



Compliance News

HMDA Reporting Affected by Changes in HOEPA Coverage

The FFIEC has posted a recent [Federal Reserve Board](#) notice concerning revisions to the HMDA reporting requirements for loan applications received on or after January 10, 2014. Revised HMDA edits are currently available on the [FFIEC website](#), and a new version of the HMDA Data Entry Software that incorporates the HOEPA revisions will be made available in early August.

Source: FFIEC.gov/hmda

Treasury Releases BSA Data Sharing Practices with Counter-Terrorism Center

Although the U.S. Treasury Department allows the country's intelligence agencies to access reports that financial institutions file under the Bank Secrecy Act on suspicious or large money transfers by their members or customers, the department said that it sets limits on the information it shares (*Bloomberg* June 9).

The department released its information-sharing protocol over the weekend, saying it was doing so in response to a public records request. It described how information is shared in bulk with the National Counter-terrorism Center, the organization with authority to collect, store and analyze data collections on U.S. citizens. The NCTC uses pattern analysis to search for suspicious behavior.

Bloomberg quoted NCTC Director Matthew Olsen as stating that financial dates can be some of the most relevant as to how people are connected. He added that it is vital that his center have access to the Treasury's Financial Crimes Enforcement Network (FinCEN) database.

U.S. financial institutions file more than 15 million currency-transaction reports each year. CTRs are required for any money transfer of \$10,000 or more into or out of an account. Also, more than 1.5 million suspicious-activity reports are filed annually by financial institutions, brokerages, money-transfer businesses and casinos.

FinCEN Director Jennifer Shasky Calvery told *Bloomberg* in an interview that the information that it shares is not raw data--it's already been flagged as suspicious. Also, she said, the information-sharing protocol seeks to balance privacy and the prevention of national-security threats.

Source: CUNA News Now

CFPB Fines N.J. Title Company for Referral Kickbacks

The Consumer Financial Protection Bureau has ordered New Jersey-based Stonebridge Title Services Inc. to pay a \$30,000 civil penalty as a result of paying illegal kickbacks for referrals.

The CFPB charges that Stonebridge paid commission to more than 20 independent sales representatives who referred title insurance business to Stonebridge.

"Kickbacks drive up the costs of getting a mortgage and put law-abiding companies at a disadvantage," said CFPB Director Richard Cordray. "The consumer bureau will continue to take action against companies that seek to attract consumers through illegal schemes."

The CFPB found that beginning in 2008 and continuing until at least 2013, Stonebridge solicited people to provide referrals and offered to pay commissions of up to 40% of the title insurance

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Reserve Requirements: Regulation D

The Federal Reserve Board's (FRB) Regulation D was established in 1980. It contains these four primary provisions that affect depository institutions, including natural person credit unions with more than \$11.5 million in net transaction accounts:

- Credit unions may be required to maintain reserves.
- Credit unions may have to place limits on certain deposit accounts in order to avoid having to reserve against those accounts.
- Credit unions are required to impose certain penalties for early withdrawal from time deposit accounts in order to avoid having to reserve against the time deposit.
- Credit unions may be required to report account information to the Federal Reserve.

premiums. These practices violated Section 8 of the Real Estate Settlement Procedures Act (RESPA), which prohibits kickbacks and payment of unearned fees in the context of residential real estate transactions.

Paying commissions for referrals is allowed under RESPA if the recipient of the payment is an employee of the company paying the referral. However, the CFPB investigation found the individuals in question were independent contractors.

Source: CUNA News Now

July 1 Date for New Fed Collateral Margins

The Federal Reserve will have new collateral margins for discount window lending and payment system risk purposes starting July 1.

According to the Fed, the changes are a result of the most recent periodic review of margins and valuation practices with updated market data incorporated.

The most significant change from the current collateral margins table is separate margins for fixed-rate and floating-rate individually deposited loans. For example, the margin requirement for consumer loans and leases has dropped to 46% for fixed-rate loans and 50% for floating rate loans, from 76%. This will increase the collateral requirement for credit unions who issue those type of loans.

The upper margin ranges have either stayed the same or dropped one percentage point, while the lower bound of the margin ranges have been reduced significantly across the categories for typical credit union loans.

Currently 493 credit unions have pre-pledged collateral at the Fed. As of March, total credit union borrowings from the Fed were \$2.97 million by four credit unions.

Under National Credit Union Administration rules, federally insured credit unions with assets of \$250 million or more are required to have access to a backup federal liquidity source for emergency situations through the Fed's discount window or NCUA's Central Liquidity Facility.

