



InfoSight Highlight

Prepaid Cards and CIP – NEW PAGE!!

Pursuant to guidance issued by the joint agencies on March 21, the Customer Identification Program (CIP) Rule in Section 326 of the USA Patriot Act will now apply to all prepaid cards sold by financial institutions that provide the cardholder with:

1. The ability to reload funds, OR
2. Access to credit or overdraft features (including the ability to withdraw in excess of card balance).

The [Prepaid Cards and CIP](#) page is located under the BSA - Member Identification Program topic. Check it out today!

Compliance News

CIP Guidance For Prepaid Card Programs

Five federal regulators, including NCUA, have issued [joint guidance](#) to clarify how FinCEN's customer identification program (CIP) requirements apply to issuers and users of several types of prepaid card programs.

This guidance may not be as impactful for credit unions as it may be for other financial institutions, because credit unions primarily serve their members for which the CIP requirements clearly apply. However, this guidance may help you determine who the customer/member is in certain prepaid account situations, such as payroll cards, government benefit cards and health benefit cards.

By way of background, the CIP rule requires credit unions to gather information sufficient to form a reasonable belief that you know the true identity of your member when opening an account. You must also have risk-based procedures in place to verify this identifying information. The CIP is part of the larger set of Bank Secrecy Act/ Anti-money laundering regulations.

CIP Triggers

According to the guidance, the following functions on a prepaid card trigger the CIP rule:

GEORGIA CREDIT UNION

Affiliates

InfoSight
Compliance eNEWSLETTER

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Credit Union National Association

Compliance Calendar

April 15

Operating Fee/Capitalization
Deposit Adjustment due to
NCUA

Previous Year's IRA
Contributions Due

April 22

5300 Call Report Due to NCUA

May 30

Memorial Day - Federal
Holiday

June 30

PCI - SSL/TLS can no longer
be used as a Security Control
after this date

Child Support Data Match
Reimbursement Deadline

- Reloadable by the cardholder or another party on behalf of the cardholder;
- Withdrawals permitted in excess of the card balance;
- Access to an overdraft line or an established line of credit;

Prepaid Cardholders and Third Parties

In a footnote to the guidance, NCUA notes that any credit union contemplating entering into an account relationship involving holders of prepaid cards sold and distributed by third parties must ensure that the consumer with whom the credit union intends to establish the relationship is within the credit union's field of membership.

Additionally, the guidance emphasizes that issuing financial institutions should enter into well-constructed, enforceable contracts with third-party program managers that clearly define the expectations, duties, rights, and obligations of each party. At a minimum, the agreement should:

- outline CIP obligations of the parties;
- ensure the right of the issuing financial institution to transfer, store, or otherwise obtain immediate access to all CIP information collected by the third-party program manager on cardholders;
- provide for the issuing financial institution's right to audit the third-party program manager and to monitor its performance; and
- credit unions must comply with [Letter to Credit Unions 07-CU-13](#) and the accompanying [Supervisory Letter 07-01](#).

Payroll Cards

If the employer (or the employer's agent) is the only person that may deposit funds into the payroll card account, the employer should be considered the financial institution's customer/member for purposes of the CIP rule. In that case, the financial institution is not required to apply its CIP to each employee. The employer should be considered to be the customer/member even if there are subaccounts that are attributable to each employee. By contrast, if the employee is permitted to access credit through the card, or reload the payroll card account from sources other than the employer, the employee should be considered the customer/member and the financial institution should apply its CIP to the employee.

[Click here for upcoming compliance dates.](#)

Compliance Training

March 30, 2016
[Your Member Has Filed Bankruptcy, Now What?](#) - Webinar
3:00 – 4:30 p.m. EST

March 31, 2016
[Developing Your Same-Day ACH Game Plan](#) - Webinar
3:00 – 4:30 p.m. EST

April 5, 2016
[New Federal Regulations Targeting Student Accounts, Including Debit & Prepaid Cards:](#)
[Effective July 1, 2016](#) – Webinar
3:00 – 4:30 p.m. EST

April 6, 2016
[Managing IRA Beneficiary Designations & Distributions](#) – Webinar
3:00 – 4:30 p.m. EST

April 7, 2016
[Post EMV Card Liability Shift: Managing & Mitigating Card-Not-Present Fraud](#) - Webinar
3:00 – 4:30 p.m. EST

April 12, 2016
[Completing the SAR Line-by-Line](#) - Webinar
3:00 – 4:30 p.m. EST

April 13, 2016
[Your Depositor Has Died:](#)

[Keep in mind this discussion is for CIP purposes only – it does not address the insurability of funds in a pooled account if any of the employees are not members of the credit union.]

