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Days Until
Aug 1, 2015

With one of the most sweeping regulatory changes for credit unions in decades less than three months away, MWCUA is dedicated to helping you prepare. Each week we will present a topic, question, or idea taking you one step closer to successful implementation.

What information has the CFPB provided to assist with the TILA-RESPA Integrated Disclosure Rule?

Check out today's lead article below for answers.

Regulatory Compliance News



November 7, 2014

Compliance News

TILA-RESPA Integrated Disclosure Rule Resources

As we kick-off our countdown to the TILA-RESPA Integrated Disclosure Rule effective date, please review the following information from the CFPB and let them know your thoughts.

Information about the Rule

The Good Faith Estimate (GFE) and initial Truth-in-Lending (TIL) disclosures have been combined into a new form, the **Loan Estimate**. Similar to the GFE/TIL forms, the new Loan Estimate form is designed to provide information that will help consumers understand the key features, costs, and risks of the mortgage loans for which they are applying. The new Loan Estimate must be provided to consumers no later than the third business day after consumers submit a loan application. The HUD-1 and final Truth-in-Lending disclosures also have been combined into another new form, the **Closing Disclosure**, which is designed to provide information that will help consumers understand all of the costs of the transaction. The new Closing Disclosure must be provided to consumers at least three business days before consummation of the loan. The Loan Estimate and the Closing Disclosure were created to be similar in design and format to make it easier for consumers to understand the costs of their transactions and be better able to compare the final costs to those costs that were disclosed to them at the beginning of the process.

The Integrated Mortgage Disclosure rule is not simply combining two sets of disclosures to create the Loan Estimate and Closing Disclosure; it is merging two federal regulations as well. The rule will affect creditors, settlement agents, and technology and service providers. This will require changes to internal operations and procedures, technology platforms, business strategies, and processes and partnerships with external stakeholders such as title and settlement partners as well as realtors.

The effective date for the new [Integrated Mortgage Disclosures under RESPA/TILA](#) is August 1, 2015.

Implementation Support

The CFPB wants to get the word out to ensure that all creditors know about the implementation support that is available and how to obtain answers to questions on the rule itself.

o Support available:

- CFPB's [TILA-RESPA Integrated Disclosure rule implementation](#) resources include videos, guides, and other materials;

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- In partnership with the Federal Reserve, the CFPB conducted a series of [webinars](#) to provide rule overview and address guidance questions and inquiries;
- Supervision and examination materials include a [Readiness Guide](#) which provides guidelines for institutions to evaluate readiness and to help comply with the mortgage rule changes made through August 1, 2014; and
- CFPB's [eRegulations](#) site is available to help with referencing the rule and provides a comprehensive resource of the regulatory text with associated commentary in one convenient location.

o **Best practices in preparing for creditor implementation:**

- Read the rule and understand the changes that affect the creditors' processes.
- Develop a plan to get ready for August 1, 2015, implementation, including staff training, process change management, testing of technology updates, review of partner relationships, and how to manage the transition to the new process on August 1.
- If creditors still have questions about an interpretation or application of the CFPB's regulations after reviewing the resources available at [Regulatory implementation](#), they can email their specific regulatory inquiry to CFPB_reginquiries@cfpb.gov
- Reach out to vendors to ensure they are on track to implement the necessary changes: When will they deliver software? What questions do they have? Where are they in implementing changes? What will they do to help with compliance and what do they expect creditors to do?
- Plan for how the credit union will work with settlement service providers. Creditors will be responsible for the accuracy of disclosures.

Feedback

The CFPB invites creditors' feedback on the Bureau's implementation efforts, including any vendor and settlement service provider issues they should be aware of before the implementation date. In addition, the CFPB welcomes comments about additional implementation support that may be needed from the CFPB. Please send your comments, concerns, or feedback on implementation to Jennifer.Stockett@cfpb.gov.

FinCEN: Virtual Currency Rulings

Last week, FinCEN also issued two administrative rulings regarding virtual currency:

- 1) The [first ruling](#) (FIN-2014-R011) covers a proposed virtual currency trading and booking platform and,
- 2) The [second ruling](#) (FIN-2014-R012) covers a proposed virtual currency payment system.

In both cases, FinCEN determined that the companies involved would be considered "money transmitters" under the Bank Secrecy Act.

Source: FinCEN

CFPB Releases Compliance Bulletin and Guidance for Mortgage Servicers

The Consumer Financial Protection Bureau (CFPB) released a [Compliance Bulletin and Policy Guidance](#) (Guidance) for residential mortgage servicers and subservicers to use in evaluating the potential risks to consumers that may occur when transferring residential mortgage servicing rights (MSRs). Of course, for credit unions, such transfers are one way - NCUA prohibits credit unions from *purchasing* MSRs, but not selling them, in Section 703.16(a).

The Guidance replaces [CFPB Bulletin 2013-01](#), released in February 2013, and serves to inform mortgage servicers that the CFPB intends to review carefully compliance with the revised Regulation X that took effect on January 10, 2014. The revised Regulation X implements the Real Estate Settlement Procedures Act (RESPA) and requires servicers to maintain policies and procedures "reasonably designed to achieve the objectives of facilitating the transfer of information ... and of properly evaluating loss mitigation applications."

