



### Compliance News

#### NCUA to CUs: Work With Members Affected by Wash. Mudslide

Recognizing that a disaster can disrupt the "orderly conduct of lending relationships with individual members," the National Credit Union Administration Monday encouraged credit unions to work with their members affected by the March 22 mudslide in Snohomish County, Wash.

The mudslide was responsible for at least 30 deaths and an estimated \$10 million in property damage. The agency said it is monitoring the situation closely.

The agency said in a release that appropriate efforts to assist those members could include extending the terms of loan repayments, restructuring a borrower's debt obligations and easing credit terms for new loans, consistent with prudent practices.

Credit unions can also make members aware of assistance from other government agencies.

Also related to credit unions helping victims of the mudslide, the Northwest Credit Union Association and Northwest Credit Union Foundation partnered to raise funds for families impacted by the disaster ( *News Now* April 1). The campaign already has raised \$50,000, and online donations will be accepted through Wednesday.

The National Credit Union Foundation also said it has funds in its CUAid general disaster relief fund and is working with NWCUA and NWCUF to get disaster relief grant applications to credit union people who were affected by the mudslide.

Donate Here: [NWCUF Online Donation Center](#)

*Source: CUNA News Now*

#### NCUA Testifies Supplemental Capital Could Be Considered as Part of RBC Plan

The National Credit Union Administration could consider allowing credit unions greater access to supplemental capital as it finalizes proposed risk-based capital regulations, NCUA General Counsel Mike McKenna said this morning.

McKenna made his remarks in response to a question during today's ongoing House Financial Services Committee hearing entitled "Who's In Your Wallet: Examining How Washington Red Tape Impairs Economic Freedom."

California Reps. Ed Royce (R) and Brad Sherman (D) each had questions about the RBC proposal for McKenna.

Royce told McKenna he is concerned that the risk weights applied to mortgages under the RBC proposal do not reflect actual risk and are more stringent than the standards imposed on community banks despite credit unions' generally better delinquency rates.

Royce also questioned whether the RBC rule could prevent some credit unions from making loans to their members.

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### Mountain West CU Association Annual Meeting, April 24 – 26

As an organization based on community, we are always looking for ways to further our reach to our member credit unions. For the first time, we will LIVE stream the two keynote sessions at this year's Annual Meeting & Convention. What does that mean? It means that if you are unable to attend this year's Convention or if any of your staff or volunteers will not be there in-person that you can register to attend the FREE live stream. Visit [www.mwcua.com/am](http://www.mwcua.com/am) to learn more about the times and topics of our two keynote speakers Dan Clark and Josh Sundquist.

#### **How to Participate?**

There is no cost to attend; however, pre-registration is required. E-mail Shay Jacobs at [sjacobs@mwcua.com](mailto:sjacobs@mwcua.com) with your name, credit union and e-mail address. Prior to the event you will receive the weblink where the LIVE stream will broadcast. You will need internet access and a computer or tablet with speakers

Both Royce and Sherman asked McKenna why the risk weights in the NCUA proposal differ so much from those imposed in similar regulations placed on community banks. McKenna noted that the agency has received many comments on risk weights and is looking them over and considering the issue.

The NCUA hopes to work with all stakeholders to make the final RBC rule more effective, McKenna said.

Credit Union National Association President/CEO Bill Cheney said of the hearing comments, "It's terrific to see and hear Congress' deep interest in the subjects of credit union capital and business lending. We have urged Congress to take a particular interest in the proposed risk-based capital rule, and clearly the issue has piqued interest."

He continued, "The questions about the risk-based capital proposal reflect a level of concern in Congress that the proposal is in need of significant improvements. We appreciate that NCUA has indicated it will make changes and we will continue to encourage them to do so.

"Meanwhile, as credit unions file their comment letters with the agency on the proposal, we are urging them to share their comments with their lawmakers, so that Congress can keep a watchful eye on this issue going forward."

During the hearing, Royce also took a moment to draw attention to his Credit Union Residential Loan Parity Act, which he noted would increase the amount of capital made available to small businesses and also increase the amount of rental housing available to Americans. McKenna said the agency has reviewed Royce's legislation and has no concerns about it.

