

113

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.

Does your plan include steps to replace the current special information booklet by HUD with the new Toolkit developed by the CFPB?

Check out the lead article below.

Regulatory Compliance News



MOUNTAIN WEST
Credit Union Association

April 10, 2015

Compliance News

Revised Disclosure - Your Home Loan Toolkit

Under The Real Estate Settlement Procedures Act (RESPA) the credit union is currently required to provide a copy of the special information booklet to a person from whom the credit union receives, or for whom the credit union prepares, a written application for a federally related mortgage loan. The requirement to provide the special information booklet will continue under the new TILA-RESPA regulation but the special information booklet has recently changed and is in the form of a toolkit. This new toolkit developed by the Consumer Financial Protection Bureau will replace the current HUD booklet effective August 1, 2015. The new toolkit provides step-by-step guidance to help members better understand the nature and costs of real estate settlement services and is designed to be used with the Loan Estimate and Closing Disclosures forms that will be required under the new rule.

Effective August 1, 2015, the toolkit will be required to be provided to a consumer who applies for either: 1) a consumer credit transaction secured by real property for which the purpose is the purchase of a 1-4 family residential property, or 2) a home equity line of credit. In the case of a home equity line of credit loan subject to 12 CFR§1026.40, the credit union may provide the consumer with a copy of the brochure entitled "When Your Home is On the Line: What You Should Know About Home Equity Lines of Credit," or any successor brochure issued by the Bureau, instead of the toolkit.

The credit union shall deliver or place in the mail the toolkit not later than three business days after the consumer's application is received. However, if the credit union denies the consumer's application before the end of the three-business-day period, the credit union does not need to provide the toolkit to the consumer. If a consumer uses a mortgage broker and the mortgage broker provides the toolkit, the credit union will not be required to provide it, but should have a process in place to ensure the toolkit was appropriately delivered.

Although the toolkit was designed to assist members in better understanding the nature and costs of real estate settlement services, lenders can also use this toolkit

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for training staff. It can help provide information to staff about the mortgage process and prepare them for questions members might ask when shopping for a mortgage loan.

Credit unions should develop a process to ensure the new toolkit is ordered and received so it is available for members beginning August 1, 2015. Credit unions should also be working with their vendors to integrate the electronic versions into their mortgage systems so members are able to access it electronically.

The new toolkit designed for web posting and interactivity is available at: http://files.consumerfinance.gov/f/201503_cfpb_your-home-loan-toolkit-web.pdf

The electronic version of the toolkit is available at: <http://www.consumerfinance.gov/learnmore/#respa>

Copies can be ordered at:

Large: <http://bookstore.gpo.gov/products/sku/048-013-00009-1>

Small: <http://bookstore.gpo.gov/products/sku/048-013-00010-4>

Don't Delay Oct. 1 Date for EMV Security: EMV Forum Director

The executive director of the EMV Migration Forum says there is no reason to move the liability shift date for EMV usage past Oct. 1.

Randy Vanderhoof, executive director of the cross-industry body that addresses issues that come with introducing the new technology, [told](#) CU Info Security there is no reason to delay, despite [merchants' request](#) to do so.

EMV, which stands for Europay, MasterCard, Visa, after the companies that developed the technologies, are chip-enabled debit and credit cards with safeguards to prevent fraud and data theft. Starting Oct. 1, liability for card-present counterfeit card losses will be shifted away from those entities using the technologies.

A group of merchants said in a letter last month that the system would not be ready, and requested the date be pushed back--past the holiday shopping season--to sometime in 2016.

CUNA President/CEO Jim Nussle objected to the merchant request and said "there seems to be no limit to the merchants' attempts to avoid responsibilities" related to data breaches, and that credit unions are "working tirelessly on all fronts on the data security issue."

Vanderhoof said that because Oct. 1 is not a mandate, and therefore will not result in fines or an inability to conduct transactions, there is room for work to be done.

"We still have six months," he told CU Info Security. "A tremendous amount of work can be done in that time frame. I think we are still on track."

