



InfoSight Highlight

FTC Approves New COPPA Verification Method

A Federal Trade Commission letter has been issued approving an application describing a new method for companies (including financial institutions) to get parents' consent for their children to access online services covered by the Children's Online Privacy Protection Act (COPPA) Rule. Under the COPPA Rule, online sites and services directed at children must obtain permission from a child's parents before collecting personal information from that child. A financial institution that has a webpage for children is subject to the Rule. The Commission has approved the use of "face match to verified photo identification" (FMVPI) as a method to verify that the person providing consent for a child to use an online service is in fact the child's parent.

For more information on COPPA, see the Children's Online Privacy Protection Act topic in the Security channel in InfoSight.

Compliance News

FTC Updates Telemarketing Sales Rule

The Federal Trade Commission (FTC) has announced final amendments to its Telemarketing Sales Rule (TSR), including a change that will help protect consumers from fraud by prohibiting four discrete types of payment methods favored by con artists and scammers. The amendments also make changes to requirements relating to the nationwide Do Not Call (DNC) registry and entity-specific DNC lists. Most of the changes to the TSR will be effective 60 days after publication in the *Federal Register*.

Is Anyone Reading Our SARs?!

Credit unions often express frustration with the continual burden of BSA reporting - currency transaction reports (CTRs) and suspicious

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Affiliates

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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

activity reports (SARs). They ask: Is all of this work worth it? Is anyone reading these reports?

FinCEN is aware of these frustrations and makes every attempt to reassure financial institutions that EVERY report is reviewed and is important. Almost all speeches from FinCEN Director Jennifer Shasky Calvery mention the significance of these reports. For example, the Director recently shared that FinCEN grants more than 10,000 agents, analysts, and investigative personnel from over 350 unique US Government agencies direct access to BSA reporting so that it gets its broadest use. Also, the FBI reports that in 2014, approximately 18 percent of its international terrorism cases had related BSA filings.

Another way to recognize the importance of these reports was initiated last spring when FinCEN presented awards to law enforcement agencies that use BSA reporting in their criminal investigations. FinCEN sees these awards as a way to provide concrete evidence of the value of BSA reporting to the financial industry.

The awards cover five categories: (1) SAR Review/Task Force, (2) Third Party Money Launderers, (3) Transnational Organized Crime, (4) Cyber Threats, and (5) Transnational security threats.

The following cases were recognized in 2015:

Cyber Threats: According to the U.S. Naval Criminal Investigative Service, it was only with the help of BSA reporting information that they were able to uncover a significant bribery scam involving several co-conspirators and millions of taxpayer dollars. This contracting fraud scheme began when an officer solicited a bribe under the threat of discontinuing Government contracts. Through a 15-year scheme, thousands of people have lost jobs and several million dollars was stolen from the U.S. Government. The investigation was stalled for several years until a single BSA document identified suspicious activity by one of the subjects under investigation. The defendants were convicted and paid almost \$20 million in restitution to the government.

Transnational Security: A BSA report was critical in uncovering the diverse and complex way an individual was providing support to the Pakistani Taliban. SAR narratives helped explain how funds traveled from the United States to areas of Pakistan. The investigation uncovered: (1) wire transfers from the U.S. to Pakistan, where an associate picked up and administered the funds; (2) transfers of funds from cashier's checks drawn on U.S. banks to a bank in Pakistan where co-conspirators could draw checks; and (3) bulk cash carried by family members and other travelers from the U.S. to Pakistan. The timing of

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

Compliance Calendar

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 compliance dates.](#)

Compliance Training

November 25, 2015
[Lending Advertising Rules and Requirement](#) - Webinar
11:00 – 12:30 p.m. EST

December 2, 2015
[Social Media Compliance Risks](#) - Webinar
11:00 – 12:30 p.m. EST

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

this case proved extremely helpful as it shut down material support as Taliban insurgents fought for greater control in northwest Pakistan.

