



Compliance News

Fraud-Fighting Advice for CUs: Now on NCUA YouTube Channel

In an effort to help credit unions detect and deter fraud, the National Credit Union Administration has released the first videos in a new series on fraud prevention.

The agency has posted the first three videos on its YouTube channel, with the remaining four to be released in the coming weeks.

"The potential for employee fraud should always be a concern for credit union officials and volunteers," NCUA Board Chair Debbie Matz said in announcing the new resource.

"Unfortunately, employee fraud led to \$311.4 million in losses for the Share Insurance Fund between 2010 and 2013 at liquidated credit unions. To protect the Share Insurance Fund from future losses, NCUA has developed this new video series to educate credit union managers and volunteers about detecting and reducing the potential for fraud and dishonesty among employees," she added.

The series, conducted by staff from the NCUA's Office of Small Credit Union Initiatives in partnership with CUNA Mutual Group, discusses ways credit unions can increase internal controls to deter insider fraud and employee dishonesty. Credit union managers and volunteers will also learn how to identify potential clues that are warning signs for fraud.

The first three episodes of the "Deterring, Preventing and Detecting Employee Dishonesty" series provide an overview of the series and outline the importance of maintaining a policy on employee fraud and conducting surprise cash counts.

Joette Colletts, senior manager for risk management with CUNA Mutual Group, is featured in the videos taking a credit union CEO through various phases of fraud prevention and explaining why each one is essential to an overall prevention strategy.

The NCUA will release the remaining four episodes in the coming weeks, which will address separation of duties, employee and family member accounts, file maintenance transactions and vault cash.

[NCUA YouTube Channel: Fraud Series](#)

Source: CUNA News Now

CFPB, FTC, 15 States Sweep in on Foreclosure Relief Scammers

The Consumer Financial Protection Bureau (CFPB), the Federal Trade Commission (FTC) and 15 states have announced sweeping actions against foreclosure relief scammers that they say used deception to prey on struggling homeowners who were facing foreclosures.

In an announcement Wednesday, the CFPB said it was filing lawsuits against three such companies that collected "more than \$25 million in illegal advance fees for services that falsely promised to prevent foreclosures or renegotiate troubled mortgages." The FTC said it was filing six other lawsuits. And, a joint release said, the states are taking 32 actions.

"We are taking on schemes that prey on consumers who are struggling to pay their mortgages or facing foreclosure," said CFPB Director Richard Cordray. "These companies pocketed illegal fees--taking millions of hard-earned dollars from distressed consumers, and then left those consumers worse off than they began. These practices are not only illegal, they are reprehensible."

The CFPB is seeking compensation for victims, civil fines and injunctions against the scammers.

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Sectoral Sanctions Identification List (SSI)

On July 16, 2014, OFAC introduced the Sectoral Sanctions Identifications List (SSI), in order to identify persons operating in sectors of the Russian Economy identified by the Secretary of the Treasury pursuant to Executive Order 13662. The list includes directives that require U.S. persons to reject certain kinds of transactions with the persons identified on the list. This is a new list, in addition to the already existing Specially Designated Nationals (SDN), Palestinian Liberation Council (PLC), and Foreign Sanctions Evaders (FSE) lists.

Note: The SSI List is not part of the SDN list; however, persons and companies on the SSI list may also appear on the SDN list. Additional instructions will appear on the SDN list for those listed on both lists.

Executive Order 13662 gives two directives regarding persons listed on the SSI list. These directives will determine the course of action to be taken should a U.S. person find a match. These directives will state one of the following actions depending on whether or

In conjunction with its announcement of legal action, the CFPB also released an advisory to help consumers recognize the red flags of foreclosure relief scams, especially when someone is claiming to provide legal help.

[Source: CUNA News Now](#)

NCUA Outlines Late-Filer Civil Money Penalty Process

The civil money penalty process and how it applies to late call-report filers are detailed in the July issue of *The NCUA Report*. More than 100 credit unions filed their quarterly call reports late in the first quarter of this year, which could result in penalties of varying amounts.

According to the NCUA, 104 credit unions filed late in the first quarter of 2014. This represents an 80% decrease in late filers from the previous quarter.