*Source: CUNA News Now*

### CFPB Addresses Regulatory Implementation Criticisms

The Consumer Financial Protection Bureau seems to have gone on the defensive last week regarding regulatory burden as its director, Richard Cordray, told a lawyers' group that his agency is "very committed to developing sensible and workable solutions" to regulatory implementation issues. Cordray made his remarks before the American Bar Association.

Cordray emphasized that the CFPB's rulemaking process "does not end with finalizing a set of rules. It is not good enough for us to take the view that once new rules are published, our work is done and we can say to financial institutions that 'it is your problem now,'" he said.

"If the point of our regulations is to protect consumers and to promote fair, transparent, and competitive markets, then we should care a great deal about how well the rules are implemented," he added.

Cordray noted that the many operational and compliance changes that a regulatory change can prompt pose interesting problems that "may not be fully understood until the process is under way and the problems are confronted directly."

It can also be difficult for financial institutions and others to gauge the appropriate length of the implementation period for a given rule or set of rules, he added.

Cordray said it is unclear how best to resolve these regulatory dilemmas, but noted the agency is very committed to developing sensible and workable solutions.

"We will continue to learn more about these issues by deepening our outreach to vendors and taking other steps to set appropriate implementation periods," he said.

*Source: CUNA News Now*

### NCUA Will Drop RBC Calculator From Site

The National Credit Union Administration's risk-based net worth calculator, which is intended to help credit unions calculate how an agency proposal would impact their business practices, will be taken off the NCUA homepage once the comment period on the proposal is up on May 28.

The Credit Union National Association has urged the agency to limit access to the calculator, as the online tool currently allows the public to determine a credit union's capital adequacy under the proposal. CUNA is pleased the agency will take the calculator down but feels it should not have been available to the general public.

to view/hear the sessions.



### 'Simplified' Mortgage Disclosures Won't Be a Simple Change

The Consumer Financial Protection Bureau's (CFPB) first six mortgage rules became effective in January and delivered a major helping of compliance details for credit unions to digest. Still, for many credit unions, complying with the new rules didn't fundamentally change the mortgage process for members. Complying with the seventh new rule, however, will absolutely change the disclosures and mortgage process for your members.

The CFPB issued the final rule requiring new disclosures at application and prior to closing for most closed-end mortgage loans in October 2013. Although it doesn't take effect until August 2015, it's a good idea to start taking a look at the new rule well before the start of the new year.

#### Four Disclosures Become Two

As directed by the Dodd-Frank Act, the CFPB has combined separate disclosure regimes under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA). The two sets of disclosures have long been a confusing aspect of the mortgage lending process for the members receiving the disclosures and for the mortgage lenders trying to explain them.

The two new disclosures under the seventh rule are designed to simplify the process:

#### The Loan Estimate:

This disclosure replaces the Good Faith Estimate under RESPA and the early Truth in Lending disclosure under TILA.

The credit union must provide the Loan Estimate to applicants no more than three business days after the application is received. The Loan Estimate will provide the member with an estimate of the mortgage payments over the life of the loan and the closing costs the member can expect.

#### The Closing Disclosure:

This disclosure combines the HUD-1 disclosure with the final Truth in Lending disclosure. It will also include a detailed account of the settlement charges and places new limits on the amount the closing costs can differ from the Loan Estimate to the Closing Disclosure. Unlike the current closing disclosures, which are usually provided at closing, credit unions must provide the new Closing Disclosure to members at least three days prior to closing.

#### Don't Let the Implementation Date Lull You

The announcement was made within an NCUA release Thursday that reminded credit unions that they have until May 28 to comment on the agency's pending risk-based capital proposal.

The NCUA release also referred to an extended phase-in period for the final risk-based capital (RBC) rule in order to allow credit unions enough time to adjust risk profiles or capital levels, or both, and to ensure compliance with the new regulation.

The supplementary information to the RBC proposed rule indicates an 18-month implementation period. CUNA asserts that this is nowhere near long enough and points out that commercial banks have until 2019 to comply with Basel III risk-based requirements.

