



Compliance News

FHA to Ban Prepayment 'Penalties' Beginning Next Year

Starting with mortgages insured by the Federal Housing Administration on Jan. 21, 2015 and beyond, borrowers who prepay their FHA mortgages will not have to make interest payments beyond the date their loan is paid in full.

The FHA approved a rule Tuesday called "Handling Prepayment: Eliminating Post-Payment Interest Charges" and it bans interest charges typically imposed on a borrower who pays off a mortgage ahead of term, sometimes by selling the home or refinancing into another loan with a lower interest rate.

FHA also announced a second new rule intended to ensure borrowers have early access to information when making decisions about their FHA mortgages. It requires that borrowers get at least 60 days--but no more than 120 days--notice before any change is made to their monthly payment for adjustable-rate mortgages (ARMs) that are FHA-insured. It applies to FHA-insured ARMs originated on or after Jan. 10, 2015.

The rule also requires lenders to base an adjustment to the interest rate on the most recent index value available 45 days before the change is set to take place. FHA extended this so-called "look back" period from 30 days.

FHA said in a [release](#) that together, the new rules are responsive to the regulations implementing the Truth in Lending Act (Regulation Z) as revised last year by the Consumer Financial Protection Bureau.

Source: CUNA News Now

NACHA Passes 2 Rules to Increase ACH Network Quality

The voting membership of NACHA, the Electronic Payments Association has approved ballots for [two upcoming rules](#) for the Automated Clearing House (ACH) Network.

According to NACHA, the two rules are designed to improve ACH Network quality by reducing the incidence of ACH transactions that result in exceptions and returns.

The **ACH Network Risk and Enforcement Rule** aims to improve NACHA's ability to identify and enforce the rules against "outlier" originators that may be responsible for the highest, most disproportionate levels of exceptions and returns. Such returns impose costs on Receiving Depository Financial Institutions (RDFI) and can impact consumers.

The rule:

- Establishes an inquiry process that allows NACHA to research the facts behind an originator's ACH activity;
- Lowers the existing return threshold for unauthorized transactions and expands NACHA's authority to enforce rules related to unauthorized transactions; and
- Defines permissible practices for use of the ACH Network to collect transactions returned for insufficient funds and other reasons.

The amendments related to NACHA's enforcement authority will become effective Jan. 1, 2015, and the amendments related to return rate levels and reinitiated transactions will become effective Sept. 18, 2015.

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Facebook Security

Social networking sites, such as Facebook, are popular—and it is likely that some of your

The **ACH Network Quality Rule** defines the methodology for establishing an unauthorized entry fee to be paid by an Originating Depository Financial Institution (ODFI) to a RDFI for the return of an unauthorized transaction. It goes into effect Oct. 3, 2016.

The fee is meant to provide an incentive for ODFIs to implement processes and tools to reduce the number of unauthorized transactions, as well as provide partial cost recovery to RDFIs for handling unauthorized transaction costs.

The Credit Union National Association submitted [comments](#) to NACHA in January, urging it to minimize costs on credit unions that may be affected and minimize unintended consequences, due to the fact that credit unions generally originate higher quality transactions.

Source: CUNA News Now

Ed. Dept. Adopts New SCRA Procedures for FFEL Lenders

There are new procedures for Federal Family Education Loan (FFEL) lenders to determine if borrowers are eligible for benefits under the Servicemembers Civil Relief Act (SCRA), the U.S. Department of Education announced this week.

According to FFEL data, 17 credit unions are in the top 100 financial institutions holding FFEL loans. Those 17 credit unions had outstanding FFEL program balances of \$1.562 billion as of Sept. 30, 2013.

Under the new procedures set by the Department of Education, FFEL lenders are now authorized and encouraged to use the Defense Manpower Data Center (DMDC) database to identify borrowers who are eligible for the interest-rate limitation provided military servicemembers under the SCRA and to grant that benefit. This identification can be made without a specific request from the borrower.

According to the Department of Education, it has been determined that the DMDC database provides "sufficient supporting documentation" of an individual's eligibility for the SCRA interest rate limitation.

Once a borrower's status and service dates have been confirmed using the DMDC, the loan servicer may use the information, but must retain that information in the borrower's file. When the loan servicer applies the SCRA's interest rate limitation to a borrower's account, it must notify the borrower that the interest rate on the loan has been changed.

