



## InfoSight Highlight

### Planning Ahead for Next Year?

Check out ComplySight! ComplySight serves as your credit union's universal compliance management tool providing tracking, visibility and measurement to address compliance initiatives through a single application. ComplySight automatically delivers regulatory alerts and updates to help your credit union comply with new and amended regulations.

Contact us at [compliance@gcua.org](mailto:compliance@gcua.org) to get a **FREE** 30 day trial!

## Compliance News

### Online Training for Credit Union Board Members

A new [seven-part video series](#) is available from the NCUA to provide credit union board members valuable information to help them be more successful. The first installment, "[What Every Board of Directors Should Know](#)," covers topics including:

- Developing a sound governance program,
- Traits of effective and ineffective chairmen, and
- Evaluating and supporting the manager.

The video series also features case studies to help board members analyze the kinds of leadership issues they can face in their credit unions.

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### Unclaimed Property Deadline Reminder

This is a reminder to all credit unions with unclaimed property to remit to the State of Georgia. The property is due by **November 1, 2015**, to the Georgia Department of Revenue (DOR). If your credit union cannot complete the due diligence requirements in order to meet the November 1st deadline, you can request an extension by contacting the Unclaimed Property Division of the Department of Revenue at (404) 968-0490.



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## 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](#)

For the appropriate reporting guidelines, see the [August 3, 2015](#) issue of *InfoSight Compliance eNEWSLETTER*. The 2015 filing requirements and report forms are available on the [DOR's website](#). Questions to the Unclaimed Property Division can be made to the phone number above or emailed to [ucpmail@dor.ga.gov](mailto:ucpmail@dor.ga.gov).

### EMV Liability Shift: One Month Away

What does the EMV liability shift mean to your credit union? Regardless of whether you're implementing EMV or have chosen to skip it altogether, the EMV liability shift on October 1st will have a dramatic effect on the way you and your members do business.

Opinions differ on what EMV and the upcoming liability shift on October 1st, 2015 will mean to the payment industry. However, one thing is certain: card fraud is getting worse each year and particularly in the U.S.

In fact, card fraud in the U.S. reached new heights in 2014, increasing 11.6% year-over-year, to \$0.1275 for every \$100 in transactions compared to \$0.0373 in other parts of the world, according to a recently published Nilson study. Is EMV the answer? That's the \$3.89 billion question - the amount financial institutions lost to counterfeit cards in 2014. EMV is designed to mitigate losses related from card-present fraud and specifically counterfeit cards. Compared to its less secure counterpart, magnetic stripe, EMV generates a dynamic, one-time authentication making it significantly more difficult to duplicate and counterfeit on a mass scale.

While EMV looks to help the counterfeiting side of the equation, it does not directly solve for making cardholder data more secure from data breaches or terminals that are not EMV-enabled. If magnetic cards were counterfeited from the data obtained from EMV enabled cards, they could only be used at terminals that are not EMV-enabled giving the credit union chargeback rights.

In theory, this approach should allow the credit union to be made whole. In practice however, costs associated with chargebacks and EMV-card reissuance may off-set the benefits until the ecosystem is more or fully EMV-enabled. Keep in mind, ATMs and gas stations

[channel](#), where they are generally updated quarterly.

### Compliance Calendar

September 18  
NACHA's Return Rate Levels & Reinstated Transactions Rule

October 3  
CFPB: Know Before You Owe Disclosure - Effective Date

CFPB: Integrated Mortgage Disclosures - Effective Date

October 12  
Columbus Day - Federal Holiday

October 23  
5300 Call Report Due to NCUA

November 1  
Daylight Savings Time Ends

November 11  
Veterans' Day - Federal Holiday

November 26  
Thanksgiving Day - Federal Holiday

December 25  
Christmas Day - Federal Holiday

December 31  
Foreign Account Tax Compliance Act Effective Date

[Click here for upcoming](#)

won't face a liability shift until 2016 and 2017, depending on the card network. As a result, early adopters might face some additional costs, but without that sacrifice the system will likely not improve as quickly.

Given the card-present environment will benefit from some added EMV security, fraudsters will likely shift operations to focus on card-not-present transactions.

EMV was not designed to enhance the card-not-present channel, primarily because card-not-present protection through CVV2 / CVC2 codes on the back of the payment cards already exists. Beyond that, financial institutions continue to have chargeback rights in scenarios where proper security protocols are not followed by retailers for online transactions.