In the release the agency also noted that after it approves a final rule, it will modify the Call Report to comply with the terms of a new rule and provide Prompt Corrective Action classifications accordingly.

The NCUA board approved the RBC proposal at its January open board meeting. The plan would apply to credit unions with assets greater than \$50 million and assigns certain risk weights for different assets.

In mid-March, NCUA Chairman Debbie Matz wrote to CUNA President/CEO Bill Cheney in response to CUNA's urgings that the agency scrap the plan or make significant changes and at the very least allow for an extended phase-in period. She said key changes to the proposal are "not out of the question."

Matz added, "Just as NCUA incorporated significant changes to our final rules on troubled debt restructurings, loan participations and derivatives ... I assure you NCUA will do so, as appropriate, on this critically important rule" (*News Now* March 11).

CUNA continues to urge credit unions to weigh in on the proposal to let regulators know their concerns. CUNA's RBC Action Center is a complete catalog of reference materials for credit unions and it also provides credit unions with a tool to send comment letters to the NCUA.

*Source: CUNA News Now*

### **NCUA Letter Warns, Advises About Taxi-Medallion Lending**

Credit unions that make taxi-medallion secured loans, participate in those loans, or are contemplating doing so should review new agency guidance on the topic.

The National Credit Union Administration noted in a Letter to Credit Unions (14-CU-06) sent last week that taxi-medallion lending is a valuable form of member business lending when provided by certain credit unions with proper expertise, but warned that it entails some "unique risks."

The medallions are symbols that usually are attached to the hood of city cabs. The medallions are licenses that are regulated by the city and allow drivers to pick up curbside passengers who hail a cab.

The NCUA letter said that market forces have led to an increase in medallion values in several major metropolitan markets. "As a result, credit unions that offer or participate in these loans can be exposed to increased risk," NCUA Chairman Debbie Matz said.

The agency also has released a supervisory letter to ensure examiners take a consistent approach to supervising credit unions engaged in taxi-medallion lending. The guidance also provides information that will help credit unions manage the unique risks associated with the loans.

For the full NCUA letter, use the resource link: [NCUA Letter 14-CU-06](#)

*Source: CUNA News Now*

As you work on your strategic plan for 2015, keep in mind that you'll need to devote considerable resources to training your staff to work with the new disclosures. You will want to time any major new initiatives so they won't coincide with implementation of the new disclosures in August 2015.

Implementing the new disclosures will not be a minor adjustment—it will be an overhaul of the mortgage process from application to closing. Pay special attention to the new timing requirements for each disclosure as your credit union re-tools the end-to-end process flow for a mortgage loan.

Preparing to train your staff well in advance of this change is important to maintain the quality of your member service.

*"by Jonathan Bundy-Regulatory Compliance Manager for CUNA Mutual Group. CUNA Mutual Group provides lending forms to help ensure compliance with federal and state laws. Jonathan can be reached at [Jonathan.Bundy@cunamutual.com](mailto:Jonathan.Bundy@cunamutual.com) or 608.665.7101.*



Our compliance partners at NeighborBench have changed their name to [AffirmX](#)

Enhancements have been made to this cloud-based, near real-time solution that identifies risk AND provides you access to experts. This innovative tool combines call-report data, onsite visits, and document review in the areas of Operations, Lending, BSA, Deposit and Advertising. Imagine staying current with your consumer regulatory compliance risks in one easy-to-read dashboard depiction that saves you time and money. If a full suite of compliance risk assessments isn't the answer for you, 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 Heimbuck at: [mheimbuck@mwcua.com](mailto:mheimbuck@mwcua.com) or (720) 479-3325 or 1 (800) 477-1697 ext. 3325

### **2014 Compliance Calendar**

#### **April 25**

• [5300 Call Report Due to NCUA](#)

#### **April 30**

• [Credit Card Quarterly Agreement Submission Due to CFPB](#)

#### **May 26**

• [Memorial Day – Federal Holiday](#)

#### **July 4**



**InfoSight and  
Advocacy Highlights**

### **Loans and Lending**

The Consumer Financial Protection Bureau (CFPB) has a bulletin advising mortgage companies about their legal obligations that protect consumers during loan transfers between mortgage servicers—and stated that the guidance reminds mortgage servicers that they are subject to federal laws.

