

78

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.

## Has your credit union begun testing the new forms and processes for the TILA-RESPA Integrated Disclosure Rule?

**IMPORTANT REMINDER:**  
Lending Compliance School:  
May 20-21, 2015: Denver, CO

## Regulatory Compliance News



May 15, 2015

### Compliance News

#### Understanding the Board's Role in Cybersecurity

In recent months, credit unions have battled wave after wave of merchant data breaches, computer viruses, and cyberattacks, generating a wealth of media coverage on cybersecurity.

As a result of these evolving threats, credit unions and examiners alike continue to emphasize the importance of protecting a credit union's networks, computers, programs, and member data from cyberattacks (NCUA Letter to Credit Unions 15-CU-01: "Supervisory Priorities for 2015").

Credit unions have always prioritized protecting members' personal financial information. But gone are the days when embezzlement, robberies, and forged items represented the primary security concerns. Credit unions operate in a rapidly changing environment where technology is an essential element of their operations because members demand more remote services—such as Internet banking and bill pay, mobile banking, and a variety of other technology related services.

Board members should ask themselves:

- How many members conduct transactions without ever stepping foot in a branch office?
- How do members complete those transactions?
- Where does all that confidential member data go?
- Who has an opportunity to look at that data when it's outside of your control?

If you can't answer these questions, you need to ask for more information from your management team.

Unfortunately, Internet-based products and services expose credit unions and their members to a whole host of additional risks from hackers and cyberthieves. It might sound like science fiction, but don't be fooled. With the

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growing reliance on the electronic delivery of financial services, credit union boards must make sure their institutions are prepared to combat cyberthreats.

### NCUA's Security Program Requirements

To fully understand a credit union's responsibilities regarding cybersecurity, you must begin by reviewing Part 748 of NCUA's regulations, and its appendices.

Part 748 requires each federally insured credit union to have a written security program designed to protect credit union offices, ensure the security and confidentiality of member records, assist in identifying people who commit or attempt crimes, and prevent destruction of vital records.

**Appendix A** specifically requires credit unions to establish and implement administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of member information. This is typically known as data security.

**Appendix B** requires credit unions to react to unauthorized access to member information, including potential notification of the member and the regulator. Your credit union must have a fully integrated plan to respond to and effectively manage any data breach.

The board's responsibility doesn't end with the creation of a security program. As stated in Part 748, Appendix A, "the board or appropriate committee must oversee the development, implementation, and maintenance of the credit union's information security program."

These duties include "assigning specific responsibility for implementing the program and reviewing reports prepared by management." Management should present this report at least annually, detail compliance with the security program, and highlight matters material to information technology (IT) security. Material items could include risk assessment results, significant IT risk management decisions, vendor security controls, security breaches, and management's responses to any negative examination finding.

No matter which security program a credit union decides to implement, staff should assist the board in managing cybersecurity risk by organizing information, enabling risk management decisions, addressing threats promptly, and improving the program by learning from previous efforts.

Remember, credit unions still bear the brunt of cybersecurity risk, paying heavily for other organizations' security lapses—such as reissuing cards after a retailer's data breach. The Gramm Leach Bliley Act covers all financial institutions, but not retailers. Nevertheless, the credit union system strives to create national data security standards that would apply to any company responsible for a lapse.

*Source: CUNA*

### Nominations for NCUA Consulting Assistance Open

The NCUA has announced that credit unions that qualify for consulting assistance from its Office of Small Credit Union Initiatives have until May 31 to submit nominations. The [application](#) is available online. Credit unions may nominate themselves or be nominated by an NCUA examiner. The consulting services, available at no charge, are provided for a six-month period. Credit unions chosen to participate in the program will be announced in June. The next round of consulting begins July 1, 2015.

*Source: NCUA*

### Still Time to Register for Webinars on Cybersecurity and TILA/RESPA Disclosures

There is still time to register for upcoming webinars that may be of interest. The Federal Reserve is hosting a May 26 webinar that will answer FAQs regarding the CFPB's TILA/RESPA Integrated Disclosure rule. [Click here to](#)

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### Security Program for Credit Unions – Board Responsibilities

Part 748 of the NCUA Rules and Regulations requires each federally-insured credit union develop a comprehensive written security program (including administrative, technical, and physical safeguards appropriate to their size, complexity, and the nature and scope of their operations) within 90 days of the date it is insured by the National Credit Union Share Insurance Fund (NCUSIF). The security program and associated procedures will be evaluated during examinations by the NCUA or state credit union regulator.