Unfortunately, the U.S. card industry is complex and fraudsters are far too creative to truly predict with any degree of certainty what affect EMV will have on the payment ecosystem.

No matter what decision your credit union makes to address EMV and the upcoming liability shift, make sure you're open and prepared to adapt quickly.

### **Risk Mitigation Tips**

- Decide if and when moving to EMV makes sense. Perform extensive due diligence and weigh the total cost of EMV against the projected reduction in fraud.
- Make sure controls are optimized for card-not-present transactions. Ensure Address Verification Services and CVV2/CVC2 is supported and turned-on. Additionally, pursuing services that leverage tokenization and modern authentication techniques may prove effective.
- Remember your chargeback rights. Don't forget if you're EMV-enabled and have fraud occur on a non-EMV enabled payment terminal, you have the ability to charge that transaction back. Ensure familiarity with the appropriate way to identify EMV enabled merchants as well as the appropriate chargeback codes with each card network.
- Educate your members on best practices. Members act as the first line of defense. Having them know how to properly use EMV cards and that transacting at non-EMV enabled terminals poses a higher risk may act as a deterrent. Also, protecting their PIN information at ATMs or point-of-sale terminals and

### **compliance dates.**

#### **Compliance Training**

September 16 – 17, 2015  
Leadership Development Institute  
**Duluth, GA**

September 16, 2015  
Participation Lending in a Safe and Sound Manner - NCUA Webinar  
**2:00 p.m. EST**

September 20 – 25, 2015  
CUNA Regulatory Compliance School  
**Boston, MA**

Sept. 24 – Oct. 15, 2015  
CUNA Bank Secrecy Act eSchool  
**3:30 – 5:30 p.m. EST**

September 28, 2015  
BSA Internal Audit Strategies – Webinar  
**3:30 – 5:30 p.m. EST**

October 1, 2015  
Don't Let Orange Become the New Black: Enforcement Actions – Webinar  
**3:30 – 4:30 p.m.**

October 8, 2015  
What's In Your Member's Wallets – Webinar  
**3:30 – 4:30 p.m. EST**

being aware of phishing scams to get at CVV2/CVC2 information can also help.

(Source: CUNA Mutual)

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Loan Estimate Tolerance Limits

**Question: We currently use an unaffiliated appraisal company for our mortgage loans. Their fees range from \$250 to \$400. This has not been too much of a problem because of the flexibility of the aggregate 10% tolerance category allowed on the GFE. Is this going to change after October 3rd?**

**Answer:** The answer, according to [CUNA's Compliance Blog](#) is "yes." After October 3rd, fees paid to an unaffiliated third party that the credit union requires the member to use (in other words, the member cannot shop for the service) will not be allowed to exceed the amount listed on the new integrated Loan Estimate. This is referred to as the "zero tolerance" category.

Other settlement service charges included in the zero tolerance category include:

- Origination charges;
- Transfer fees; and
- Affiliate charges.( Like the required unaffiliated third party charges, affiliate charges are currently in the aggregate 10% tolerance category, but will move to the zero tolerance category after October 3rd.)

The CFPB feels that if a creditor does not want the zero percent tolerance rule to apply to the cost of a lender-required service, the creditor must permit the member to shop for the service – and the service provider cannot be an affiliate of the credit union.

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Your CU Should Know...

**Reminder! Participation Lending Webinar:** NCUA is offering a webinar on participation lending on **Wednesday, September 16,**

October 13 & 22, 2015  
[ACH Origination](#) – Webinar  
**2:00 – 3:00 p.m. EST**

October 15, 2015  
[Beneficial Owners and Business Accounts](#) – Webinar  
**3:30 – 4:30 p.m. EST**

October 21, 2015  
[Lending Workshop](#)  
**Duluth, GA**

November 12, 2015  
[BSA/OFAC Workshop](#)  
**Atlanta, GA**

BSA Training Opportunities through GCUA  
[Click here for details](#)

**beginning at 2:00 p.m. EST.** Click [here](#) to register for NCUA's webinar, Participation Lending in a Safe and Sound Manner or for more information, NCUA's release is available [here](#).