Among the laws mentioned by the CFPB are these two acts that are discussed as separate topics on the Loans and Leasing channel of InfoSight:

- Real Estate Settlement Procedures Act, a consumer protection statute that was passed in order to help consumers become better shoppers for settlement services and eliminate kickbacks and referral fees that unnecessarily increase the costs of certain settlement services
- Fair Credit Reporting Act, which 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

Each topic provides:

- A summary of the act
- Explanations of how the act affects credit unions
- Descriptions of the actions that your credit union should take to ensure compliance with the act

### CU Compliance Connection Video: BSA Marijuana Related Business

FinCEN has issued guidance for credit unions providing service to marijuana-related businesses. The requirements should be carefully reviewed to ensure credit unions are not violating the Bank Secrecy Act. Click [here](#) for the video.

### National Credit Union Administration Board Issues Proposal to Amend NCUA Risk-Based Capital Regulation Action Part 702

The National Credit Union Administration Board has issued a [proposal](#) to amend Part 702 of the NCUA's regulations regarding prompt corrective action (PCA) and Risk-Based Capital (RBC). CUNA's Executive Summary is found [here](#).

In brief, the NCUA indicates the proposed risk-based capital requirements would be more consistent with the NCUA's risk-based capital measure for corporate credit unions and the regulatory risk-based capital measures used by the Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve, and Office of the Comptroller of Currency (OCC). In addition to the proposed changes to risk-based capital requirements, the proposed revisions would revise the risk-weights for many of NCUA's current asset classifications, require higher minimum levels of capital for federally insured natural person credit unions with concentrations of assets in real estate loans, member business loans (MBLs) or higher levels of delinquent loans. Additionally, the NCUA has indicated that individual credit unions may be required to maintain higher levels of risk-based capital if the agency raises supervisory concerns.

Last week CUNA launched a [blog](#) that focuses exclusively on NCUA's RBC rulemaking efforts, with special attention paid to the proposal's impact on credit unions and how credit unions can advocate changes to the rule. The blog also provides a forum for members to share individual thoughts and serves as an aggregator of industry-wide thoughts, comments, questions, and concerns regarding the proposal.

**Comments regarding this proposal will be accepted until May 28, 2014** by any of these methods:

**Mail:** Gerard Poliquin  
Secretary of the Board, National Credit Union Administration  
1775 Duke Street, Alexandria, Virginia 22314-3428

**Electronically:** <http://www.regulations.gov>. Follow the instructions for submitting comments <http://www.ncua.gov/Legal/Regs/Pages/PropRegs.aspx>. Follow the instructions for submitting comments.

**E-mail:** Address to [regcomments@ncua.gov](mailto:regcomments@ncua.gov). Include "[Your name] – Comments on Proposed Rule: PCA – Risk-Based Capital" in the e-mail subject line.

**Fax:** (703) 518-6319. Use the subject line described above for e-mail.

Source: CUNA

### Regulatory Advocacy Report

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

• [Independence Day – Federal Holiday](#)

#### July 31

• [Credit Card Quarterly Agreement Submission Due to CFPB](#)

#### September 1

• [Labor Day - Federal Holiday](#)

#### September 19

• [NACHA Operating Rules Changes](#)

#### October 13

• [Columbus Day – Federal Holiday](#)

#### October 31

• [Credit Card Qtrly Agreement Submission Due to CFPB](#)

#### November 2

• [Daylight Savings Time Ends](#)

#### November 11

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

### CUNA 2014 Effective Dates

#### New and Revised Rules

**March 31, 2014~NCUA**

[NCUA Emergency Liquidity Rule](#)

**December 31, 2015~IRS**

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

### 2014 CUNA Comment Calls

#### Due Dates on Proposed Rules

**April 21, 2014~NCUA**

[Voluntary Liquidations of Federal Credit Unions](#)

**June 9, 2014~NCUA**

[Annual Regulatory Review List](#)

**ASAP~NCUA**

[Risk Based Capital \(RBC\)](#)

### CUNA Webinars

#### NCUA Sets April 16 Small Dollar Lending Webinar

Details on how consumer-friendly, low-cost, short-term loans can help a credit union's members and its bottom line alike will be shared in an April 16 National Credit Union Administration webinar.