Government Benefit Cards

If a government benefits card program permits only government funds to be loaded onto the card and does not provide access to credit, no customer/member relationship is established between the financial institution and the beneficiary-cardholder for purposes of the CIP rule. A financial institution that issues such a government benefit card is not required to apply its CIP to the government agency establishing the benefit card account. If, however, the card allows non-government funds to be loaded onto the card or provides access to credit, then a customer/member relationship is established between the financial institution and the beneficiary-cardholder and the financial institution should collect CIP information from the beneficiary-cardholder.

Health Benefit Cards

While Health Savings Accounts (HSA), Flexible Spending Arrangements (FSA), and Health Reimbursement Arrangements (HRA) are all used to set aside tax-exempt funds for certain medical expenses, these arrangements may differ with respect to who may establish the account, deposit funds into the account, or access funds in the account. Therefore, the person or entity that should be considered to be the issuing financial institution's customer/member for CIP purposes will differ.

HSAs: Because the employee establishes the account, the employee is the issuing financial institution's customer/member for purposes of the CIP rule.

FSAs & HRAs: Because no person other than the employer (or employer's agent) establishes an FSA or HRA, makes deposits into the FSA or HRA, and distributes funds from the FSA or HRA, the employer should be the issuing financial institution's customer/member for purposes of the CIP rule.

Closed-loop Cards

In the case of closed-loop prepaid cards, those that do not have the functionalities that trigger the CIP rule, such as a specific retailer's card, the third-party program manager whose name the pooled account has been established should be considered to be the only customer/member of the issuing financial institution and subject to the CIP requirements.

Actions to Take, Mistakes to Avoid - Webinar

3:00 – 4:30 p.m. EST

April 19, 2016

Effective Management of Credit Report Disputes - Webinar

3:00 – 4:30 p.m. EST

April 20, 2016

Troubled Debt Restructuring: Determination & Accounting - Webinar

3:00 – 4:30 p.m. EST

April 26, 2016

Regulator Expectations for Risk

Assessment: Policies, Procedures & Steps in Obtaining Board Approval - Webinar

3:00 – 4:30 p.m. EST

April 27, 2016

Call Report Preparation: Avoiding Common Errors - Webinar

3:00 – 4:30 p.m. EST

April 28, 2016

ACH Rules Update 2016 - Webinar

3:00 – 4:30 p.m. EST

May 3, 2016

Conducting the Annual Physical Security Review - Webinar

3:00 – 4:30 p.m. EST

May 4, 2016

Loan Participation Due Diligence: Practices, Documentation, Servicing &

In these cases, the issuing financial institution is not required to “look through” the pooled account to verify the identity of each cardholder.

For complete information, review the [Interagency Guidance to Issuing Banks on Applying Customer Identification Program Requirements to Holders of Prepaid Cards](#).

CFPB Issues Interim Rule that Broadens the Definition of “Small Creditor” under Reg Z

The Consumer Financial Protection Bureau (CFPB) has issued an interim final rule, effective March 31, 2016, to amend certain provision of Regulation Z in light of Title LXXXIX of the FAST Act called the Helping Expand Lending Practices in Rural Communities Act, which was enacted in December 2015. That Act broadened the class of creditors that may be eligible under TILA for provisions that relieve burden for small, rural creditors and also requires the Bureau to establish a process under which a person may apply to have an area designated as “rural” by the Bureau. The new interim final rule addresses the Act’s amendments to TILA and amends the definition of “rural area” for purposes of the application process.

Specifically, the interim rule amends § 1026.35(b)(2)(iv)(A), which sets forth the rule for determining whether an area is “rural” for the purposes of Regulation Z, by inserting a reference to any areas designated as rural through the application process mandated by the Act.

Additionally, the interim rule also changes the eligibility of certain small creditors that operate in rural or underserved areas to qualify for an exemption that will allow them to (1) originate balloon-payment qualified mortgages, (2) originate high-cost mortgages with balloon payments and (3) to be exempt from establishing escrow accounts for higher-priced mortgages (HPMLs).

