletin also provides clarification about the circumstances in which a subsequent restructuring of a TDR loan need no longer be treated as a TDR.

The Credit Union National Association has consistently urged the NCUA to provide additional guidance on how to deal with the loans once they are restructured.

According to the agency, the bulletin is in response to frequent questions from credit unions about when a loan is no longer treated as a TDR. When a loan has previously been modified in a TDR, the lending institution and the borrower may subsequently enter into

credit information. It regulates "consumer reporting agencies," including credit bureaus; restricts the use of consumer reports to their legitimate purposes; prohibits the dissemination of outdated credit information; and requires disclosure to consumers and employees when adverse action is taken as the result of credit reports or other consumer information.

The FCRA applies any time a credit report is used as a factor in establishing a member's eligibility for or in making changes to the member's consumer credit, share or deposit accounts and other services. It also applies when credit reports are used in hiring or other employment decisions.

The Fair Credit Reporting Act topic on the Loans and Leasing channel of InfoSight provides details about how the FCRA affects credit unions and the actions credit unions should take to ensure compliance with the FCRA. You will also find:

- Frequently Asked Questions about FCRA
- Checklist of actions the credit union should take
- Detailed analysis of the FACT Act

Visit the Fair Credit Reporting Act topic today and make sure your credit union remains in compliance.

Cloud Computing

As the need to address record and information storage demands increases credit unions continually look for new cost effective methods of processing and storing information. Cloud computing is a technological advancement that can be advantageous to credit unions. This presentation provides information on the requirements for Cloud Computing and how it impacts your credit union. Click [here](#) for the video.



This week's [Regulatory Advocacy Report](#) will bring you up to speed on the following issues:

- NCUA Will Be Doing the Right Thing on RBC
- CUNA Urges President Obama to Create a "Cybersecurity Council," Continues Work Addressing Data Breaches from a Legal Perspective, and Launches Grassroots Campaign
- CUNA Pushes for TILA-RESPA Written Guidance, Attends CUAC Meeting
- CUNA Has Initial Concerns with DOD's Military Lending Act Proposal
- CUNA Comments on FinCEN's Customer Due Diligence Proposed Rule
- Supreme Court Agrees to Hear Disparate Impact Case
- Update on NCUA's Incentive-Based Compensation Proposal

Be sure to visit our new [Risk-Based Capital blog](#) for the latest from CUNA staff and guest bloggers

another restructuring agreement.

"The facts and circumstances of each subsequent restructuring of a TDR loan should be carefully evaluated to determine the appropriate accounting by the institution under U.S. generally accepted accounting principles," the bulletin reads.

Federal financial regulators will "not object to an institution no longer treating such a loan as a TDR" if:

- At the time of the subsequent restructuring the borrower is not experiencing financial difficulties;
- Under the terms of the subsequent restructuring agreement, no concession has been granted by the institution to the borrower;
- The subsequent restructuring agreement specifies market terms, including a contractual interest rate not less than a market interest rate for new debt with similar credit risk characteristics and other terms no less favorable to the institution than those it would offer for such new debt; and
- The institution's assessment of the borrower's financial condition and prospects for repayment after the restructuring are supported by a "current, well-documented credit evaluation performed at the time of the restructuring."

According to the NCUA, credit unions may choose to apply this guidance to subsequently restructured loans that meet the above conditions. Credit unions also may choose to apply this guidance to loans outstanding as of Sept. 30 for which there has been a previous subsequent restructuring that met the conditions discussed above at the time of the subsequent restructuring.

However, prior call reports should not be amended, according to the bulletin.

CUNA's accounting subcommittee will be reviewing the guidance in detail and will revisit any lingering issues with the NCUA.

Source: CUNA News Now

Advocacy Highlight

CUNA Comments on FinCEN's Customer Due Diligence Proposed Rule

On October 3rd, CUNA submitted a [comment letter](#) to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) highlighting concerns and recommendations from credit unions regarding FinCEN's customer (member) due diligence proposal. As noted in our letter, CUNA supports the objective to improve the tracking of money laundering and terrorist financing, but we continue to have significant concerns that the rule would impose additional regulatory compliance costs on credit unions and smaller financial institutions. We are especially concerned about the proposed expansion of the "beneficial ownership" requirements that would result in procedures taking up to 30 minutes or more for each "legal entity" account opening.

