



Compliance News

DDoS Threat Landscape Continues to Evolve

Distributed denial of service (DDoS) attacks are becoming more common against credit unions and banks, and a new e-book from Ongoing Operations--"Making Sense of the DDoS Threat"--details the growing cyberthreat.

Credit unions are challenged to protect themselves against DDoS attacks because the attackers are now going beyond website and online banking platforms to anything that uses Internet connectivity such as Voice over Internet Protocol systems.

The e-book notes that mitigating DDoS attacks is a game of cat and mouse with ever-changing players, levels of intensity and increasing sophistication.

The complex and intricate DDoS attempts require a higher level of defenders--both people (highly qualified engineers) and infrastructure (traffic routing, bandwidth and hardware).

DDoS attacks are more than a complete outage. Two-thirds cause a degradation in the service level of the application or an external website, resulting in fraud, reputational damage, application abandonment and frustration for both members and internal staff.

Additionally, the e-book lays out the guidelines from the Federal Financial Institutions Examination Council and expectations for compliance from the National Credit Union Administration.

[The Credit Union DDoS Guide: Making Sense of the DDoS Threat](#)

Source: CUNA News Now

New Fraud Scheme Involves Hacking of Executives' E-mail

An employee might not hesitate to respond if their superior asks for secure information, and that's the response fraudsters are hoping for, according to a report by the Information Security Media Group. The report cites numerous warnings issued by federal authorities and researchers in recent weeks.

According to the report, hackers infiltrate e-mail networks and take over an executive's account. The account is then used to send e-mails to lower-level employees instructing them to perform a task with a sense of urgency. This usually involves confidential information, and sometimes involves instructing the employee to schedule fraudulent funds transfers.

The Internet Crime Complaint Center (IC3), a partnership between the FBI and the National White Collar Crime Center, has issued a notice about this scam. The IC3 reports that the average dollar loss per successful fraudulent transfer is approximately \$55,000, but there have been reports of losses exceeding \$800,000.

The IC3 also reported that victims are generally from the U.S., England and Canada, and are focused on institutions that generally conduct high-dollar wire transfers, so the requested amount is not uncommon.

[Internet Crime Complaint Center Scam Alert](#)

Source: CUNA News Now

Looking for Keys to Membership Diversity

As credit unions approach the 100 million member milestone, the diversity of credit union membership has never shined brighter. The Credit Union National Association's 2014 National

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Ability to Repay

The Ability to Repay (ATR) loan requirements affect the ability of credit unions to make loans. The eight required factors for ATR are:

- Current or reasonably expected income or assets that the member relies on to repay the loan (other than the value of the property that secures the loan);
- Current employment status;
- Monthly mortgage payment of the loan under consideration;
- Monthly payment on other simultaneous loans secured by the same property;
- Monthly payments for mortgage related obligations that could include (but is not limited to) property taxes, insurance, and homeowners association fees;
- Debts, alimony, and/or child support obligations;
- Monthly debt-to-income ratio and/or monthly residual income, calculated using the total of all of the mortgage and non-mortgage obligations as a ratio of gross monthly income; AND
- The member's credit history


CU Compliance Connection: NCUA Capital Planning and Stress Testing Requirements

Member and Nonmember survey reveals exactly how diverse that membership is.

"Our national research helps credit unions discover the demographic segments that represent their greatest opportunities and challenges," Jon Haller, CUNA's director of corporate and market research told *Credit Union Magazine* in a recent article.

	Members	Nonmembers
Survey size	805	854
Age 18 to 24	7%	10%
Age 25 to 34	20	14
Gender		
Male	45	36
Female	55	64
Married	50	42
Single	49	58
High school or less	23	16
College degree or more	77	84
Employed full time	51	38
Not home	20	22
Not home	29%	62%

Source: The survey by J.D. Edwards Research & Consulting, © 2013. Data 2013. National Member & Nonmember Survey, unless otherwise noted.

 Click for larger view

Members have a wide variety of financial needs, and those needs are constantly changing and evolving throughout their lives as they buy cars or homes, pay for college tuition, or plan for retirement.

For most members, their credit union is just one option for meeting their financial needs. CUNA's survey shows that 86% of members also are bank customers, while 65% of nonmembers use banks.

The challenge is to increase loyalty levels among your members so they're more likely to turn to your credit union the next time they need a financial product or service.

To read the full article, use the link - [Who Are Your Members?](#)

Total credit union membership approached 97.5 million at the end of 2013, according to CUNA. That represents a 2.5% annual growth rate for 2013, compared with 2.1% for 2012. These are net growth rates, notes Haller, which take into account new members as well as those who leave.

"Those two years represent the highest back-to-back annual membership growth rates in more than a decade," Haller says. "The 2013 growth continues the small but steady rise we've seen each year since 2010, when the growth rate was only 0.7%."

Source: CUNA News Now

NCUA: No Corporate Assessment (But No Refunds Either)

Credit unions will not face an assessment this year for the Corporate Credit Union Stabilization Fund, the National Credit Union Administration confirmed at its board meeting Thursday. Future assessments are unlikely as well.

Larry Fazio, NCUA director of examination and insurance, said the improvements to the fund are due to the performance of the NCUA Guaranteed Notes (NGN) program and recent corporate credit union litigation settlements totaling more than \$1.75 billion.