This is a huge victory for credit unions and will provide more credit unions the flexibility to offer balloon payment qualified mortgages. Under the current rule, a credit union would have to demonstrate that over 50% of its total first-lien covered transactions are in counties deemed to be “rural “ or “underserved” in order to qualify for the QM balloon loan exceptions and exemption from escrow requirements for HPMLs. Now, after March 31, 2016 when the interim

[Risks](#) – Webinar
3:00 – 4:30 p.m. EST

May 10, 2016
[Succession Planning for the Board & Supervisory Committee](#) - Webinar
3:00 – 4:30 p.m. EST

May 11 – 14, 2016
[GCUA Annual Convention](#)
Savannah, GA

May 11, 2016
[Business Accounts: Who is Authorized to Open, Close, Transact?](#) – Webinar
3:00 – 4:30 p.m. EST

May 12, 2016
[Managing the Force-Placed Insurance Process](#) - Webinar
3:00 – 4:30 p.m. EST

May 17, 2016
[Wire Transfer Compliance, Including International Remittances](#) – Webinar
3:00 – 4:30 p.m. EST

May 24, 2016
[Understanding & Managing the CFPB Complaint Process](#) – Webinar
3:00 – 4:30 p.m. EST

May 25, 2016
[Developing Quality & Efficiency in Your IT Audit](#) – Webinar
3:00 – 4:30 p.m. EST

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

rule goes into effect, a credit union only needs one transaction in a rural or underserved area to be eligible for the small creditor exemption.

For more information, see the interim final rule [here](#).

CUSO Deadline Approaching!

The NCUA CUSO registration is close at hand! The open registration period for the CUSO Registry closes on **Thursday, March 31**. In order to assist CUSO's with the registration process, [NCUA has released a ten part series of short \(3 to 5 minutes\) instructional videos](#).

Please note that the GCUA related CUSO's listed below have all completed their registration with NCUA and will annually update the registration per the NCUA requirements. (Their NCUA Registry numbers are also included below.)

- CSI 111-0002630
- GCUL Acceptance Corporation 111-0002743
- Members ATM Alliance LLC 111-0002694
- CULS 111-0000103

In addition, CSI customers who get Statement Printing and Item Processing Services might also want to know that MyCU Services LLC has also completed the registration process for this year.

Now....for CUSOs that haven't already registered, begin with the first video in the series which covers the screening process. A tip in this video mentions that CUSOs not required to register this time around should revisit the CUSO Registry during the next open registration period because screening questions may be changed by NCUA.

The remaining videos answer some of the most frequently asked questions about the registration process such as:

Question: What if the CUSOs EIN isn't in the Registry? NCUA explains what to do if the employer identification number used by the CUSO is not found in the database. (Video 2)

Question: What if the EIN has already been entered? NCUA addresses when an entered EIN has been registered by another user--such as those CUSOs with multiple owners. (Video 3)

Question: Does your CUSO offer complex services? Complex services will require the CUSO to provide additional information. NCUA discusses what general information may be amended in the CUSO record and briefly discusses the process of selecting the type of services provided by the CUSO. (Video 4)

Question: What type of information is required about a CUSO's credit union customer? NCUA discusses the data required on the CUSO's credit union customers. Also addressed is how to develop and upload a large customer list. (Video 5)

Question: What type of information should be included on credit union owners? NCUA covers the basics on entering owner information and offers tips on uploading multiple owner information simultaneously. (Video 6)

Question: What if the CUSO's recent audited financial statement isn't available? CUSO's that offer complex or high risk services are required to enter financial information in the Registry. If the most recent financial statement isn't available, the CUSO should provide an explanation as to why it can't be uploaded to the Registry. (Video 7)

Question: Why is there an error message after completing the registration process? A CUSO will not be able to certify or submit the information entered if the required fields in the Registry are incomplete. (Video 8)

Question: Can a CUSO record be amended once it has been certified and submitted? The CUSO will need to re-certify the record once all the changes have been entered. (Video 9)

Question: We own multiple CUSOs. How should they be entered into the Registry? NCUA offers tips for entering multiple CUSOs under one owner. (Video 10)

Question: Who has access to the information? At the moment - NCUA has access. However, if the CUSO has signed a written information sharing agreement with NCUA, then the Registry information will be shared with state supervisory authorities. Don't forget that the Registry's searchable feature will be available mid-year so any information entered by the CUSO under the "general information tab" (video 4) will be publicly available at that time. For this reason

CUSOs that have completed the registration process should review the information entered – even a “triple-check” may be in order to ensure that non-public information was not inadvertently added under the “general information tab.”

In addition to the information being publicly searchable, NCUA is planning to eventually have the information downloadable from NCUA’s website, similar to the quarterly Call Reports.

Your CU Should Know...