What does the credit union need to do?

The credit union must develop and have the board approve a written security program. The program must provide for and address the following areas:

- Protecting each credit union office from robberies, burglaries, and larcenies.
- Ensuring the security and confidentiality of member records, and protecting against anticipated threats or hazards to the security or integrity of such records and unauthorized access or use of such records that could result in substantial harm or serious inconvenience to a member, as provided in Appendix A of Part 748 of NCUA's Rules and Regulations

**InfoSight** ([AZ](#), [CO](#), [WY](#))



The [CUNA Regulatory Advocacy Report](#) keeps you on top of the most important changes in Washington for credit unions--and what CUNA is doing to monitor, analyze, and influence government agencies and federal law. You can view the current report and past reports from the archive.



### Compliance Calendar

#### May 16

• IRS Form 990 Due

#### May 25

• Memorial Day – Federal Holiday

[register.](#)

In addition, NCUA is hosting a May 20 webinar where credit unions can learn more about cyber threats and deterring cybercrime. Tim Segerson, Deputy Director of NCUA's Office of Examination and Insurance, Chris Gill, Risk Management Consultant with CUNA Mutual Group, and Jessica Cromer, Corporate Sales Associate for Financial Services, Citrix Sharefile will discuss the FFIEC's work to develop a self-assessment guide for use by credit unions, among other topics. [Click here to register.](#)

### Financial Services Housing and Insurance Subcommittee Surveys Impact of CFPB Rule Change on Mortgage Settlement Process

The Financial Services Housing and Insurance Subcommittee held a hearing on May 14th to examine how proposed changes to the mortgage settlement process are expected to impact consumers and lenders. The changes proposed by the Consumer Financial Protection Bureau (CFPB) are scheduled to take effect on August 1.

"Purchasing a home is one of the biggest and most important decisions most Americans will make. That is why we owe it to all homebuyers to hold this hearing, to continue to press the CFPB, and make sure the home buying process is as straightforward as possible. The dramatic changes to this process have the potential to unnecessarily delay closings and cause a ripple effect throughout real estate markets," said Subcommittee Chairman Blaine Luetkemeyer (R-MO).

#### Key Takeaways From the Hearing:

- CFPB is rolling out a very significant change to how consumer information is disclosed to potential borrowers without testing the roll-out.
- Retrofitting forms and information technology systems so they comply with the new rule will cost an estimated \$100 million that will be passed on to consumers trying to buy a home.
- It's unclear whether the proposed changes will actually simplify the mortgage closing process and provide a meaningful benefit to consumers or at least a benefit that outweighs the higher costs.
- In the midst of uncertainty over the rule's impact, Reps. Steve Pearce (R-MN) and Brad Sherman (D-CA) have introduced bipartisan legislation to provide lenders with a temporary safe harbor from enforcement of the rule until January 1. This will provide lenders with time to work out any challenges posed by the new system without potentially facing lawsuits.

*Source: From the Committee on Financial Services*

### 28 CUs Agree to Penalties for Late Call Reports

Late filing of call reports for the fourth quarter of 2014 led to 28 federal credit unions consenting to civil money penalties, the National Credit Union Administration announced Tuesday. The late filers will pay a total of \$13,650, with individual penalties ranging from \$150 to \$6,752 and a median penalty of \$187.50.

Of the 28 credit unions agreeing to pay penalties for the fourth quarter, 24 had assets of less than \$10 million; three had assets between \$10 million and \$50 million; and one had assets of more than \$250 million. None of the late-filing credit unions had been late in the previous quarter.

According to the NCUA, a total of 56 credit unions filed fourth quarter call reports late. An agency review determined mitigating circumstances in 20 cases that led to credit unions not being penalized. In March, the regulator informed the remaining 36 credit unions of the penalties they faced and advised them they could reduce their penalties by signing a consent agreement.