Net projected remaining assessments in the Stabilization Fund range from -\$2 billion to -\$0.6 billion. NCUA Chair Debbie Matz said the double negative projected assessment range is "positive news" for credit unions.

But Fazio emphasized that the negative assessment range does not mean there are funds available to provide refunds to credit unions now, as the improving values of legacy assets are used to secure the NGN. The NCUA also owes \$2.6 billion borrowed from the U.S. Treasury. The agency did indicate that some rebate to federally insured credit unions in 2021 might be possible, but only after all obligations, including those to Treasury, have been met.

The board also provided a quarterly update on the status of the National Credit Union Share Insurance Fund (NCUSIF). The fund has an equity rate of 1.29% as of June 30, and reserves are approximately \$176.1 million, \$8.1 million of which are for specific credit unions.

According to the NCUA, there are 295 CAMEL 4 and 5 credit unions, representing 1.46% of insured shares, or approximately \$13.2 billion. The number of CAMEL 4 and 5 credit unions is on the decline. There are 1,466 CAMEL 3 credit unions, representing 10.46% of insured shares, or \$94.5 billion. Combined, insured shares in CAMEL 3, 4, and 5 credit unions represent only 11.92% of total insured shares.

There have been eight credit union failures so far this year. In 2013 there were 17 total failures.

The NCUA board also approved a community charter expansion for Call FCU, based in Richmond, Va. with \$360 million in assets. The credit union was chartered in 1962 to serve the employees of

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 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@mwcu.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](#)

Philip Morris Tobacco Company, also based in Richmond, and converted to a community charter in July 2010, serving approximately 100 select groups and two underserved areas.

The expansion of the charter means approximately 1.3 million people are now in Call FCU's field of membership.

Source: CUNA News Now

CFPB Says Debit, ATM Overdraft Services Still Raise Concerns

The Consumer Financial Protection Bureau said Thursday that it has studied the effect of a 2010 "opt-in" requirement that depository institutions obtain a consumer's consent before charging fees for allowing overdrafts on most ATM and debit card transactions and found it lacking.

The bureau noted it is weighing what additional consumer protections may be necessary for overdraft and related services.

A new CFPB report indicated that the majority of debit card overdraft fees are incurred on transactions of \$24 or less and that the majority of overdrafts are repaid within three days. "Put in lending terms, if a consumer borrowed \$24 for three days and paid the median overdraft fee of \$34, such a loan would carry a 17,000 percent annual percentage rate," the CFPB said in a release.

The study was based on data from a set of large banks supervised by the CFPB. It found also that among the banks studied, overdraft and Not-Sufficient-Funds (NSF) fees represent more than half of the fee income on consumer checking accounts. The study found that about 8% of accounts incur the majority of overdraft fees.

The CFPB acknowledged that some credit unions and banks do not charge an overdraft fee if the consumer overdraws an account by a small amount; some also cap the number of overdraft and NSF fees they will charge on an account on a single day.

In a related story this week, a Moeb's Services study released Tuesday includes information that describes how credit unions remain the most reasonable financial institutions in forgiving members for overdrafts (*News Now* July 30).

Source: CUNA News Now



Advocacy Highlight

TILA/RESPA Guidance Needed

The CFPB's rule to integrate the Truth-in-Lending Act and Real Estate Settlement Procedures Act

(TILA/RESPA) disclosures will go into effect on August 1, 2015 and CUNA Associate General Counsel Jared Ihrig was among those attending a CFPB roundtable discussion last week on the new disclosures. He urged the bureau to consider:

- Making public announcements when it updates implementation aids on its website, which reflect clarifications or amendments; and
- Providing detailed guidance on the requirements surrounding effective dates to provide credit unions with as much information as possible to ease compliance.

Many credit unions have voiced their confusion as to the appropriate disclosures that must be used before, on, and after the rule's effective date, he reported. For examples, HELOCs, mobile home loans, and reverse mortgages will require the existing Good Faith Estimate and HUD-1 or HUD-1A closing disclosures, rather than the new Loan Estimate and Closing Disclosures in the new TILA/RESPA rule.

CUNA also urged the CFPB to perform extensive outreach to forms providers, document preparation companies, and technology vendors immediately so that any implementation difficulties can be identified and resolved well prior to the effective date. CUNA will continue to work with the CFPB to voice credit union implementation concerns.

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

- CUNA Urges NCUA To Provide More Regulatory Relief
- NCUA Says Future Corporate Stabilization Fund Assessments Unlikely
- CUNA Meeting with CFPB On Second Agency Overdraft Report
- CUNA-Advocated Fixed Assets Rule Improvements Proposed
- No New HELOC Reporting for CUs, CUNA Presses to CFPB
- NCUA's Dials Down Operating Budget by \$1.1 Million
- Share Insurance Fund Report Reflects CU System's Strength

[Rule to Certain Situations Involving Successors-in-Interest](#)

December 31, 2015~IRS

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

2014 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 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](#)

August 22, 2014~CFPB

[Disclosure of Consumer Complaint Narrative Data](#)



Training & Events Calendar

September 9 – 11

[Regulatory Compliance School - Denver](#)

September 16 – 17

[Regulatory Compliance School - Casper](#)

November 4 – 6

[Regulatory Compliance School - Phoenix](#)

- FDIC Clarifies Supervisory Approach on Account Relationships with Third-Party Payment Processors
- FHFA Extends G-fee Comment Deadline
- FinCEN Issues Customer Due Diligence Proposed Rule

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

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

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