

Compliance News

NCUA Free Webinar Examines Disaster Prep, Recovery for CUs

A free webinar featuring business continuity planning and disaster recovery practices will be hosted by the National Credit Union Administration Aug. 20.

Several NCUA staff members will outline strategies to prepare for and recover from natural disasters. Officials from credit unions that made it through Hurricanes Sandy and Katrina will also share their experiences.

"Recent natural disasters have illustrated the importance of effective contingency planning to ensure that all credit unions are able to fulfill their missions and obligations to their members during natural disasters or other disruptions in their operations," the NCUA said in a release announcing the webinar.

Presenters will discuss how to communicate with members, regulators and vendors, as well as establishing backup and recovery sites in separate locations while planning for a natural disaster. They will also outline ways to restore information technology services and how to return to normal operations after such a disaster.

The speakers will be Dominic Carullo, economic development specialist, NCUA's Office of Small Credit Union Initiatives; Jerald Garner, national field supervisor, the Office of National Examinations and Supervision; and Jason Radde and Ben Cates, both emergency management specialists with the Office of Continuity and Security Management.

The event is scheduled to begin at 2 p.m. (ET) Aug. 20. It will be archived and closed-captioned on the NCUA's videos and webcasts page approximately three weeks following the event.

- [NCUA disaster recovery webinar registration](#)
- [Agility Recovery/CUNA Strategic Services](#)
- [Ongoing Operations/CUNA Strategic Services](#)
- [USA.gov Disasters and Emergencies](#)

Source: CUNA News Now

Fixed-Rate Mortgages Decline at Banks Post-QM Rule

New Consumer Financial Protection Bureau (CFPB) mortgage rules are reducing the number of mortgages from all banks but the biggest, says the latest survey from the Federal Reserve. As reported in *HousingWire* Wednesday, the Fed's quarterly survey polled large domestic and foreign banks about the effect of the rules.

The CFPB's new qualified mortgage rule went into effect Jan. 10. The rule describes certain minimum requirements for creditors to make ability-to-repay determinations but does not dictate that one follows any particular underwriting model.

According to the report, almost 20% of the 36 large American banks said approval rate of prime residential mortgages was lower than it would have been. A "substantial share" of other respondents reported the rules were lowering approval rates.

The article also cites a similar report from credit rating agency Dominion Bond Rating

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Credit Card Security

The Credit Card Security and the Payment Card Industry

Services that found federal regulations, along with a general shift to purchase activities from refinancing, have resulted in historically low mortgage originations and organic servicing growth.

The Credit Union National Association expressed concerns with the rule when it was in the proposal stage last year. In a survey conducted by CUNA in October, almost 60% of credit unions that responded said the new rule was making them consider scaling back mortgage practices.

In another CUNA survey conducted in April, 17% of respondents said the new rule had reduced or limited the number of first-mortgage loans the credit union is making. Of all respondents, only 1% said the rule had a "minimal positive impact," and 31% said it had no impact.

The remaining credit unions said the rule had a strong negative impact (7%), moderate negative impact (27%) or minimal negative impact (34%) on the ability of credit union members to get approved for a first mortgage.

Credit unions have seen a 45% drop in first fixed-rate mortgages issued in the first quarter this year after three straight years of growth. From January to March 2011, 89,037 first fixed-rate mortgages were granted, and that number rose to 134,016 during those months in 2012 and 154,185 in 2013. From January to March 2014, only 69,958 were issued.

CUNA also notes that this decrease could be due to a number of factors, including increasing real estate prices.

Balloon and adjustable-rate first mortgages saw an increase from 2013 to 2014 that was on par with previous year-to-year gains. In addition, fixed- and adjustable-rate second mortgages saw growth within normal ranges from year-to-year since 2011.

Source: CUNA News Now

NASCUS Announces Inaugural Cyber Security Symposium

The National Association of State Credit Union Supervisors (NASCUS) announced plans for an inaugural symposium focusing on cyber security.

The NASCUS Cyber Security Symposium, which will be held Nov. 13-14 at the Hyatt Arlington, located at 1325 Wilson Boulevard in Arlington, Va., is being hosted by NASCUS and the Credit Union National Association (CUNA). The agenda is currently being rounded out, and will include such sessions as "Assessing the Cyber Risk Profile for Credit Unions of All Sizes," "The Target Data Breach," "Payment Systems" and "The First 24 Hours: Responding to a Cyber Security Event," among others. Credit unions, regulators and those who work with the financial industry as a whole are invited to attend the event.

