InfoSight Compliance eNEWSLETTER
powered by the Georgia Credit Union Affiliates
Your Online Compliance Resource

InfoSight Highlight

How Does OFAC Affect Credit Unions?
According to NCUA Letter to Credit Unions 01-CU-25, a credit union must have policies and procedures in place for the purpose of complying with OFAC regulations and the various laws that OFAC is responsible for administering. However, the Letter does not indicate that there is any prohibition from combining it with the BSA policy. Therefore it appears that the credit union may incorporate the OFAC policy into your BSA policy, provided that the current BSA policy is in compliance with Part 748 of NCUA Rules and Regulations.
For additional information, click here for the topic.

Georgia Credit Union Affiliates

InfoSight
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Compliance News

FRB Releases Information on Its Upcoming Check Debit Transaction Code Changes
On December 1, 2014, the Federal Reserve Board of Governors announced changes to Part II of the Payment System Risk policy. These changes are designed to enhance the efficiency of the payment system, to align posting times with current operations and processing times, and to strategically position the rules for future advancements in the speed of clearing and settlement. These changes will become effective **July 23, 2015**.
There are also several operational changes NACHA will be making effective on **March 23, 2015** to the following Check debit transaction codes.

- 15040 and 30040 will no longer be used for any Check-related transactions
- 15090 will be used for all forward substitute check and non-imageable debits, and the description will change to Paper Presentment
- 30090 will be used for return substitute checks and non-imageable debits, and the description will change to Paper Return Deliveries
- 15130 will be used for forward PDF debits, and the description will change to PDF Presentments,

Compliance Video

Compliance Connection Video

In this video, League InfoSight CEO Glory LeDu talks about the highlights from the 4th Quarter of 2018 and the 1st Quarter of 2019.

When S.2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act, passed in 2018 there was a lot to understand! Glory LeDu, League InfoSight CEO, provides Part 1 in this short video to break it down for you.

Just a reminder that Compliance videos since 2016 can be found on YouTube at the Compliance Connection

- 30110 will be used for return PDF debits, and the description will change to PDF Presentments

These changes will be reflected in the Account Management Guide in July 2015.

Please see the The March edition of Fed*Flash* from the Federal Reserve Financial Services for more information on the check debit code changes. Other items in the March edition that may be of interest include **a reminder about the upcoming March 20th NACHA rule changes**, and rule changes to commercial checks and ACH postings.

Bureau Hearing on Arbitration

The Consumer Financial Protection Bureau (CFPB) has released a study indicating that arbitration agreements restrict consumers' relief for disputes with financial service providers by limiting class actions. Since 2012, the CFPB has been studying arbitration clauses in a number of different consumer finance markets (credit cards, checking accounts, small dollar type loans, prepaid cards, private student loans, auto purchase loans and mobile wireless agreements). Results from the study include:

- Arbitration agreements affect a large number of consumers – for instance, as much as half of all credit card debt and checking account deposits are subject to arbitration agreements.
- Three out of four consumers surveyed did not know if they were subject to an arbitration clause.
- Consumers are very reluctant to bring claims against companies on their own, particularly small claims.
- Roughly 32 million consumers on average are eligible for relief through consumer financial class action settlements each year.
- The CFPB found no evidence that arbitration clauses lead to lower prices for consumers.

channel, where they are generally updated quarterly.

Compliance Calendar

March 20
NACHA Operating Rules Changes

April 24
5300 Call Report Due to NCUA

April 30
Credit Card Quarterly Agreement Submission Due to CFPB (10,000 or more open credit card accounts)

May 25
Memorial Day - Federal Holiday

Click here for upcoming compliance dates.

Compliance Training

March 23, 2015
The Director - A Guide to Effectively Working with the Supervisory Committee - Webinar
2:00 - 3:00 p.m. EST

March 25, 2015
Bankruptcy Best Practices for

The report to Congress is here. The CFPB also has a blog post on the results of its study here. The agency also released a Fact Sheeton the report.