SAR Review: BSA reporting provided leads that helped the Boston police department identify a multi-million dollar Ponzi scheme. The defendants claimed to be working with real estate developers who had trouble getting conventional loans, and victims were promised returns of 8 percent interest. BSA reports revealed instances of possible structuring, money laundering and other suspicious activities. Defendants are now serving 10-12 years.

Money Launderers: Using BSA reports, a New York Task Force dismantled a highly sophisticated transnational money laundering and healthcare fraud organization. This organization utilized a complicit money service business, multiple shell corporations, U.S. bank accounts of former J-1 visa holders, and attorneys to defraud government agencies and health care issuers of tens of millions of dollars. BSA reports identified a series of suspicious transactions involving multiple businesses writing checks to one another, noting that the signers all had recently issued SSNs, and that the businesses were listed at the same address, a residence. This investigation resulted in 7 criminal arrests, 13 indictments, 9 convictions, and the forfeiture of approximately \$3.4 million.

Transnational Organized Crime: A BSA report identified structured cash deposits in locations where the business did not have customers. This uncovered an international money laundering operation involving a Black Market Peso Exchange scheme in Los Angeles. This investigation also led to an investigation of the garment district, which resulted in the seizure of narcotics and over \$100 million in cash.

Cyber Threats: Dozens of BSA records filed by more than 20 financial institutions described staggering amounts of fund transfers involving Liberty Reserve digital currency. Liberty Reserve allowed criminals to use its currency to make and receive payments for illicit material or activity including child pornography, Ponzi schemes, stolen identity, credit information, narcotics, and other contraband. As a result of this investigation, U.S. authorities have frozen almost \$40 million.

FinCEN thanks you for your service and requests: **KEEP THE REPORTS COMING!**

Loan Estimate FAQs

Question: Where do we list optional insurance premiums on the Loan Estimate? Also, how should this be handled if the member changes their mind? And finally, where would this fall under tolerance levels?

Answer: According to [CUNA's Compliance Blog](#)... **Optional fees:** Items that disclose any premiums paid for separate insurance, warranty, guarantee, or event-coverage products **not** required by the credit union will be listed in the "Others Costs" table in section H and must include the parenthetical description (**optional**).

The CFPB describes the charges in this section of the table to be charges in connection with the transaction that the member is likely to pay or has contracted with a person other than the credit union to pay at closing and of which the credit union is aware of at the time of issuing the Loan Estimate. **Example:** Commissions of real estate brokers or agents, additional payments to the seller to purchase personal property pursuant to the contract of sale, Homeowner's Association and condominium charges associated with the transfer of ownership, and fees for inspections not required by the credit union but paid by the member pursuant to the contract of sale.

Service later not obtained: If the credit union discloses a cost estimate for a settlement service on the Loan Estimate, but the settlement service was not obtained, the credit union cannot include the fee estimate in the estimated aggregate amount for purposes of conducting the good faith analysis. The CFPB provides the following example: Assume the credit union included a \$100 estimated fee for a pest inspection on the Loan Estimate, the fee is included in the 10% tolerance category, but a pest inspection was not obtained in connection with the transaction. In this case, the sum or aggregate of all charges in the 10% tolerance category paid by or imposed on the member is compared to the sum of all such charges disclosed on the Loan Estimate, minus the \$100 estimated pest inspection fee.

Tolerance level for optional services: Optional services are in the "unlimited" tolerance category, however, even though good faith is not determined by a comparison of estimated amounts and actual costs, the CFPB requires that the estimates for these charges must still be made in good faith by using **the best information available**. The CFPB provides this example by way of illustration - **Example:** The member informs the credit union that the member will obtain a type of inspection not required by the credit union. The credit union must include the

charge for that item in the Loan Estimate based on the **best information reasonably available** to the credit union at the time that the estimate was provided.

Question: If there are two mortgage loan applicants, do we provide each one with a Loan Estimate?