"Cyber security is increasingly the focus of regulatory attention and will factor into credit unions' strategic planning as they redirect resources to bolstering their cyber preparedness," said NASCUS President and CEO Mary Martha Fortney. "Furthermore, cyber security preparedness is moving from an IT staff issue to a board level strategic issue. We hope to educate regulators and credit unions alike through this one-of-a-kind educational event."

Tom Schauer, CEO of TrustCC, which conducts security assessments, IT audits and reviews and IT risk assessments, security awareness and training and social engineering, and offers advisory services, will emcee the event.

Registration will be opening soon for the inaugural NASCUS Cyber Security Symposium. Please check the NASCUS website at www.nascus.org for more information, or contact Brian Knight, at brian@nascus.org.

Source: NASCUS

CFPB to Take Consumer Complaints on Bitcoin, Virtual Currency

Volatile exchange rates and the threat of hacking and scams have led the Consumer Financial Protection Bureau (CFPB) to now accept complaints on virtual currency products and services.

The bureau also issued a consumer advisory warning about the risks of such virtual currencies Monday.

Designed to be an alternative to current payment systems, virtual currencies--which include Bitcoin, XRP and Dogecoin--are used to track, store and send payments over the Internet. While benefits can include faster and cheaper processing, the currencies are not backed by

Data Security topics in the Security Channel have been updated addressing recent concerns in the Credit and Debit Card industry.

Some of the items mentioned include the release and effective dates of Version 3 of the PCI DSS with links to the new standards.

Remember that if your credit union issues Credit/Debit cards you likely need to comply with the PCI DSS.

The Credit Card Security and the Payment Card Industry Data Security topics can help you understand and reduce potential losses to your credit union.

CU Compliance Connection: Derivatives Authority

The National Credit Union Administration passed a final rule that permits Federal credit unions to engage in limited derivatives activities for the purpose of mitigating interest rate risk. This presentation reviews permissible derivatives and characteristics, limits on derivatives, operational requirements, counterparty and margining requirements, and the procedures a credit union must follow to apply for derivatives authority. Click [here](#) for the video.



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

- CUNA Urges CFPB to Minimize Any New Overdraft Requirement and Provide Reg Relief
- NCUA Fixed Assets Proposal Could Indirectly Apply to State Chartered Credit Unions; All Interested CUs Encouraged to Comment
- CUNA Seeks Comment on CFPB Home Mortgage Disclosure Act Proposal
- CUNA Seeks Feedback from Credit Unions on FinCEN Customer Due Diligence Proposed Rule
- GSEs Post Strong Quarterly Results
- FICO Credit Score Will No Longer Include Paid or Settled Debts

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

Advocacy Highlight

FICO Credit Score Will No Longer Include Paid or Settled Debts

The most used credit score in the country will no longer include records of consumers' failure to pay bills if the bills are paid or settled, according to a report by the Wall Street Journal. The change is expected to lead to higher FICO scores for those consumers, which could lead to more lending. Fair Isaac Corp.'s FICO credit score is based on consumer credit files of three national credit bureaus; Experian, Equifax, and TransUnion. Fair Isaac announced last Thursday that they would stop including records of a consumer failing to pay a bill if the bill has been paid, or settled with a collection agency, according to the report. The company also said it would give less weight to unpaid medical bills that are with a collection agency. Lower FICO scores can lead to loan denials, or higher interest rates, and according to the Wall Street Journal, collections can impact credit scores as much as foreclosures and bankruptcies. "Credit unions already work closely with members seeking credit and this FICO

a government or central financial institutions.

Because of this, virtual currency accounts are not insured by the Federal Deposit Insurance Corp. or the National Credit Union Share Insurance Fund, meaning if a virtual currency company fails, the government will not cover the loss.

CFPB Director Richard Cordray likened consumers engaging in the virtual currency market to "stepping into the Wild West."

Additional services in the virtual currency market include virtual currency exchanges, which help consumers buy or sell virtual currencies and online "digital wallet providers," which allow consumers to create accounts with them to store and manage their virtual currencies. Many virtual currency exchanges are also wallet providers, and vice versa.