**NMLS Releases Reports:** The [NMLS Mortgage Industry Report](#) has been released for the second quarter of 2015. The system also released an update to its Fact Sheets on [Money Services Business and Debt Collection](#) licensing, which the system manages for several state clients. For other reports by the system, including Mortgage Call Report data, see the [NMLS Reports](#) page.

**Not CU Regulators...But Could be Helpful...Natural Disaster Preparedness:** The OCC has posted an [article](#) reminding national banks and federal savings associations to maintain effective plans to respond to natural disasters and other emergencies. OCC [Bulletin 2012-28](#) was previously issued to assist financial institutions and customers affected by extreme weather and other emergency conditions. The OCC recognizes the significant effects of natural disasters on individuals and businesses, and prudent efforts to assist customers in areas hit by disasters should not be subject to examiner criticism.

**FDIC Reminder of Final Military Lending Act Rule:** The Federal Deposit Insurance Corporation has issued its [FIL 37-2015](#) reporting on the Defense Department's adoption of a final rule, "Limitations on Terms of Consumer Credit Extended to Service Members and Dependents" ([32 CFR 232](#)), published in the *Federal Register* on July 22, 2015 [[80 FR 43559](#)].

**Comenity Banks Settle With FDIC for Deceptive Add-on Practices:** The Federal Deposit Insurance Corporation has [announced](#) a settlement with Comenity Bank, Wilmington, Delaware, and Comenity Capital Bank, Salt Lake City, Utah, for deceptive practices related to the marketing and servicing of credit card "add-on products," in violation of Section 5 of the Federal Trade Commission Act. The banks are both wholly-owned subsidiaries of Comenity, LLC, Columbus, Ohio.

As part of the settlement, each of the banks stipulated to the issuance of a Consent Order, Order for Restitution, and Order to Pay Civil Money Penalty. Under the FDIC orders, Comenity Capital Bank will pay a CMP of \$450,000 and provide restitution of approximately \$8.5

million to harmed consumers. Comenity Bank will pay a civil money penalty (CMP) of \$2 million and provide restitution of approximately \$53 million to harmed consumers.

The FDIC determined that the banks violated Section 5 by, among other things:

- Representing to consumers that they would not be charged a fee for the products if their accounts had no balances, but charging fees to consumers in those circumstances.
  - Making material misrepresentations and omissions regarding the refund process applicable to consumers' cancellations of the products within the first 30 days of enrollment.
  - Making material misrepresentations and omissions regarding the conditions for receipt of the gift cards or account statement credits offered as incentives for enrolling in the products.
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Local Training!

**Embracing Mobile Solutions to Meet Members' Needs:** In this two-hour workshop you'll learn how to:

- Use creative, common-sense and budget friendly ways to take advantage of mobile technology
- Use mobile solutions as alternatives to new branches
- Deploy tablets to create ultra-mobile branching
- Use consumer mobile solutions to sign up new members anywhere, anytime
- Help your team feel safe embracing change in order to move forward
- Effectively communicate, coach and deliver feedback to your staff
- Balance people's "personal piggy banks"
- Gain trust, excitement and buy in from team members

Bonus: You'll receive a mobile solutions implementation worksheet including recommended apps and resources.

Choose the session that works best for you! Click [here](#) to register for this event.

- **Duluth, September 22, 2015**
- **Savannah, September 23, 2015**

## Comment Calls

CU Comment on OTR, Operating Fee to be Sought in January 2016  
Credit unions will have the opportunity next year to comment on the methodologies used by the National Credit Union Administration for calculating its overhead transfer rate (OTR) and operating fee. NCUA Chair Debbie Matz said she will call for a board vote in January 2016 to publish both methodologies as public notices in the *Federal Register*.

The OTR is designed to cover the NCUA's costs of examining and supervising risk to the share insurance fund, and the operating fee covers the portion of operational costs for non-insurance related aspects of operating the agency.

“Publishing these notices in January 2016 would provide ample time for interested parties to share their views before the NCUA Board considers a 2017 budget at an open meeting in November 2016,” Matz said. “We also plan to publish a Federal Register notice in January 2016 with a multi-year draft NCUA Strategic Plan, which will drive the agency's budget process over several years.”

The NCUA recently added information to its budget resource center regarding the OTR and operating fee.

The CUNA Advocacy Update keeps you on top of the most important changes in Washington for credit unions--and what CUNA is doing to monitor, analyze, and influence government agencies and federal law. You can view the current report and past reports from the archive.

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