



### Compliance News

#### CUNA Makes NCUA L.A. Listening Session Audio Available

The Credit Union National Association has made available a full audio recording of the National Credit Union Administration's June 26 Listening Session held in Los Angeles, as well as key audio clips of that session. The audios have been posted to CUNA's website.

The primary focus of the session was the NCUA's risk-based capital plan, with a lively back-and-forth dialogue between participants and NCUA representatives (*News Now* June 27).

About midway through the session NCUA Chair Debbie Matz made it clear that "everything is on the table" regarding possible changes to the RBC plan proposed in January. While she said the agency is not required to put a revised version of the proposal out for a separate comment period--beyond the one that concluded May 28--she also said very clearly that there is "no rush" to the finish line on this rule.

A second Listening Session occurred in Chicago July 10, and a third is scheduled for Thursday in Alexandria, Va. CUNA will post audios for those sessions also.

[Listening Session Recording and Clips](#)

*Source: CUNA News Now*

#### Payday Lender Must Refund \$5 Million for Illegal Practices

One of the largest payday lenders in the country is the subject of an enforcement action announced Thursday by the Consumer Financial Protection Bureau, forcing it to provide \$5 million in refunds and a \$5 million penalty.

The CFPB found that Irving, Texas-based ACE Cash Express has been using illegal debt collection tactics, including harassment and false threats of lawsuits and criminal prosecution to pressure overdue borrowers into taking out additional loans.

"ACE used false threats, intimidation, and harassing calls to bully payday borrowers into a cycle of debt," said CFPB Director Richard Cordray. "This culture of coercion drained millions of dollars from cash-strapped consumers who had few options to fight back. The CFPB was created to stand up for consumers, and today we are taking action to put an end to this illegal, predatory behavior."

ACE offers payday loans, check-cashing services, title loans, installment loans and other consumer financial products and services online and at many of its 1,500 retail storefronts in 36 states and the District of Columbia.

The CFPB found that ACE used the following "aggressive and unlawful" collections practices:

- ACE debt collectors led consumers to believe they would be sued or subject to criminal prosecution if they did not make payments, even though ACE did not actually sue consumers or attempt to bring criminal charges against them for non-payment of debts;
- Debt collectors told consumers in-house and third-party collection fees would be collected, despite corporate policy that states collectors cannot charge collection fees and cannot report non-payment to credit reporting agencies; and
- Some ACE in-house and third-party collectors abused and harassed consumers by making an

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### 2014 InfoSight Users' Survey

Your opinion counts--so please take a few minutes to answer our annual users' survey--and help us understand:

- How you use InfoSight
- What you like about it
- What you think could be improved
- Past responses have been used to help guide discussions about enhancing InfoSight and we have implemented some of the changes suggested through the survey.

The survey will be available through September 1<sup>st</sup>.

[Click here for the survey](#) or copy and paste the following Web address into your browser:  
<https://www.surveymonkey.com/s/Y5BJ2JW>

### CU Compliance Connection: CFPB Integrated Mortgage Disclosures

The CFPB has finally released the Integrated

excessive number of collection calls, and in some cases, ACE repeatedly called the consumers' employers and relatives and shared the details of the debt.

These tactics were used to create a false sense of urgency to lure overdue borrowers into payday debt traps, according to the CFPB. ACE would encourage overdue borrowers to temporarily pay off their loans and then quickly re-borrow from ACE.

Even after consumers explained to ACE that they could not afford to repay the loan, ACE would continue to pressure them into taking on more debt. Borrowers would pay new fees each time they took out another payday loan from ACE.

The \$5 million in consumer refunds will go to overdue borrowers harmed by the illegal debt collection tactics during the period covered by the order. These borrowers will receive a refund of their payments to ACE, including fees and finance charges.

The \$5 million fine will be made to the CFPB's Civil Penalty Fund.

*Source: CUNA News Now*

### FATF Offers Definitions, Pros and Cons of Virtual Currencies

The Financial Action Task Force (FATF) called virtual currencies both "the wave of the future" and a powerful new tool for criminals to move and store illicit funds, in a paper released last month. The FATF is an intergovernmental body that develops and promotes policies to protect the global financial system from money laundering and terrorist financing. The United States is one of 37 member countries.