[Source: CUNA News Now](#)

NCUA, SBA Launch Small-Business Lending Initiatives

NCUA and the Small Business Administration (SBA) have teamed up on a series of initiatives that connect small businesses with local credit unions to gain better access to capital. SBA-guaranteed loans provide credit to business owners who might not qualify for standard business loans. The guaranteed portions of SBA-backed loans don't count against credit unions' statutory cap on member business loans (MBLs). SBA guarantees range from 50% to 90% of the principal of each loan, depending on the loan type. NCUA and SBA signed a memorandum of understanding in February outlining a series of educational initiatives during the next three years that include webinars, examiner training on SBA programs, data resources, and media outreach. Also, CUNA staff met with SBA officials to highlight the mutually beneficial relationship between credit unions and the agency. This collaboration aims primarily to increase credit unions' awareness of SBA programs. NCUA also launched a Web page that provides detailed information about the

compliance risks with one easy-to-read dashboard that saves you time and money. If a full suite of compliance risk assessments isn't what you are looking for, we now offer a basic annual compliance package, including BSA, ACH, SAFE Act, and Website compliance for one low price.

For more information about our compliance services, please contact Melia Heimbeck at: mheimbeck@mwcua.com or (720) 479-3325 or 1 (800) 477-1697 ext. 3325



RESPA

The Real Estate Settlement Procedures Act (RESPA), passed in 1974, is a consumer protection statute that has the following two purposes:

- To help consumers become better shoppers for settlement services; and
- To eliminate kickbacks and referral fees that unnecessarily increase the costs of certain settlement services.

RESPA covers loans secured by a first or subordinate lien on a one-to-four family residential property (a "federally-related mortgage"). These include most purchase loans, assumptions, refinances, property improvement loans, and equity lines of credit. RESPA is implemented by the Housing and Urban Development's (HUD) Regulation X.

The following loans are exempt from RESPA:

- Loans for a "business purpose" (as defined in Regulation Z);
- Loans on property 25 acres or more;
- Temporary financing (such as a "bridge loan", "swing loan", or construction loan where the loan is not used or converted to permanent financing by the same lender for a 1-4 family residential home, or used to finance the transfer of title to the first user);
- Loans secured by vacant or unimproved land (unless within two years from the date of settlement of the loan, a structure or manufactured home will be constructed or placed on the real property using proceeds from the loan);
- Assumptions without lender approval;
- Loan conversions (so long as a new note is not required, even if the lender charges an additional fee for the conversion); and
- Secondary market transactions.

CU Compliance Connection - Escrow Disclosures

As a part of the integrated mortgage requirements from the CFPB, an Escrow Closing Disclosure must also be provided to members prior to their escrow account being closed. For a review of the disclosures

agency's member business lending regulations, supervisory guidance, links to the SBA's loan programs, and related articles from The NCUA Report. In March, NCUA and SBA offered their first joint webinar, "Balancing Member Business Loan Portfolios with SBA Guarantees."

Access the [Small Business Lending Web](#) page under "Credit Union Resources and Information" at [ncua.gov](#).

Source: CUNA News Now

NCUA Provides Grants to Low-Income Credit Unions

Last week, NCUA announced that the agency was providing grants to a number of low-income credit unions (LICU). According to NCUA, "a total of 153 low-income credit unions will receive \$520,440 through the first Community Development Revolving Loan Fund grant round in 2015." These grants were awarded for staff and volunteer training and student internships. NCUA is encouraging any LICU's interested in applying for the second grant round of 2015 to participate in the agency's April 15 [webinar](#) to learn about the initiatives that will be offered. NCUA also encourages credit unions to explore a LICU designation. In addition to grants, LICU credit unions can: Accept nonmember deposits; Accept supplemental capital secondary capital accounts; and Qualify for exceptions from the aggregate loan limit for member business loans. NCUA's [website](#) provides detailed information on grants and how to become a LICU.

Source: CUNA

Supreme Court to Decide on Second Liens in Bankruptcy

The U.S. Supreme Court heard arguments last week in a case involving the stripping of a second lien when a borrower declares bankruptcy. CUNA has been monitoring this, and other similar cases, over the past few years, since credit unions often make second mortgage loans. At the heart of the case, Bank of America v. Caulkett, are two Florida homeowners who had second mortgages voided during Chapter 7 bankruptcy proceedings. In its opening statement, Bank of America cited a 1992 Supreme Court case that does not allow a lien to be voided based on the current value of the collateral, arguing that outside of bankruptcy, a financial institution would be entitled to have its lien stay with the property until it is paid in full. CUNA hopes the court will continue to hold the security interests of a second lien; failing to do so could **dis-incentivize** credit unions from offering second liens.