NCUA Report Discusses Modernized Business Lending Rule: The March 2016 issue of *The NCUA Report* examines the key aspects of the NCUA's modernized member business lending rule, and how the change from prescriptive limits to principles-based regulation will provide credit unions greater measures of regulatory relief and flexibility.

FinCEN Issues New Prepaid Access FAQs: FinCEN has posted [FIN-2016-G002](#), "Frequently Asked Questions regarding Prepaid Access," to supplement its [November 2, 2011, FAQs](#) on the subject.

CFPB Issues Advisory on Preventing Elder Abuse: The CFPB has issued an [advisory](#) and a report with [recommendations for banks and credit unions](#) on how to prevent, recognize, report, and respond to financial exploitation of older Americans. Financial exploitation, the illegal or improper use of a person’s funds, property or assets, is the most common form of elder abuse and costs seniors billions of dollars per year. The Bureau Blog also featured an [article](#) with tips for consumers on how to work with their financial institutions to protect themselves from financial abuse. Prepared [remarks from Directory Cordray](#) regarding elder financial abuse were also released.

CFPB 2015 Servicemembers Report Released: The Bureau has [announced](#) the release of the CFPB's fourth [Annual Servicemembers Report](#), which analyzes over 19,000 complaints received in 2015 from

servicemembers, veterans, and their families, and details related enforcement and outreach efforts. The number of complaints increased 13 percent over those in 2014. For the second year in a row, debt collection, mortgages, and credit reporting were the top three complaint categories for the military community. Debt collection was the top complaint category, comprising nearly half of the military complaints.

CFPB Posts Archive of TRID Construction Loans Webinar: The CFPB has posted a [recording of its recent webinar](#) on TRID compliance for construction lending, and updated the [Question Index](#) covering the questions addressed during the ongoing series of webinars on TRID implementation.

FinCEN Issues New Final Rule Barring FBME Bank Ltd: FinCEN has announced a new [final rule](#) imposing a prohibition on U.S. financial institutions from opening or maintaining a correspondent account for, or on behalf of, FBME Bank Ltd. in place of the rule published on July 29, 2015. FinCEN's imposition of a prohibition under the fifth special measure will guard against the international money laundering and terrorist financing risks that FBME poses to the U.S. financial system. This rule will take effect 120 days from the date of publication in the *Federal Register*.

Comment Calls

NCUA Requests Comments on Operating Fee Schedule and Overhead Transfer Rate Methodology

Operating Fee Schedule: NCUA has issued a [request for comments](#) regarding the National Credit Union Administration's (NCUA) Operating Fee Schedule. The NCUA Operating Budget has two primary funding mechanisms: (1) An Overhead Transfer, which is funded by federal credit unions (FCUs) and federally insured state-chartered credit unions (FISCUs); and (2) annual Operating Fees, which are charged only to FCUs. The NCUA Board is seeking comment on the methodologies for both funding mechanisms.

This request focuses on the methodology NCUA uses to determine the aggregate amount of Operating Fees charged to federal credit unions, including the fee schedule that allocates the Operating Fees at different rates among FCUs according to asset size.

NCUA specifically requests comment on the following questions:

1. Are the asset determination thresholds reasonable; and
2. Is the method for forecasting projected asset growth for the credit union system reasonable?

Commenters are encouraged to provide the specific bases for the comments and recommendations as well as documentation to support any proposed adjustments or alternatives.

Overhead Transfer Rate Methodology: NCUA has also issued a [request for comment](#) regarding NCUA's Overhead Transfer Rate Methodology. This request for comment focuses on the methodology NCUA uses to determine the Overhead Transfer Rate (OTR). The Board applies the OTR to NCUA's Operating Budget to determine the portion of the budget that will be funded from the National Credit Union Share Insurance Fund (NCUSIF). The Board invites comments on all aspects of the OTR methodology and any alternatives commenters may offer. Areas the Board specifically seeks comments on include:

- Whether the OTR should continue to be determined using a formula-driven approach, or instead be set largely at the discretion of the Board;
- The definition NCUA uses for insurance-related activities;
- Adjustments or changes to the current calculation; and
- Alternate methodologies to arrive at an accurate and fair allocation of costs.

The Board encourages the public to provide the specific basis for their comments and recommendations, as well as documentation to support any proposed adjustments or alternatives.

GCUA would like to know your thoughts and/or concerns on NCUA's proposals. Please send your comments on these proposals to Selina Gambrell at selinag@gcua.org by **April 4, 2016**.

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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