For the FATF's purposes, a virtual currency is defined as "a digital representation of value that can be digitally traded and functions as a medium of exchange; and/or a unit of account; and/or a store of value, but does not have legal tender status of payment in any jurisdiction."

The FATF lists several benefits of virtual currencies, particularly the potential to improve payment efficiency and reduce transaction costs.

"For example, Bitcoin functions as a global currency that can avoid exchange fees, is currently processed with lower fees/charges than traditional credit and debit cards and may potentially provide benefit to existing online payment systems, like Paypal," the report reads.

However, the anonymous nature of many such currencies create many opportunities for money laundering and terrorist financing, two activities which the FATF exists to combat. The FATF's primary mission is to develop recommendations that are recognized as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

"Virtual currency's global reach likewise increases its potential AML/CFT risks. Virtual currency systems can be accessed via the Internet, including via mobile phones, and can be used to make cross-border payments and funds transfers," the report reads. "In addition, virtual currencies commonly rely on complex infrastructures that involve several entities, often spread across several countries, to transfer funds or execute payments. This segmentation of services means that responsibility for AML/CFT compliance and supervision/enforcement may be unclear."

The report also lists several high-profile cases that have come up in recent years, all of which involve abuse of virtual currency for money-laundering purposes:

- In May 2013, the U.S. Department of Justice charged Liberty Reserve, a Costa Rica-based money transmitter, and seven of its principals and employees with facilitating the movement of more than \$6 billion in illicit proceeds. This is the largest online money-laundering case to date.
- In September 2013, the U.S. Department of Justice seized the website known as Silk Road, which included approximately 173,991 bitcoins, worth more than \$33.6 million. The site operated as a "global black-market bazaar" used by thousands of drug dealers and other vendors distributing unlawful goods.
- An eight-year investigation of Western Express International, a multinational Internet-based cybercrime group, resulted in convictions or guilty pleas from 16 individuals. It was an enterprise composed of individuals buying and selling nearly 100,000 stolen credit card numbers and other personal information using virtual currencies.

[Virtual Currencies: Key Definitions and Potential AML/CFT Risks \(PDF\)](#)

*Source: CUNA News Now*

### Spots Open for OSCUI Training Sessions July 23 and 26

The National Credit Union Administration's Office of Small Credit Union Initiatives (OSCU) is hosting two training sessions during the month of July. Registration for these sessions is still available for credit union staff, managers and leadership.

Mortgage Disclosure requirements that have been in the works for over two years. 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 Heimbeck at: [mheimbeck@mwcua.com](mailto:mheimbeck@mwcua.com) or (720) 479-3325 or 1 (800) 477-1697 ext. 3325

### Advocacy Highlights

#### CUNA Seeks Feedback on NCUA Appraisals Proposal

CUNA seeks feedback from credit unions to our [Regulatory Call to Action](#) through August 18, on NCUA's recent [proposed rule](#) regarding appraisals and the availability to applicants and requirements for transactions involving an existing extension of credit. The proposed rule would eliminate the duplicative requirement that federal credit unions (FCUs) make available, to any requesting member/applicant, a copy of an appraisal used in connection with that member's application for a loan secured by a first lien on a dwelling. The proposal would narrow the scope of this requirement to cover only loans secured by a subordinate lien on a dwelling. FCUs would still be subject to the CFPB's Reg B requirement that all creditors must automatically provide applicants with free copies of all appraisals and other written evaluations. Additionally, the proposal would require that the appraisal be available for a period of 25 months after the applicant has received notice from the FCU of the action taken by the credit union on the application for a loan secured by a subordinate lien on a dwelling.

The proposed rule would also amend NCUA's regulations to exempt transactions that involve an existing extension of credit at the lending federally-insured credit union, provided that: (1) there is no advancement of new monies, other than funds necessary to cover reasonable closing costs; or (2) there has been

A training workshop will be held July 23 in Pittsburgh at the Four Points by Sheraton Pittsburgh North Hotel. Industry leaders will lead a discussion on a number of financial operations and strategic management issues.

Sessions include "Protecting Your Credit Union From the Rising Trend of Employment Practices Lawsuits," "Marketing in the Digital Age," "Bank Secrecy Act--Money Services Businesses" and "Examination Modernization."

A leadership boot camp for senior leaders and management will be held July 26 at the Hilton Newark Penn Station Hotel in Newark, N.J. The daylong training program is designed for current and new credit union CEOs.