IRA Deadline Is April 15!

Contributions to IRAs can be made up to **April 15th** for tax year 2014. The information return has to be given to the member and the IRS no later than May 31st. Penalties are assessed for the failure to file the return on time with the IRS and for failure to file it with the member. Penalties range between $15-$50 per return with certain maximums depending on the institution. IRS Form 5498, *IRA Contribution Information* is available on the IRS' website.

Remittance FAQs

Question: How did the temporary exception for estimated disclosures change under the most recent amendments to the remittance transfer regulation?

Answer: According to CUNA's Compliance Blog, the CFPB extended the temporary exception that permits federally insured depository institutions to provide estimated disclosures instead of exact disclosures as is generally required under the remittance transfer rule. (The rule was published in the *Federal Register* on September 18, 2014.) The exception was originally scheduled to expire on July 21, 2015. Based on a determination that the termination of the exception would negatively affect the ability of insured institutions to send remittance transfers, the CFPB has extended the temporary exception to July 21, 2020.

Section 1005.32(a)(1) provides that a remittance transfer provider may give estimates for disclosures related to: (1) the exchange rate used by the provider; (2) the total amount that will be transferred to the designated recipient inclusive of covered third-party fees, if any; (3) any covered third-party fees and (4) the amount that will be received

Credit Unions - Webinar
12:00 – 1:00 p.m. EST

March 25, 2015
Successful Strategies for Field-of-Membership Expansion - NCUA Webinar
2:00 p.m. EST

March 31 – April 9, 2015
Protecting Members Under Reg E - Webinar Series
2:00 – 3:00 p.m. EST

April 1, 2015
New Accounts for the Frontline: Compliance Issues to Watch For - Webinar
2:00 - 3:00 p.m. EST

April 7, 2015
Regulation E for ACH Error Resolution - Which 60 Day Rule Will You Follow - Webinar
2:00 - 3:00 p.m. EST

April 9, 2015
Sharpening Your Skip Tracing Skills - Webinar
12:00 – 1:30 p.m. EST

April 12-17, 2015
CUNA Regulatory Compliance School
Las Vegas, NV

April 14, 2015
Collections & Bankruptcy Update
Atlanta, Georgia

April 23, 2015
The Redaction Trap - NPI Disclosure Penalties to Avoid -

by the designated recipient (after deducting covered third-party fees), if the provider meets three conditions. The three conditions are:

- The provider must be a federally insured institution;
- The provider must not be able to determine the exact amounts for reasons beyond its control; and
- The transfer must be sent from the sender's account with the provider.

Section 1005.32(a)(2) now provides that the temporary exception expires on July 21, 2020 (formerly July 21, 2015). Section 1005.32(a)(3) provides that federally insured depository institutions, federally insured credit unions, and uninsured U.S. branches and agencies of foreign depository institutions are considered "insured institutions" for purposes of the temporary exception.

Question: Previously, our credit union understood that wires sent from the U.S. to U.S. military bases located on foreign soil were not covered by the remittance transfer rule. Has this changed in light of most recent amendments to the rule?

Answer: It has not changed, although the clarification now appears in black and white in the commentary to the remittance transfer rule.

Comments 1005.30(c) and (g) explain that the remittance rule applies when a sender located in a "State" sends funds to a designated recipient at a location in a "foreign country." For purposes of determining whether a transfer qualifies as a "remittance transfer" under the rule, persons or accounts that are located on a U.S. military installations abroad are considered to be located in a State – not a foreign country. Therefore, transfers to/from the U.S. to individuals and accounts located on U.S. military installations located abroad are excluded from the remittance rule's application.