The Guidance has four sections. Section A, "General Transfer-Related Policies and Procedures," gives examples of transfer-related policies and procedures the CFPB may evaluate to determine a servicer's compliance with revised Regulation X. Section B, "Applicability of the New Servicing Rules to Transfers," provides answers to frequent questions regarding revised Regulation X and identifies risk areas on which CFPB examiners may focus. Section C, "Protections under Federal Consumer Financial Law," offers descriptions of the other federal law that may be applicable to transfers of MSRs, as well as the possible consequences of non-compliance. Finally, Part D, "Plans for Handling Servicing Transfers," alerts entities engaged in frequent MSR transfers that the CFPB may require them to prepare and submit informational plans to ensure that they manage any risks posed to

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Unlawful Internet Gambling (Reg GG)

Regulation GG, or the Unlawful Internet Gambling Enforcement Act of 2006, prohibits any person engaged in the business of betting or wagering (defined in the Act) from knowingly accepting payments in connection with the participation of another person in "unlawful Internet gambling," defined as "placing, receiving, or otherwise knowingly transmitting a bet or wager by any means which involves the use, at least in part, of the Internet where such bet or wager is unlawful under any Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received, or otherwise made."

The Act requires the Agencies to designate payment systems that could be used in connection with or to facilitate restricted transactions by "commercial customers" (members). It also requires the Agencies to prescribe regulations requiring designated payment systems and financial transaction providers participating in each designated payment system to establish policies and procedures reasonably designed to identify and block or otherwise prevent or prohibit restricted transactions by commercial members.



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

- CUNA Raises Key Concerns in Meeting with White House Economic Policy Staff
- NCUA to Consider Separate Interest-Rate Risk Proposal in Response to RBC Comments
- CUNA Urges CFPB to Limit HMDA Requirements
- IRS Proposes Change to Cancellation of Debt Reporting Requirements
- CUNA Files Comment Letter on FHFA's Goals for Fannie Mae and Freddie Mac
- NCUA: Agency Plays Key Role in Cybersecurity and National Security for Credit Union Sector
- Importance of Advocacy Discussed at CUNA BSA Conference; Virtual Currency and Other BSA Updates
- CUNA Still Seeks Comments on Military Lending Act Proposal

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

Advocacy Highlight

CUNA Still Seeks Comments on Military Lending Act Proposal

CUNA continues to seek input on the Department of

consumers.

If your credit union transfers its mortgage servicing rights you will need to be on the lookout for these issues and should consider giving the Guidance an in-depth read. The Guidance was effective October 23, 2014 and applicable beginning August 19, 2014.

Source: NAFCU

Home Depot Breach Survey from CUNA Spurs Media Coverage

The Credit Union National Association's survey on the effect of the Home Depot data security breach on credit unions--a tab of nearly \$60 million and 7.2 million compromised cards--gained quick attention from media nationwide.

Many pressed the severity of the costs that credit unions are bearing due to breaches, such as *HousingWire*, which featured the survey on the front page of its website. A few--*The Hill*, *Politico*, *Ars Technica* and *PYMNTS.com*--captured the backlash to the survey by merchant associations.

In Youngstown, Ohio, *The Business Journal* tapped Patrick Harris, director of legislative affairs, Ohio Credit Union League, for a breakdown of the numbers to a state level (Oct. 31). Seven Seventeen CU, Warren, reported fraud losses of \$6,000 because of the breach at Home Depot, said Eric Lanham, senior vice president and director of marketing at the \$831 million-asset credit union. Seven Seventeen had to reissue 7,500 debit cards and 850 credit cards at a cost of \$18,500. "We didn't do anything wrong," Latham told the publication. "Our members didn't do anything wrong. But we're the ones who have to absorb the expense. It costs all of us."

Mike Kurish, President/CEO, Associated School Employees CU, Youngstown, told *The Business Journal* it cost \$5,000 to notify members and reissue credit and debit cards. More than 1,000 members of the \$146 million-asset credit union have been affected. Members are further inconvenienced because they must update card information on file with merchants for recurring payments such as charitable contributions or club memberships.

Harrisburg, PA TV station *WHP-21* captured the reaction of Pennsylvania Credit Union Association President/CEO Patrick Conway. "We know that data breaches cost credit unions millions of dollars every year, and this survey provides actual dollar figures for just one particular breach," Conway said. "Every dollar spent on data breaches is money that is not spent on enhancing member services. We are urging Congress to pass legislation that forces merchants to increase their security measures and be held accountable for costs incurred by breaches."

Patrick La Pine, President/CEO, League of Southeastern Credit Unions, was cited in the Birmingham Business Journal. "The costs to credit unions by data breaches—which seem to be occurring with increasing regularity—are rising, as the CUNA survey clearly demonstrates. The bottom line is that credit union member-owners end up paying the costs despite the fact that the credit unions are not at fault in causing the breaches in the first place."