Some virtual currency companies do not identify owners, provide phone numbers and addresses, or even specify the country in which they are located. Others disclaim responsibility for consumer losses if funds are lost or stolen.

According to the CFPB, if a consumer submits a complaint about a virtual currency or virtual currency service, the CFPB will send the complaint to the appropriate company and will work to get a response. If the complaint is about an issue outside the CFPB's jurisdiction, the bureau will forward the complaint to the appropriate federal or state regulator.

The CFPB says it plans to use all complaints to better understand the virtual currency market and its effect on consumers, as well as shape future law enforcement and regulatory policies going forward.

[CFPB Consumer Advisory on virtual currencies \(PDF\)](#)

Source: CUNA News Now

FTC Refunds \$800K to Consumers Ensnared by Mortgage Relief Scams

WASHINGTON (8/11/14)--More than 1,300 customers who fell prey to mortgage relief scams will be receiving checks totaling approximately \$800,000. The Federal Trade Commission (FTC) announced that refund checks will be sent, though an administrator, to 1,305 consumers affected by two related scams.

In one scheme, a company using the name Precision Law Center allegedly made false promises to consumers that if they sued their lenders along with other homeowners in so-called "mass joinder" lawsuits, they could obtain favorable mortgage concessions or stop the foreclosure process.

In the other, using names such as FreeFedLoanMod.org, HouseHoldRelief.org and MyHomeSupport.org, defendants charged consumers for "forensic loan audits," and allegedly misrepresented that they could use the results to force lenders to give them better mortgage terms.

According to the FTC, consumers should carefully evaluate offers of help in lowering their mortgage payments or saving their homes from foreclosure. It is illegal for anyone to collect money upfront for loan modification or foreclosure relief services.

Source: CUNA News Now



[Training & Events Calendar](#)

August 19

Webinar: [What Constitutes a Violation of the FDICPA](#)

August 21

Webinar: [Home Equity/Second Lien Risk Management](#)

September 3

Webinar: [Escrow Account Compliance](#)

September 9 – 11

[Regulatory Compliance School - Denver](#)

September 16 – 17

[Regulatory Compliance School - Casper](#)

change will give them another tool to help more members with their credit needs," said Mike Schenk, CUNA Interim Chief Economist. "It will also help credit unions keep credit costs to members down."

From CUNA News Now, August 11

CUNA Seeks Feedback from Credit Unions on FinCEN Customer Due Diligence Proposed Rule

CUNA seeks feedback from credit unions to their [Comment Call](#) through September 22 on the U.S. Treasury Financial Crimes Enforcement Network's (FinCEN's) recent [proposed rule](#) to amend existing Bank Secrecy Act (BSA) regulations on customer (member) due diligence (CDD). Specifically, the proposed rule would clarify and strengthen CDD obligations of financial institutions, including credit unions. The key elements for CDD include: 1) Identifying and verifying the identity of customers; 2) identifying and verifying the identity of "beneficial owners" of legal entity customers (i.e., natural persons who own or control legal entities); 3) understanding the nature and purpose of customer relationships; and 4) conducting ongoing monitoring to maintain and update customer information and to identify and report suspicious transactions.

There would be a new explicit regulatory requirement for a financial institution to establish and maintain written CDD procedures that are reasonably designed to identify and verify "beneficial owners" of "legal entity customers" (e.g., corporation, limited liability company, partnership or other similar business entity), subject to certain exemptions. Existing supervisory guidance would also be incorporated into the CDD obligations.

CUNA is interested in your feedback, especially on the estimated additional compliance costs that would arise from the new requirements for "beneficial owners." CUNA continues to urge FinCEN and other regulators to minimize BSA regulatory burdens on credit unions.

Source: CUNA



[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 4 – 6

[Regulatory Compliance School - Phoenix](#)

CUNA Schools and Webinars

Schools and Conferences

September 14 – 19

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

October 26 – 29

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

Webinars

August 21

[MIP & Account Openings](#)

October 7

[ACH Fundamentals](#)

November 11

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

2014 Effective Dates New and Revised Rules

December 31, 2015~IRS

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

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](#)

August 22, 2014~CFPB

[Disclosure of Consumer Complaint Narrative Data](#)

September 22, 2014~FinCEN

[Customer Due Diligence](#)

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

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