The free webinar, "Small Dollar Lending," will begin at 2 p.m. (ET). During the webinar, NCUA officials and credit union reps will discuss:

- The benefits short-term, small-dollar loans



### Bank Secrecy Act School

[Bank Secrecy Act School: Denver, CO: May 29, 2014](#)

### Consumer Lending Basics for Non-Lenders

Join us this Spring for Consumer Lending Basics for Non-Lenders. This program introduces MSRs and entry-level consumer lenders to the fundamentals of consumer lending and will take place in Phoenix, AZ and Denver, CO. For more information or to register, click on the link to choose the program nearest you.

[Colorado: Consumer Lending Basics for Non-Lenders: May 22, 2014](#)



To register and view the course information, [click here](#).

#### Mountain West CU Association Bankruptcy & Collections School

The Bankruptcy and Collections School, taking place on April 16-17 in Denver, CO, is designed to expand your knowledge of legal issues with collections and bankruptcy to keep your credit unions collection practices sound. Register for one day or both days.

**Day One: April 16** - Developing and Maintaining an Effective Collections Department

**Day Two: April 17** - Bankruptcy: Beyond the Basics!

- can bring to a credit union's portfolio mix;
- Regulatory concerns governing this type of product offering; and
- The costs associated with developing or initiating short-term loans.

NCUA Office of Small Credit Union Initiatives Economic Development Specialist Tom Penna Jr., NCUA Office of Examination and Insurance Program Officer Lucinda Johnson and two credit union representatives will present the webinar.

Participants can submit questions in advance at [WebinarQuestions@ncua.gov](mailto:WebinarQuestions@ncua.gov). The subject line of the email should read, "Small Dollar Lending Webinar."

The NCUA's short-term, small-amount loan program permits federal credit unions to charge an interest rate that is a maximum of 10 percentage points above the established usury ceiling at that time. Currently, this amounts to an interest rate ceiling of 28%.

Most credit unions offering payday loan alternatives also limit fees, provide member financial counseling and encourage members to open savings accounts.

Register for the webinar at [NCUA webinar](#)

*Source: CUNA News Now*

### April 14

[Money Mission Demo - Online Financial Literacy Game](#)

[10 Steps to Proper Chattel Lien Reinforcement](#)

### April 15

[Successful Financial Counseling and Education Programs - Best Practices](#)

### April 16

[What Every FI Needs to Know About Identifying and Preventing Elder Financial Abuse](#)

[Latest Trends in Liquidity Management](#)

### April 17

[Frontline Compliance Series](#)

### April 22

[Consumer Lending Regulations](#)

### CUNA Schools and Conferences

#### September 14 - 19

[CUNA Regulatory Compliance School Introduction & Update](#), Chicago, IL

#### October 26 - 29

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

### Archive Only

[Webinar: Interagency Guidance for Reporting Elder Financial Exploitation](#)

*Please contact Jaquetta Ward at [jward@mwcua.com](mailto:jward@mwcua.com) to register*

### April 15

[Webinar: Mobile Device Risks & Compliance Rules: Managing Your Credit Union's BYOD & COPE Policies](#)

### April 17

[Webinar: Examination Findings of the CFPB](#)

### April 23

[Webinar: REAL ESTATE LENDING SERIES: Ability to Repay-Are You in Compliance with the New CFPB Rules?](#)

### April 24

[Webinar: BSA Officer Duties & Update](#)

### July 1

[Webinar: COMPLIANCE OFFICER TRAINING: Will Your AML/BSA/OFAC Program Satisfy Examiner Scrutiny?](#)

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

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