John Kerley, Chief Operating Officer, Cooperative Services, Inc., a credit union service organization owned by 53 credit unions in Georgia, said credit unions are taking the brunt of the fiscal damages incurred by data breaches. "Merchants, which allowed the breaches to occur, have no financial responsibility to make the consumer or the financial institution whole," Kerley said.

Greg Strizich, President/CEO of \$154 million-asset Helena Community CU, told the Helena Independent Record that the credit union has spent more than \$10,000 issuing thousands of new cards this year. "The thing is that perhaps most alarming to me is how fast and furious the breaches have been coming," he said.

Other media mentions included:

- *ConsumerAffairs.com*, a consumer news and advocacy organization, noted, "From the perspective of credit unions and other card issuers, one major problem with stolen credit cards and similar account numbers is that even in a best-case scenario, where the theft is discovered and cards cancelled before the thief can make any fraudulent purchases with them, it still costs money just to issue new cards and set up new accounts;"
- *BankInfoSecurity.com* talked to JD Sherry, vice president of technology and solutions, Trend Micro, who said the costs are not surprising "because organizations are realizing the downstream repercussions of managing and handling the fallout." As consumers become

Defense (DOD) proposal that would implement various provisions of the Military Lending Act. The proposed changes to the DOD's regulations would:

- Cap at 36% the APR charged for credit products covered by the regulation, including credit cards;
- Require creditors to provide military borrowers with additional disclosures;
- Prohibit creditors from requiring service members to submit to arbitration or waive their rights under the Service members' Civil Relief Act; and
- Expand the definition of "consumer credit."

The proposed expansion of the term "consumer credit" is a major component of the DOD's proposal.

"Consumer credit" is currently narrowly defined to include only payday loans, vehicle title loans, and tax refund anticipation loans that meet criteria established by the rule. The proposal would extend the definition to a broader range of closed-end and open-end credit products; the proposed definition is consistent with that of the Truth-in-Lending-Act (TILA), as implemented by the CFPB's Regulation Z.

- Do you support the proposed expansion of "consumer credit"? What impact, if any, will the proposed expansion have directly or indirectly on your credit union's operations?

The DOD has specifically requested input regarding a possible exemption from the proposed definition of "consumer credit" for insured depository institutions and/or insured credit unions. While we are included to fully support such an exemption, we seek your input on the DOD's following questions:

- If such an exemption is contemplated, what legitimate basis could there be for any exemption for an insured depository institution and/or insured credit union from the requirements of the Military Lending Act, particularly if under this approach other financial institutions would be subject to DOD's regulation?
- What other insured depository institution and insured credit union protections relating to credit products already are afforded to—or could be improved for—service members and their dependents?

To provide input on these and other important questions regarding the DOD proposal, please visit CUNA's [Regulatory Call to Action](#) by November 7; the DOD is accepting comments until November 28.



2014 Compliance Calendar

October 17

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

October 24

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

October 31

more aware of breaches, they could be calling credit union help desks more often. "This all roles up to a cost-per-card metric," Sherry said;

- *Midland (Texas) Reporter-Telegram* cited the survey when detailing the costs of data security breaches in an Oct. 30 article on cybersecurity awareness and holiday shopping article;
- *Information Week's DarkReading.com*;
- *BusinessInsurance.com*; and
- *The Atlanta Journal Constitution*.

Source: CUNA News Now



[Training & Events Calendar](#)

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

November 11

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

November 27

- [Thanksgiving Day – Federal Holiday](#)

December 25

- [Christmas Day – Federal Holiday](#)

December 31

- [SAFE Act Audit Deadline](#)

December 31

- [ACH Compliance Review Deadline](#)

November 19

Webinar: [Robbery Preparedness for All Staff](#)

November 25

Webinar: [Ability to Repay & Qualified Mortgages: Lessons Learned the Hard Way & 2015 Changes](#)

December 2

Webinar: [Handling ACH Exceptions & Returns, Including Recent NACHA Rule Changes](#)

December 8

Webinar: [New CFPB Rules for Annual Privacy Notices: Effective Immediately](#)

December 9

Webinar: [Residential Appraisal Review](#)

December 10

Webinar: [Self-Examination for Fair Lending Compliance](#)

December 16

Webinar: [Denied Loan Requirements: Consumer, Commercial & Residential](#)

December 17

Webinar: [Advertising Compliance: Website, Print, TV & Radio](#)

CUNA Schools and Webinars

December 8-11

[Enterprise Risk Management Certification Institute](#) – Las Vegas

December 12

Webinar: [IT Compliance & Enterprise Risk Management](#)

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

October 13, 2014~NACHA

[NACHA Compliance & Operational Topics](#)

October 15, 2014~CFPB

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

November 7, 2014~CFPB

[Amendments to 2013 TILA/RESPA Rule](#)

November 7, 2014~DOD

[Proposed Rule Re Military Lending Act](#)

December 1, 2014~CFPB

[Policy on No Action Letters](#)

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

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