Source: CUNA

Advocacy Highlight

Less Than Two Weeks Left Until RBC2 Comment Deadline

With April 27 fast approaching until NCUA's comment deadline for RBC2, the agency has already received and posted 350 comment letters to their [website](#). While there have been several key changes made to this version of the Risk Based Capital proposal, it is still important for credit unions to comment, and encourage all members that previously commented to do so again. For the most up-to-date resources on this proposal, and to see CUNA's guide on how to write an effective RBC2 comment letter, please visit CUNA's [Risk Based Capital Action Center](#), and [RBC Blog](#). CUNA members can also contact us directly with any questions or comments by emailing RBC@cuna.coop.

Source: CUNA



[Training & Events Calendar](#)

April 22

Webinar: [TILA/RESPA Integrated Disclosure Line-by-Line – Part 2: Closing Disclosure](#)

April 23 - Denver

[Interest Rate Risk and Investment Strategies](#)

and provision requirements please view this presentation. Click [here](#) for the video



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

- [21 Days Until RBC2 Comment Deadline](#)
- [CUNA Seeks Input on Financial Accounting Foundation's Private Company Council](#)
- [Matz's NCUA Board Term Expires This Friday](#)
- [NCUA Provides Grants to Low-Income Credit Unions](#)
- [Supreme Court to Decide on Second Liens in Bankruptcy](#)

Be sure to visit CUNA's [Risk-Based Capital blog](#)



[Compliance Calendar](#)

March 30

- [NACHA Operating Rules Changes](#)

April 24

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

April 30

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

May 25

- [Memorial Day – Federal Holiday](#)

CUNA Comment Calls – Due Dates on Proposed Rules

March 16, 2015~CFPB

[Proposal Regarding Rural and Underserved Areas](#)

March 20, 2015~NCUA

[Capital Planning and Stress Testing – Schedule Shift](#)

April 24, 2015~NCUA

[Fixed Assets](#)

May 1, 2015~NCUA

[Small Entity Definition](#)

May 6, 2015~CFPB

[Credit Card Market Review](#)

July 13, 2015~NCUA

[2015 Annual NCUA Regulatory Review List](#)

Effective Dates

New and Revised Rules

August 1, 2015~CFPB

[TILA-RESPA Integrated Disclosure Rule](#)

April 23

Webinar: [Current Trends in Cyber Crime & Payments Fraud](#)

April 27

Webinar: [Important SAR Procedure Updates from the Revised BSA/AML Exam Manual](#)

April 28

Webinar: [Red Flags, Privacy & Ethical Considerations: Know Your Compliance Responsibilities](#)

April 30

Webinar: [BSA Compliance Series: Updating Your Credit Unions's BSA/AML/OFAC Risk Assessment](#)

Lending Compliance School:

[May 13-14, 2015: Phoenix, AZ](#)

[May 20-21, 2015: Denver, CO](#)

Looking for the information you need to prepare your credit union for the CFPB's new mortgage rules? Plan to attend the 2-day Lending Compliance School where we'll cover the latest challenges and changes in credit union lending rules and regulations, including updates on the full scope of the CFPB's new mortgage requirements and the new TILA/RESPA rules that are effective August 1, 2015. This program will give you a solid base of information needed to either begin or continue the implementation process, including the scope of the new rule and how the new rule differs from the existing TILA/RESPA disclosures, and the timing requirements. This 2-day program will provide lending compliance professionals with in-depth knowledge and resources in the areas of lending compliance that have seen the greatest change. For more information, please click on the link of the program that is nearest you:

All credit union lending and operations personnel are encouraged to attend. Scholarships are available through Mountain West Credit Union Foundation. [Click here](#) to view the Scholarship Application.

May 14

Webinar: [Home Equity, HELOC & Second Lien Risk Management, Including Maturing HELOC Guidance](#)

December 31, 2015~IRS

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

CUNA Schools and Webinars**April 12 - 17**

[Regulatory Compliance School – Las Vegas](#)

June 1 - 18

[CUNA Consumer Lending eSchool](#)

June 1

[Webinar: Basics of Consumer Lending – Part 1](#)

June 4

Webinar: [Home Equity Lending](#)

June 8

Webinar: [Basics of Consumer Lending – Part 2](#)

June 11

Webinar: [Consumer Lending Compliance 101](#)

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

Sign up to receive Regulatory Compliance News by sending an email to [Donna Gibbs](#).

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