After the filing deadline for each quarter's call reports, the NCUA generates a report identifying credit unions that missed the deadline, the number of days each institution is late, and whether the credit union has been late previously.

Agency staff then manually verifies the list of late filers, consulting with NCUA regions and state supervisory authorities for state-chartered credit unions. This helps to identify whether any extenuating circumstances contributed to missing the filing deadline.

Once an institution is confirmed, the civil money penalty matrix is applied. The agency's Office of Examination and Insurance sends letters to each credit union with the proposed civil money penalties. The letters are accompanied with legal documents allowing a late-filing credit union to consent to paying a reduced fine to avoid litigation, as well as contact information for an NCUA program officer who will listen to appeals from institutions that believe there are valid reasons for missing a deadline.

Examples of circumstances that may warrant a waiver of penalties include failure of a credit union's core processing system, natural disaster or incapacitation of a key employee.

A penalty is not final until a credit union has signed a consent order agreeing to pay a reduced penalty or an administrative judge has ruled in the NCUA's favor. The names of credit unions paying civil money penalties, along with the amount paid, will be made public, as mandated by federal law. These will be published approximately 11 weeks after the quarterly filing deadline.

All civil money penalties go to the U.S. Treasury, per federal law. No funds are retained by the NCUA for its own use.

According to the NCUA, the hope is that the process will allow examiners to spend time on safety and soundness, as opposed to chasing down late filers.

[Understanding the Civil Money Penalty Process for Late Filers](#)

[Source: CUNA News Now](#)

CRA/HMDA Software Downloads Available

The FFIEC has posted the new 2014 HMDA and CRA Data Entry Software Release versions for 2014. Each software version is year specific; and the latest version should be installed from the [FFIEC website](#) and used in preparing the data due March 2, 2015.

[Source: MCUL](#)

NCUA Gives Examiners FinCEN Guidance for Marijuana Businesses

The Washington Department of Financial Institutions has offered information to credit unions in that state that wish to provide financial services to marijuana-based businesses. Washington voted in 2012 to legalize the sale of marijuana and related products to individuals over the age of 21 for recreational purposes. The state began issuing licenses to those businesses this month, and 20 other states have legalized some form of medical or recreational marijuana-related activity.

In a letter to the Washington DFI last week, Larry Fazio, director of the NCUA's Office of Examination Insurance, said the agency has provided the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) guidance to agency examiners, who are responsible for determining the compliance of financial institutions that provide service to marijuana-related businesses.

"Credit unions have been struggling with what we consider to be overreaching due diligence requirements in FinCEN's guidance for marijuana-related businesses," said Colleen Kelly, senior assistant general counsel for federal compliance for the Credit Union National Association.

"We have been hoping NCUA would provide definitive guidance to credit unions to relieve these ongoing due diligence concerns. I'm afraid this letter doesn't do it. CUNA will continue to encourage NCUA to provide additional compliance assistance for servicing these businesses."

not the listed party is a person or entity:

- That "the following transactions by U.S. persons or within the United States are hereby prohibited: transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity or new equity for these persons (listed here), their property, or their interests in property. All other transactions with these persons or involving any property in which one or more of these persons has an interest are permitted, provided such transactions do not otherwise involve property or interests in property of a person blocked pursuant to Executive Orders 13660, 13661, or 13662, or any other sanctions programs implemented by the Office of Foreign Assets Control."

Or

- That "the following transactions by U.S. persons or within the United States are hereby prohibited: transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity for these persons (listed below), their property, or their interests in property. All other transactions with these persons or involving any property in which one or more of these persons has an interest are permitted, provided such transactions do not otherwise involve property or interests in property of a person blocked pursuant to Executive Orders 13660, 13661, or 13662, or any other sanctions programs implemented by the Office of Foreign Assets Control."

Credit unions should begin checking against this list immediately, and work with vendors to make sure that these names are added to any interdiction software.

For additional information to help your credit union stay in compliance, visit the Sectoral Sanctions Identification List on the Bank Secrecy Act channel of InfoSight.