The program features breakout sessions for managers and directors, providing a chance for credit union leaders to network with their peers. Participants will receive OSCUI's new Credit Union Leadership Resource Guide (see link below).

[Complete OSCUI training schedule](#)  
[OSCUI Credit Union Leadership Resource Guide \(PDF\)](#)

Source: CUNA News Now

### CFPB Clarifies Mortgage Rule for Surviving Family Members

A clarification has been issued to mortgage lending rules that states when a borrower dies, the name of the borrower's heir generally may be added to the mortgage without triggering the Consumer Financial Protection Bureau's ability-to-repay rule. The clarification, issued by the CFPB, is meant to help surviving family members who acquire title to a property to take over their loved one's mortgage.

"Losing a loved one should not mean also losing your home. Today's interpretive rule makes it clear that when family members inherit property, they can take over the mortgage without jumping through unnecessary hoops," said CFPB Director Richard Cordray. "This gives heirs an opportunity to work with the lender to pay off the loan or seek a loan modification."

If a property is legally transferred from family members to their heirs with an outstanding loan still on the property, there can be consequences if the heir cannot add their name to the mortgage. For example, a creditor can deny a loan modification on the grounds that the heir is not officially named on the mortgage.

Since an heir has already acquired the title to the home, the new rule allows the heir's name to be added to the title without triggering the ability-to-repay requirements. The ability-to-repay rule requires lenders make a reasonable, good-faith determination that prospective borrowers have the ability to repay their loans.

In addition, the rule does not require the creditor to determine the heir's ability to repay the mortgage before formally recognizing the heir as the borrower. As the named borrower, the heir may more easily be able to obtain account information, pay off the loan, or seek a loan modification.

The rule can also apply to other family-related transfers, including transfers to living trusts, transfers during life from parents to children and transfers resulting from divorce or legal separation.

Cordray also issued a memo Tuesday clarifying that the CFPB, to the extent permitted by federal law, "recognizes all lawful marriages valid at the time of the marriage in the jurisdiction where the marriage was celebrated."

This rule means any terms used in laws, regulations and policies administered by the CFPB related to family and marital status shall now include lawful same-sex marriages and lawfully married same-sex spouses. This includes the Equal Credit Opportunity Act, Fair Debt Collection Practices Act, Truth in Lending Act and Real Estate Settlement Procedures Act.

[CFPB interpretive rule on successors-in-interest \(PDF\)](#)  
[Memo on ensuring equal treatment for same-sex married couples \(PDF\)](#)

Source: CUNA News Now



[Training & Events Calendar](#)

no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union's real estate collateral protection after the transaction, even with the advancement of new monies. Further, the proposed rule would align NCUA's definition of "application" with the CFPB's definition under Reg B.

Source: CUNA



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

- CUs Dig Deep on RBC Plan at Chicago Listening Session
- Recording from LA Listening Session Available
- CUNA Comments on CFPB's Privacy Proposal
- CUNA Seeks Feedback on NCUA Appraisals Proposal
- CFPB Issues Guidance Regarding Mortgage Brokers and "Mini-Correspondent" Lenders
- CFPB Issues Interpretive Rule on Ability-to-Repay Requirements
- Interest in Mobile Financial Services Continues to Increase
- SEC Considers Money-Fund Rules

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



### 2014 Compliance Calendar

#### 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](#)

2014 Effective Dates  
New and Revised Rules

**July 29**

[Webinar: Steps to SAFE Act Registration, Renewal & Compliance for MLOs](#)

**July 30**

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

**August 5**

[Webinar: ACH Specialist Series: Federal Government ACH Payments: Reclamations & Garnishments](#)

**August 6**

[Webinar: Wire Transfer Compliance](#)

**September 9 – 11**

[Regulatory Compliance School - Denver](#)

**September 16 – 17**

[Regulatory Compliance School - Casper](#)

**November 4 – 6**

[Regulatory Compliance School - Phoenix](#)

**CUNA Webinars****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](#)

**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](#)

**2014 CUNA Comment Calls  
Due Dates on Proposed Rules****August 15, 2014~NCUA**

[Economic Growth and Regulatory Paperwork Reduction Act](#)

**August 18, 2014~NCUA**

[Appraisals Proposed Rule](#)

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

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