The CFPB amended its remittance transfer regulation (Regulation E, Subpart B) and the official staff commentary to the regulation in August 2014 (published in the Federal Register on September 18, 2014). The primary change to the rule was an extension of the regulation's temporary exception that permits insured depository institutions to provide estimated disclosures (if certain conditions are met), instead of exact disclosures as is generally required under the remittance transfer rule. The exception was originally scheduled to expire on July 21, 2015. Based on a determination that the termination of the exception would negatively affect the ability of

Webinar
12:00 - 1:00 p.m. EST

April 28, 2015
IRA Contributions - Webinar
12:00 – 1:30 p.m. EST

May 5, 2015
Understanding and Processing Transfers and Rollovers - Webinar
12:00 – 1:30 p.m. EST

May 6, 2015
Trust Accounts - Webinar
12:00 – 1:00 p.m. EST

May 12, 2015
IRA Distributions - Webinar
12:00 – 1:30 p.m. EST

May 13, 2015
Cyber Crime - No Gun Needed, Detecting and Preventing a Corporate Account Takeover - Webinar
2:00 – 3:00 p.m. EST

May 13, 2015
Estate Accounts, POAs, Rep Payee and Guardian Accounts - Webinar
12:00 - 1:00 p.m. EST

May 19, 2015
Required Minimum Distributions (RMDs) - Webinar
12:00 – 1:30 p.m. EST

May 20. 2015
Deceased Member Accounts - Webinar
12:00 – 1:00 p.m. EST

insured institutions to send remittance transfers, the CFPB extended the temporary exception to July 21, 2020. The final rule also added a number of clarifications to the official staff commentary to the regulation. The effective date is November 17, 2014.

NMLS Mortgage Industry Report

The Fourth Quarter 2014 Mortgage Industry Report has been released by the NMLS. The report contains an analysis of companies, branches, and mortgage loan originators who were licensed or registered through NMLS in order to conduct mortgage activities.

An update to the Money Services Business Fact Sheet was also released.

Legal Violations Uncovered by CFPB Examiners

The CFPB released its latest supervision report covering supervisory activities between July 2014 and December 2014. The Bureau found deceptive student loan debt collection practices, mortgage origination violations, fair lending violations, and mishandled disputes by consumer reporting agencies.

Local Training - Collections & Bankruptcy Update

Please join us **April 14th in Atlanta** for this year's Collections & Bankruptcy Update, which will focus heavily on the common forms you encounter, how to fill them out and how to file them. Attendees will receive multiple timelines, a sample Chapter 13 and Chapter 7 case covering everything from the inception and dismissal, to the discharge of each case. Using our sample cases, students will learn

May 26, 2015
IRA Reporting - Webinar
12:00 – 1:30 p.m. EST

May 28, 2015
Indirect Lending - The CFPBs View on Auto Dealership Relationships - Webinar
12:00 – 1:00 p.m. EST

BSA Training Opportunities through GCUA
Click here for details

when to object to a Chapter 13 plan, when and how a Reaffirmation Agreement needs to be drafted, and when it's necessary to file a Motion for Relief from Stay.

Also, including collections of commercial loans, students can expect to review sample repossession procedures, letters, and tips and tricks for handling a case in small claims court. We will discuss the new guidance on skip tracing using social media, using examples to determine proper conduct. Lastly, attendees will learn about the new mortgage servicing rules and how they affect the collections department.

Click here for more information and to register.

Comment Calls

NCUA Board Chairman Charts Five Areas Where Agency Will Act
Credit unions can look forward to regulatory relief in the coming year, according to National Credit Union Administration (NCUA) Board Chairman Debbie Matz.
"Since 2011, NCUA has streamlined and improved eight regulations to provide lasting relief for credit unions, but we're not done yet," Matz said. "I'm committed to making 2015 the year of regulatory relief."

Matz described five areas in which NCUA will work to provide regulatory relief: supplemental capital, fields of membership, fixed assets, asset securitization and member business lending. This relief will help credit unions compete in a rapidly evolving marketplace. Matz made the comments during a keynote speech to the Credit Union National Association's annual Governmental Affairs Conference. (The full text of her speech is available online here.)