CUNA urged FinCEN to minimize regulatory burdens for credit unions and smaller financial institutions, provide appropriate exemptions, and provide a delayed effective date that is more than 18 months from the issuance of the final rule. In addition, CUNA continues to participate on the U.S. Treasury Bank Secrecy Act Advisory Group (BSAAG) to advocate for efforts to minimize BSA regulatory burdens on credit unions and smaller financial institutions, as well as clearer regulatory expectations.

CUNA Urges President Obama to Create a "Cybersecurity Council," Continues Work Addressing Data Breaches from a Legal Perspective, and Launches Grassroots Campaign

CUNA President/CEO Jim Nussle recently [wrote](#) to President Obama urging him to establish a Cybersecurity Council, which would be charged with developing a comprehensive and timely approach to the range of issues associated with cybersecurity attacks on businesses and consumers in this country. We urge the Administration to give this idea full consideration, coordinating with Congress, agencies that are already addressing aspects of cybersecurity including prudential regulators, and the private sector to establish it.

CUNA continues to focus on cybersecurity and data security issues for credit unions, including with legislative and regulatory advocacy, and engaging with key industry groups



2014 Compliance Calendar

September 19

- [NACHA Operating Rules Changes](#)

October 13

- [Columbus Day – Federal Holiday](#)

October 17

- [Master Card Limitation of Liability Change](#)

October 24

- [5300 Call Report Due to NCUA](#)

October 31

- [Credit Card Qtrly Agreement Submission Due to CFPB \(10,000 or more open credit card accounts\)](#)

November 2

- [Daylight Savings Time Ends](#)

November 11

- [Veterans' Day – Federal Holiday](#)

November 27

- [Thanksgiving Day – Federal Holiday](#)

Effective Dates New and Revised Rules

August 1, 2015~CFPB

[TILA-RESPA Integrated Disclosure Rule](#)

December 31, 2015~IRS

["Foreign Account Tax Compliance Act" \(FATCA\) Rule](#)

2014 CUNA Comment Calls - Due Dates on Proposed Rules

September 22, 2014~FinCEN

[Customer Due Diligence](#)

October 1, 2014~NCUA

[Fixed Assets](#)

October 15, 2014~CFPB

[Proposed Regulation on HMDA \(Reg C\)](#)

CUNA Schools and Webinars

October 26 – 29

[CUNA Bank Secrecy Act Conference, Las Vegas, NV](#)

October 7

[Webinar: ACH Fundamentals](#)

October 16

[Webinar: ACH Basics](#)



[Training & Events Calendar](#)

October 14

Webinar: [Regulatory Compliance for Deposit Operations, Including BSA](#)

October 29

Webinar: [Social Media Update: Facebook, LinkedIn, YouTube and Twitter](#)

November 4 – 6

[Regulatory Compliance School - Phoenix](#)

to bring about solutions. In addition, CUNA launched last week a new grassroots campaign, “[Stopthedatabreaches.com](#),” a website where credit union advocates can learn about the issue, take action, and spread the word through social media. We have also provided resources in the [CUNA Data Breach Toolkit](#). Even as these new efforts are underway, CUNA has been in touch with several prominent class action attorneys across the country related to both the Target and Home Depot breaches.

Before pursuing litigation, there are several things a credit union needs to know. First, any recovery is years down the road and not guaranteed—this is not a silver bullet that will bring an immediate result. Second, serving as a named plaintiff means that the credit union will be open to document discovery and that senior staff may be deposed. In addition, most of these cases are being brought on a contingent fee basis. The upside is that credit unions will not need to front litigation expenses, but this means the lawyers will take 30-40% of any recovery.

Please respond to [Mark Robey](#) with any questions or concerns regarding content of this newsletter.

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