Answer: According to CFPB's new mortgage disclosure rule, when filling out the Loan Estimate, credit unions must include the name and mailing address of each of the members applying for the loan on the one disclosure form. An additional page may be added to the Loan Estimate if the space provided is insufficient to list all of the applicants.

Additionally, when two consumers are joint obligors with primary liability on the loan, the disclosures may be given to either one of them. If one consumer is merely a surety or guarantor, the disclosures must be given to the principal debtor.

Similarly, for the Home Buying Information Booklet, when two or more persons apply together for a loan, the credit union is in compliance with the rule if the credit union provides a copy of the Booklet to one of the persons applying.

Question: How are percentage amounts supposed to be disclosed on the Loan Estimate? For example, how many decimals should we include, or should we round percentage disclosures?

Answer: The CFPB notes that percentage amounts may not be rounded on the Loan Estimate and should be shown to two or three decimals, as needed, except where noted in the regulation(§1026.37(o)(4)). If a percentage amount is a whole number, show the whole number only - with no decimals.

Since we're talking about rounding, remember that dollar amounts must be rounded to the nearest whole dollar where noted in the regulation. If an amount is required to be rounded but is composed of other amounts that are NOT required or permitted to be rounded, use the unrounded amounts in calculating the total and then round the final sum.

Your CU Should Know...

NCUA Report: The latest edition of the *NCUA Report* has been released. Items of interest include: a list of interagency and NCUA resources for disaster planning and preparedness; a report from NCUA's Office of Public and Congressional Affairs on the agency's need for vendor authority; and a report from the Office of Consumer Protection covering NCUA's new consumer complaint handling process. The NCUA Report can be accessed from [NCUA's Newsroom](#).

FCRA Charge Cap Won't Change for 2016: The CFPB has published a [notice](#) in the *Federal Register* to announce its determination that the amount of the maximum allowable charge that a consumer reporting agency may charge a consumer for making a disclosure to the consumer of the contents of the consumer's credit file, currently \$12, will remain unchanged during 2016.

CFPB Fall 2015 Rulemaking Agenda: The Bureau has [announced](#) its 2015 fall rulemaking agenda. Current and long-term initiatives were listed. Current items include

- mandatory arbitration clauses
- payday, auto title, and similar lending products
- prepaid accounts
- overdraft services
- debt collection
- larger participants and non-depository lender registration
- women-owned, minority-owned, and small businesses data collection
- mortgage servicing
- facilitating implementation of the Home Mortgage Disclosure Act, Know Before You Owe disclosures, and other mortgage rules

Long-term items include credit reporting and student loan servicing.

Thanksgiving Reminders And Wishes

The holidays are here again and the Affiliates would like to wish you and your family a Happy Thanksgiving! This is a reminder that GCUA will be closed on Thursday, November 26, 2015. The next issue of *InfoSight Compliance eNEWSLETTER* will be the December 7, 2015, issue.

Comment Calls

Request to Review Information Collected Under HMDA

In accordance with the Paperwork Reduction act of 1995 (PRA), the CFPB is requesting to renew the Office of Management and Budget (OMB) approval for an existing information collection, and to revise an existing information collection, titled, "Home Mortgage Disclosure (Regulation C) 12 CFR 1003."

Comments are requested on "(a) Whether the collection of information is necessary for the proper performance of the functions of the CFPB, including whether the information will have practical utility; (b) The accuracy of the Bureau's estimate of the burden of the collection of information, including the validity of the methods and the assumptions used; (c) Ways to enhance the quality, utility, and clarity of the information to be collected; and (d) Ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology.

The information collected is sought under the recent final rule for Regulation C, published October 27, 2015 that substantially overhauled the existing HMDA requirements.

GCUA would like to know your comments. Please email Selina Gambrell by **December 11, 2015**, at selinag@gcua.org.

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.

Click [here](#) to request to be added to the mailing list for this and/or other GCUA email publications.

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