There are no changes to the principles behind the Fed's collateral management practices of frequent revaluation of assets; use of margins to mitigate Reserve Bank exposure to market and credit risk; use of the best available data and periodic reassessments of model assumptions. There are no changes to the range of assets accepted as collateral.

Source: CUNA News Now

SBA Unveils New Interactive Lending Platform Tools

Maria Contreras-Sweet, administrator of the Small Business Administration (SBA), announced new steps intended to ensure a more inclusive atmosphere for entrepreneurs. Speaking at the Center for American Progress, Contreras-Sweet outlined several ways the SBA would go about simplifying access to services and capital for small businesses.

She said "technology is the key" when it comes to bringing capital access systems up to speed with new ways consumers are accessing financial services.

"The prevailing challenge we face has been that our loan documentation is too complex and labor-intensive," Contreras-Sweet said.

She announced a new process by which the SBA can bring new lenders into the SBA system, while augmenting loan volume and multiplying points of sale. The SBA's Office of Capital Access has been testing a predictive business-scoring model for the past decade which will combine an entrepreneur's personal and business credit score, making it easier for financial institutions to do business with the administration.

"This model is cost-reducing and credit-based. It ensures that risk characteristics, not socio-economic factors, determine who is deemed creditworthy," Contreras-Sweet said.

The new business-scoring model will be combined with another new initiative called SBA One, an interactive, user-friendly lending platform designed to automate uploading of documents and generation of forms for SBA 7(a) loans. The platform will also allow electronic signatures.

Contreras-Sweet said the combination of the new scoring and SBA One will save financial institutions "hours of processing time and thousands of dollars" on each loan, while encouraging more institutions to partner with the administration.

"By making the process quicker, cheaper and more intuitive, these reforms will help existing lenders do more small-dollar lending," she said.

CU Compliance Connection: One Per Year IRA Rollover

Recent court action has changed how members will have to manage their individual retirement accounts and limits rollovers to one per year. [Click here](#) for the video.



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@mwcu.com or (720) 479-3325 or 1 (800) 477-1697 ext. 3325

Advocacy Highlights

Credit unions can still [provide comments to CUNA](#) and NCUA on the agency's proposed rulemaking regarding associational common bond requirements. The proposal would affect the process for adding associations and the types of associations that can be added to a credit unions field of membership (FOM). We agree there are positives such as automatic approval of several associational groups.

However, among other issues credit unions are concerned about, NCUA has added a threshold test, which would allow an application to be disapproved if the "association has been formed primarily for the purpose of expanding credit union membership."

The threshold test also contains a one-year-in-operation requirement; there are concerns this could make it difficult for an association with ties to a credit union to be approved by NCUA. NCUA has added a separateness factor to its "totality of circumstances" test that the agency uses when analyzing an association that a credit union desires to add to its FOM. Although not necessarily determinative, this factor requires that an association operate separately from a credit union.

Contact [Lance Noggle](#) with any questions or concerns. **Please send CUNA comments by June 23;** NCUA's comment deadline is June

In addition to the streamlined loan process, Contreras-Sweet said she also hoped to tailor more programs to connect women, minority and veteran-owned businesses with capital, as well as serving as a "market maker" for small businesses by opening new channels within the federal government, corporate supply chains and international commerce.

In March, the SBA extended the 7(a) guaranteed loan program fee waiver into 2015, an action the Credit Union National Association called "an effective way to increase borrower participation in this important SBA loan program." Under that waiver, there are no upfront and annual fees of 7(a) loans of \$150,000 or less.

Source: CUNA News Now

NCUA Provides Insights on Supervision of 'Reputation Risk'

The National Credit Union Administration, responding to a May 22 request from Rep. Jeb Hensarling (R-Texas), has written several insights into reputation risk and how it applies to the NCUA's supervisory activities.

Hensarling, chair of the House Committee on Financial Services, wrote to federal regulators asking for the way reputation risk is used, what data it draws conclusions from and what the effects of a poor rating would mean for a financial institution (*News Now* May 28). In addition to the NCUA, Hensarling wrote the Federal Reserve, Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation.

NCUA Chair Debbie Matz acknowledged in her letter that "reputation risk may be difficult to quantify and measure especially in advance of an event," but said it is only one of seven key risks evaluated by the NCUA. Those include: credit risk, interest rate risk, liquidity risk, compliance risk, transaction risk, strategic risk and reputation risk.

Matz also emphasized that reputation risk is not a stand-alone indicator, but is part of a "broad range of other qualitative and quantitative indicators."