FFEL lenders that use the DMDC information to confirm a borrower status and maintain the supporting information will not be subject to any program liabilities if any information provided by the DMDC is found to be incorrect. The loan servicer does not need to confirm the information provided by the DMDC.

In a letter to FFEL lenders sent Wednesday, the Department of Education reminded them of two limitations on the application of the SCRA interest rate:

- The SCRA applies only to loans taken out by a servicemember before the servicemember entered active-duty military service. It does not apply to loans taken out after the borrower's active-duty military service began; and
- A consolidation loan made after the borrower has started active-duty military service is not eligible for benefits under the SCRA even if the underlying loans were taken out prior to the start of active-duty service.

Source: CUNA News Now

Cyberattack Simulations Webinars Available for FIs

Two identical, two-day cyberattack simulation exercises will be hosted by the Financial Services Information Sharing and Analysis Center (FS-ISAC) in September.

The annual free [Cyberattack Against Payment Processes \(CAPP\) exercises](#) are held in conjunction with the Payments Risk Council. This is the third year of the program.

Over a two-day period, a simulated attack will take place on payment processes to help organizations assess readiness in the event of such an attack. These events help the industry identify ways to prevent, detect and respond to cyberattacks against payment processes.

According to FS-ISAC, the exercises are meant to:

- Evaluate current risk mitigation procedures related to cyberattacks and identify potential critical gaps in planning;

employees use them. While your employees probably are not using these sites at work, it is worth examining the downfalls of such sites. For example, if an employee identifies his or her workplace on Facebook, then his or her comments can be seen as a reflection on your organization.

Primarily Facebook is a business and its job is to make money. Web security experts believe most users of this social networking site have no idea how their activities on the site are being used in the marketplace.

The Facebook Security topic on the Security channel of InfoSight examines the pitfalls of Facebook, including:

- Users' information is being shared with third parties.
- Facebook ads may contain malware.
- Scammers are creating fake profiles.

Review the Facebook Security topic to read more.

Surviving Compliance: The Jungle

Have you been looking for a fun way to review specific compliance questions that your credit union may have? THIS IS IT! Join Shawn and Glory on a perilous trip through the compliance jungle while they tackle credit unions' toughest compliance problems. CAUTION: Laughter may ensue. [Click here](#) for the video.



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

- What is the Status of NCUA's RBC Proposal?
- New NCUA Board Member McWatters: Getting to Know You
- CUA Comments on NCUA Regulatory Review
- 8 CU Advisory Members, Senior Leaders Named by CFPB
- Update on FASB's Credit Losses Proposal
- CFPB and Departments of Defense, Education, and Veterans Affairs Sign Agreement to Protect Servicemembers
- NACHA Passes Two Rules to Increase ACH Network Quality
- Cybersecurity: NIST Seeks Info on User Experiences with Cyber Framework; FSSCC August Industry Newsletter

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



2014 Compliance Calendar

September 19

- [NACHA Operating Rules Changes](#)

October 13

- [Columbus Day – Federal Holiday](#)

- Engage in a live test of an incident response team's ability to respond to major incidents;
- Raise awareness and educate staff regarding procedures to respond to complex threats;
- Benchmark your business practices based on the responses of other firms;
- Develop appropriate risk mitigation recommendations in response to the types of attacks used in this exercise; and
- Receive an after-action report highlighting lessons learned from the exercise and category benchmark results.

Participants can choose from one of the two free sessions, one on Sept. 9 and 10, with a registration deadline of Sept. 5, and the other on Sept. 16 and 17, with a registration deadline of Sept. 12. The exercise is scheduled to take approximately an hour each day.

The simulations were announced by Federal Reserve Financial Services, which is the portal to national financial services for depository institution customers of the Federal Reserve System.

Source: CUNA News Now

FDIC Consumer News

In its latest issue, the [FDIC Consumer News](#) features tips on **preparing financially for stressful life events, including disability or death**. The summer edition of the Federal Deposit of Insurance Corp. (FDIC) publication also offers basic strategies for helping family members or others who are facing a personal hardship. It also reports on enhancements to the FDIC webpages that explain deposit insurance, offers tips for rebounding from a bad credit history, and outlines basics to know about new credit and debit cards that contain a computer chip for added security.