CU Compliance Connection: NCUA Capital Planning and Stress Testing Requirements

This presentation reviews new NCUA requirements for federally insured credit unions over \$10 Billion in assets to develop and maintain capital plans and conduct annual stress tests. 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

FinCEN's guidance notes that U.S. Department of Justice Attorneys and law enforcement will devote enforcement resources to businesses that are distributing marijuana to minors, criminal enterprises, states where it is not legal, as well as several other scenarios.

In addition, the guidance warns financial institutions serving marijuana-related businesses to conduct due diligence by:

- Verifying with the appropriate state authorities whether the business is duly licensed and registered;
- Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
- Requesting from state licensing and enforcement authorities available information about the business and related parties;
- Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers);
- Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
- Ongoing monitoring for suspicious activity, including for any of the red flags described in the guidance; and
- Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

Financial institutions who suspect illicit activity are required to file a suspicious activity report (SAR). This obligation is unaffected by any state law legalizing marijuana-related activity, according to FinCEN's guidance.

[BSA Expectations Regarding Marijuana-based Businesses](#)
[NCUA on marijuana-based businesses](#)

Source: CUNA News Now

Advocacy Highlights

National Online Tool Available to Credit Unions for Communicating Regulatory Advocacy Concerns

[PowerComment](#), a new online resource that helps credit unions take their regulatory concerns directly to state and federal regulators, was officially announced and demonstrated at the American Association of Credit Union Leagues (AACUL) summer meeting last Thursday.

Developed by the California and Nevada Credit Union Leagues, and now being taken national by CUNA, PowerComment is an interactive tool that allows all CUNA-affiliated credit unions to write and immediately submit comment letters on regulatory proposals directly to NCUA, the CFPB, and other federal and state regulators. Credit unions can read proposed rules and how they might affect their operations and members, as well as ask fellow PowerComment users or their leagues questions related to proposed rules. In addition, they can view letters submitted by other credit unions and leagues on the website, available exclusively to CUNA-affiliated credit unions.

"This is the power of the CUNA-League System at its best," remarked CUNA Executive Vice President & General Counsel, Eric Richard. "CUNA is pleased to leverage the great work of the California and Nevada Credit Union Leagues to effectively deliver credit union comments back to the regulatory agencies. "The national rollout of PowerComment now makes it easier for credit unions throughout the United States to voice their concerns and comment on proposed rules, especially in this challenging regulatory environment," said California and Nevada Credit Union Leagues President and CEO Diana Dykstra. "By commenting at the beginning of the process, credit unions can help shape the rules, and mitigate overly burdensome directives."

Prior to the national rollout, PowerComment was tested by ten leagues, including the Northwest Credit Union Association. "PowerComment allowed us to easily track regulatory proposals, get insight from colleagues, and write effective comment letters," said Northwest Credit Union Association President and CEO Troy Stang. "The analysis and reminders are another benefit that helped us successfully manage our time in an efficient manner. PowerComment is an additional tool in the credit union toolbox that we look forward to seeing available to a broader audience."

Source: CUNA



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

- CFPB Proposes Sweeping HMDA Rule Changes

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



2014 Compliance Calendar

September 1

- [Labor Day - Federal Holiday](#)

September 19

- [NACHA Operating Rules Changes](#)

October 13

- [Columbus Day - Federal Holiday](#)

October 24

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

October 31

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

November 2

- [Daylight Savings Time Ends](#)

November 11

- [Veterans' Day - Federal Holiday](#)

2014 Effective Dates New and Revised Rules

July 11, 2014~CFPB

[Application of Regulation Z's Ability-to-Repay Rule to Certain Situations Involving Successors-in-Interest](#)

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](#)

- NCUA Continues to Work on RBC Final Rule
- NCUA Plans Regulatory Relief Rulemakings
- NCUA Announces July Board Meeting Agenda
- National Online Tool Available to Credit Unions for Communicating Regulatory Advocacy Concerns
- FinCEN Releases First Issue of SAR Stats Report, Narrative Spotlight on Bitcoin
- CFPB Releases Second Annual Financial Literacy Report
- Federal Reserve Releases 2013 Payments Study Detailed Report on Domestic Payments

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



[Training & Events Calendar](#)

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](#)

October 26 – 29

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

CUNA Webinars

August 10

[CUNA Lending Compliance School](#)

August 21

[MIP and Account Openings](#)

**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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