The NCUA also said it would initiate administrative hearings against credit

### July 3

- Independence Day – Federal Holiday

### July 18

- Higher-Priced Mortgage Loans: Modified exemptions for loans secured by manufactured homes

### July 23

- Changes to Posting Rules for ACH Transactions (Federal Reserve) Effective date

### July 24

- 5300 Call Report Due to NCUA

### August 1

- CFPB: Know Before You Owe Disclosure - Effective Date

### August 1

- CFPB: Integrated Mortgage Disclosures - Effective Date

## CUNA Comment Calls – Due Dates on Proposed Rules

### April 24, 2015~NCUA

[Fixed Assets](#)

### May 1, 2015~NCUA

[Small Entity Definition](#)

### May 1, 2015~Federal Reserve

[EGRPRA Review \(Excludes NCUA\)](#)

### May 6, 2015~CFPB

[Credit Card Market Review](#)

### May 7, 2015~CFPB

[Consumer Complaint Database](#)

### 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](#)

### December 31, 2015~IRS

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



## [Training & Events Calendar](#)

### Lending Compliance School:

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

### May 20

Webinar: [Advanced ACH Specialist Series: ACH Death Notification Entries \(DNEs\) & Reclamations: Your Credit Union's Liability](#)

### May 21

Webinar: [Wire Transfer Compliance: Who is Liable?](#)

unions that did not consent. The agency subsequently granted waivers for eight of those credit unions. The remaining 28 credit unions consented.

NCUA Chair Debbie Matz called the number an improvement, but was still too high. She noted that the NCUA's Office of Small Credit Union Initiatives is available to help small credit unions file call reports on time.

Assessment of penalties primarily depends on three factors: the credit union's asset size, its recent Call Report filing history, and the length of the delay.

The Federal Credit Union Act requires NCUA to send any funds received through civil money penalties to the U.S. Treasury.

Source: CUNA

## **Advocacy Highlight**

### **Insurance Parity for Escrow Accounts**

The NCUA Board (Board) proposes to amend its share insurance regulations to implement statutory amendments to the Federal Credit Union Act (FCU Act) resulting from the recent enactment of the Credit Union Share Insurance Fund Parity Act (Insurance Parity Act). The statutory amendments require NCUA to provide enhanced, pass-through share insurance for interest on lawyers trust accounts (IOLTA) and other similar escrow accounts. As its name implies, the Insurance Parity Act ensures that NCUA and the Federal Deposit Insurance Corporation (FDIC) insure IOLTAs and other similar escrow accounts in an equivalent manner.

To submit comments related to this proposal, use one of the following methods:

- NCUA Web Site: <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 – Part 745" in the e-mail subject line.
- Fax: (703) 518-6319. Use the subject line described above for e-mail.
- Mail: Address to Gerard Poliquin, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428.
- Hand Delivery/Courier: Same as mail address.

## **CUNA Schools and Webinars**

### **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](#)

#### **June 25**

Webinar: [Use of Loan Guaranties Instead of Co-Signers](#)

#### **July 21**

Webinar: [What is New in Mortgage Lending Compliance](#)

### **August 11 - 13**

Webinar: [Performing Your ACH Audit and ACH Risk Assessment Series](#)

### **August 25 – December 31**

[CUNA Regulatory Compliance Update eSchool](#)

### **May 26**

Webinar: [Testing Loan Audit Procedures for Integrated Disclosure Compliance Before the 8-1-15 Deadline](#)

### **May 27**

Webinar: [Credit Union Basics for New Employees Part 1: Financial System, Deposit Operations, Lending](#)

### **May 28**

Webinar: [The ALLL in Troubled Debt Restructuring: Identifying & Accounting for Impaired Loans](#)

### **June 9**

Webinar: [BSA Officer Reports to the Board](#)

### **June 10**

Webinar: [Countdown to the Integrated Disclosure Deadline: August 1, 2015](#)

### **June 11**

[Compliance Networking Council](#) – Casper, Denver, Phoenix

### **June 18**

Webinar: [Stress Testing Your Loan Portfolio: Regulations, Risks & Impact on Value](#)

### **June 24**

Webinar: [Credit Union Basics for New Employees Part 2: Regulatory Issues, Exams, Audits](#)

### **July 7**

Webinar: [Compliance Regulations for the Frontline](#)

### **July 8**

Webinar: [Managing E-SIGN, E-Statements & E-Disclosures](#)

### **July 15**

Webinar: [Understanding the Board's Role in Cyber Security Risk](#)

### **July 22**

Webinar: [Developing Your UDAAP Program: Policy, Procedures, Risk Assessment & Audit](#)

### **July 30**

Webinar: [Regulatory Oversight of Third-Party Vendors: Due Diligence, Management & Contracts](#)

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

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