1. Counting Supplemental Capital: Matz said NCUA will respond to comments that, under current law, the agency could count certain forms of debt as supplemental capital for the risk-based capital ratio.

"I understand the need for supplemental capital in certain circumstances," Matz said. "So I assure you: I am committed to allowing supplemental capital to be counted in full."

To do so, Matz said NCUA will take three actions:

- Provide consumer protections;

- Change the order of Share Insurance Fund payout priorities to recognize that supplemental capital accounts are not insured; and
- Set prudent standards, such as minimum redemption periods, for credit unions to offer subordinated debt to supplement their risk-based capital.

Matz also said a working group she established is exploring ways to increase access to secondary capital for low-income credit unions this year. The group is discussing potential legislative and regulatory changes for raising supplemental capital.

“NCUA can allow certain forms of supplemental capital for both risk-based capital and low-income credit unions,” Matz said. “For credit unions without a low-income designation, legislation is required to allow supplemental capital to count toward the seven-percent net worth leverage ratio.”

To address this issue, Matz said NCUA supports H.R. 989, the Capital Access for Small Businesses and Jobs Act.

2. Expanding Fields of Membership: NCUA will implement rule changes by the end of the year to make it easier for federal credit unions to expand their fields of membership.

“You should not be required to get approval from NCUA each and every time you want to add another group,” Matz said. “Last year, we proposed a rule designating seven categories of associations federal credit unions could automatically add to their fields of membership. This year, we would like to add even more automatic qualifiers.”

Matz said the Field of Membership Working Group she established is identifying obstacles to membership expansion and recommending rule changes to increase flexibility.

3. Removing the Fixed-Assets Limit: The NCUA Board will consider a proposed rule to eliminate the five-percent cap on fixed assets and authorize federal credit unions to set their own prudent limits.

“We all know over-concentration in fixed assets like buildings is dangerous,” Matz said. “Credit unions should prudently and deliberately make decisions about the level of assets to hold, but they should be able to do that without needless red tape. Decisions to upgrade your technology or your facilities should be your decisions to make—and yours alone.”

4, Permitting Asset Securitization: As the credit union system grows in size and complexity, many credit unions have adopted more sophisticated financial innovations. NCUA is responding to these changes with a proposal to allow large, qualified credit unions to securitize their assets.

“Securitization would permit these credit unions to tap new sources of liquidity and reduce interest-rate risk by converting fixed-rate assets to cash,” Matz said.

NCUA is now fine-tuning the proposal. Matz said she hoped the NCUA Board would approve a final rule later this year.

5. Easing Member Business Lending Burdens: Responding to credit union comments that the waiver process for business loans sometimes prevents them from making timely and prudent loans, NCUA plans to eliminate the need for such waivers.

“We’re going to move away from defining highly prescriptive, one-size-fits-all business loan underwriting requirements,” Matz said. “You know your members’ needs better than we do. Our business lending rules need to reflect that.”

NCUA will continue to provide business loan guidance and supervise effectively for sound commercial lending practices. Additionally, the agency will lift unnecessary limits on construction and development loans.

Matz concluded her remarks by reminding her audience she will always listen to stakeholders’ concerns and ideas about removing regulatory burdens.

“We will listen, and, where sensible, we will act,” Matz said. “Our number one goal is to keep the credit union system safe, sound and sustainable. You will have greater freedom in pursuit of that goal.”

RBC2 Reminder: GCUA is seeking credit union comments on how the new proposal will affect their operations, and what further improvements are necessary. Please have comments to Selina Gambrell by **March 30th** at selinag@gcua.org.

To stay up-to-date on the latest information on NCUA's Risk Based Capital 2 proposal, please see CUNA's RBC2 Blog.

Click here to request to be added to the mailing list for this and/or other GCUA email publications.

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