Source: CUNA News Now

Advocacy Highlight

CFPB and Departments of Defense, Education, and Veterans Affairs Sign Agreement to Protect Servicemembers

In a recent blog post, CFPB Director of Servicemember Affairs Holly Petraeus announced that an agreement has been signed by the CFPB, VA, DOD, and ED to carry out a "comprehensive strategy to strengthen their enforcement and compliance work" in order to "better protect servicemembers, veterans, and their family members who are attending college."

This new agreement is part of a larger effort to prevent abusive and deceptive recruiting practices by schools serving servicemembers, veterans, spouses, and other family members. This includes working to ensure that these servicemembers and others have the right information to make informed choices with their education benefits and that colleges are providing these students with high-quality academic and student support.

The agreement requires the agencies to:

- Have a point of contact for sharing information;
- Share complaints about schools
- Alert each other of suspected fraud, deception, or misleading practices; and/or
- Notify each other of any agency action that could lead to a college's loss of eligibility, a suspension of enrollment or a termination of license.

Before this agreement, an agency could have been looking into a particular school or even taking away the school's eligibility for federal funds without the other agencies knowing about it.

Status of NCUA's RBC Proposal

Where is the National Credit Union Administration Board on its risk based capital proposal? CUNA continues to weigh in with the agency on the proposal, and meetings were held with Chairman Matz on September 2. Future meetings with other NCUA board members and senior staff will be held in the coming days.

To recap, Chairman Matz has already stated that the agency will be making changes in these areas:

- Recalibrating the risk weights in areas such as mortgages and member business loans;
- Clarifying that only the NCUA Board may impose additional minimum capital above the well-capitalized threshold; and
- Providing longer than 18 months for credit unions to comply once the rule is adopted.

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

December 31, 2015~IRS

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

2014 CUNA Comment Calls - Due Dates on Proposed Rules

September 22, 2014~FinCEN

[Customer Due Diligence](#)

October 1, 2014~NCUA

[Fixed Assets](#)

October 8, 2014~CFPB

[Proposed Regulation on HMDA \(Reg C\)](#)

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

October 7

[ACH Fundamentals](#)

October 16

[ACH Basics](#)



[Training & Events Calendar](#)

September 9 – 11

[Regulatory Compliance School - Denver](#)

September 16 – 17

[Regulatory Compliance School - Casper](#)

September 23

Webinar: [NACHA Rules vs. Reg E Rules –](#)

The agency has also indicated it will consider whether the RBC treatment of the 1% NCUSIF deposit and goodwill related to mergers should be revised and whether interest rate risk should be managed in the supervisory process rather than under the RBC rule.

Two issues that the agency has not made any commitments on are reducing the RBC level of well-capitalized credit unions and allowing credit unions a second opportunity to comment once changes to the proposal are incorporated. The proposal calls for a 10.5% RBC component for well-capitalized credit unions and an 8% RBC threshold for adequately capitalized credit unions. The impact of the higher level for well-capitalized credit unions would negatively impact a number of credit unions' capital buffers and CUNA will continue to urge the agency to lower the well-capitalized RBC level.

CUNA will also be urging a second comment period, given the fact that extensive changes are needed in the proposal to make it workable and reasonable.

Source: CUNA News Now

Correction – Adjustment to Reg Z Thresholds

In last week's newsletter we told you about the adjustments to various thresholds under Regulation Z. The table below contains an error in the second tier (highlighted). This **second tier should read \$12,744 - \$20,390**. We apologize for any confusion this may have caused.

- **Ability to Repay/Qualified Mortgage Thresholds**

When determining whether a transaction is a qualified mortgage, the total points and fees cannot exceed certain limits. Below are the revised thresholds as of Jan. 1.

Loan Amount	Points & Fees Limit
\$101,953	3 percent
\$61,172 - \$101,952	\$3,059
\$20,391 - \$61,171	5 percent
\$12,744 - \$19,999.99	\$1,020
\$12,743 or less	8 percent

[Which Takes Legal Priority in Which Situation](#)

October 8

Compliance Networking Council – Casper, Denver & Phoenix – contact Shay Jacobs sjacobs@mwcua.com

October 29

Webinar: [Social Media Update: Facebook, LinkedIn, YouTube and Twitter](#)

November 4 – 6

[Regulatory Compliance School - Phoenix](#)

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

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