As part of the Federal Financial Institutions Examination Council (FFIEC), NCUA uses the capital, asset quality, management, earnings and liquidity (CAMEL) rating to assess risk on a system-wide basis.

"NCUA does consider reputation risk along with six additional key risks in its supervision of federally insured credit unions and the assignment of CAMEL ratings. All seven risks are interrelated," the letter reads. "After evaluating those risks, an examiner determines the impact the combined risks can have on a credit union's financial and operation resilience in current and prospective terms."

The letter goes on to state that the NCUA does not pursue enforcement of other supervisory action based on reputation risk alone.

"Qualitative factors may lead to high levels of reputation risk. However, NCUA does not force an institution to change its business practices simply on a reputation risk matter," the letter reads. "We instead would address the underlying unsafe and unsound condition contributing to the reputation risk concern."

Source: CUNA News Now

First Malware Threat Stalks Mobile Banking Security

In what may be the first major security threat to mobile banking users, Kaspersky Lab discovered that a breed of malware targeting mobile devices had made its way from Russia to the United States.

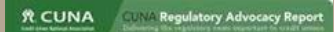
Svpeng was detected for the first time one year ago by experts at Kaspersky Lab. The first instances were designed to steal payment card information from customers of a Russian bank. In the last weeks, a new variant of Svpeng malware was identified, it has been locking up mobile devices of U.S. users.

In the most recent variant discovered in the United States, Svpeng breaks into a mobile device through a social engineering technique using text messages.

For now, Svpeng does not steal credentials, but it is only a matter of time, as it is a modification of a Trojan, Kaspersky Lab said. Currently, the Trojan checks a user's phone for a list of certain financial applications, most likely for future usage, and will subsequently steal login/password of online banking as it does now among Russian banks accounts.

English-language Svpeng currently checks the following applications' presence on a victim's device:

- USAA Mobile;
- Citi Mobile;
- Amex Mobile;



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

- NCUA's RBC Proposal : A BIG Thank You and On to Next Steps
- CUNA Files Comment Letter on ARM Look-Back Periods
- Credit Union Regulatory Burdens, CFPB Charts
- CFPB Levies Another RESPA Penalty
- CUNA Continues to Seek Comments on NCUA's Field of Membership Proposal
- Changes Expected in the Area of Student Loans
- NCUA Releases June Board Meeting Agenda
- SBA Aims to 'Simplify and Streamline' the Lending Process
- Interchange Case to Move to Supreme Court
- CFPB Holds Field Hearing and Requests Comment on Mobile Financial Services, Underserved Consumers

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

2014 Compliance Calendar

July 1

- [Federal Collateral Margins Requirements Change](#)

July 4

- [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**

- Wells Fargo Mobile;
- Bank of America Mobile Banking;
- TD App;
- Chase Mobile;
- BB&T Mobile Banking; and
- Regions Mobile.

After the malware identifies a mobile banking application, it locks the screen of the mobile device with the imitation of an FBI penalty notification letter and demands \$200 in the form of Green Dot's MoneyPak cards.

Source: CUNA News Now



[Training & Events Calendar](#)

Available Now

[Complimentary Webinar - Strengthening Your OFAC Compliance Program](#)

June 24

[Webinar: Reg E & Debit Card Error Resolution: Processing, Disclosure & Investigation](#)

July 1

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

July 9

[Webinar: Completing the SAR Report Line by Line](#)

July 30

[Webinar: Real Estate Lending Series: Avoiding HMDA Reporting Mistakes](#)

CUNA Webinars

July 14

[3rd Party Vendors and Regulatory Compliance Demands](#)

July 17

[Garnishments-Levies](#)

July 22

[Consumer Lending Update and Fair Lending](#)

July 29

[Mortgage Lending Update](#)

August 10

[CUNA Lending Compliance School](#)

August 21

[MIP and Account Openings](#)

June 30, 2014~NCUA

[Credit Union Service Organization](#)

December 31, 2015~IRS

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

2014 CUNA Comment Calls

Due Dates on Proposed Rules

June 23, 2014~NCUA

[Associational Common Bond and Field of Membership Requirements](#)

July 14, 2014~CFPB

[Annual Privacy Notice Requirements Under GLBA](#)

CUNA Schools and Conferences

August 10 - 14

[CUNA Lending Compliance School, Las Vegas](#)

September 14 - 19

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

October 26 - 29

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

Please respond to mrobey@mwcu.com with any questions or concerns regarding content of this newsletter.

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