



InfoSight Highlight

IRS Clarifies Changes to the Mortgage Interest Reporting Form
The Surface Transportation Act signed into law last July added information that must be included on IRS Form 1098, beginning next year:

- The amount of outstanding principal of the mortgage as of the beginning of the calendar year;
- The loan origination date of the origination of the mortgage; and
- The address (or other description in the case of property without an address) of the property that secures the mortgage.

This new information will be required on forms issued to your members **after December 31, 2016**.

Here are answers for some questions that have been raised about the new form:

- In regard to the amount of outstanding principal as the beginning of the year - This amount can be reported as the principal balance as of January 1, 2016. You do not have to amend the balance if, for example, payments are made later in the month (during the grace period) or a payment is returned.
- Furthermore, if a loan has not been originated as of January 1, or if a line of credit has not been drawn down, the balance would be left blank.
- The IRS has informed the group that they do not have the resources to update the form at this time, but they have indicated a willingness to make clarifications in the instructions to the form.

For more information on Form 1098, please see the [IRS 1098 Forms](#) topic in the Tax Issues channel.

Compliance News

MLA FAQs

Question: Do we need to check the name of every loan applicant to determine whether that applicant is on active duty in the armed forces or is a spouse or dependent of an active duty member of the armed forces prior to establishing the loan?

GEORGIA CREDIT UNION

Affiliates

InfoSight
Compliance eNEWSLETTER

May 2, 2016

Vol. 10, Issue 18

Created in partnership with the



Credit Union National Association

Compliance Calendar

May 2

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

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

July 4

Independence Day - Federal Holiday

Answer: According to [CUNA's Compliance Blog](#), the answer is “yes, the name of every loan applicant should be checked to determine whether the loan will be subject to the DoD's Military Lending Act (MLA) regulations.” Otherwise, a credit union may not realize a particular loan applicant is on active duty in the armed forces or is a dependent of an active duty member of the armed forces and could make a loan to that person that doesn't comply with the MLA regulations.

The rule permits a credit union to use any method of determining whether a person is considered a covered borrower.

However, the rule only provides two “Safe Harbor” methods to determine active-duty military status of the covered borrower (or dependent): a credit union may make the determination by accessing information obtained directly or indirectly from the DoD's database or may use information from a nationwide consumer reporting agency that describes the military status of the loan applicant.

The safe harbor that had previously permitted a credit union to rely on an applicant's declaration in a loan application or elsewhere, has been eliminated by last year's amendments to the MLA regulations because the DoD became aware that military personnel and their spouses and dependents were making false statements about their military status.

While accessing the MLA database or a consumer reporting agency to determine military status is optional, relying on any other method to make the determination would not be covered by the safe harbor and risks potential violation of the MLA regulation as well as significant penalties.

Note: A credit union would not have to check any applicant for any loan that is not covered by the MLA. The MLA final rule does not apply to residential mortgage loans, secured motor vehicle and personal property loans, and transactions not covered by Regulation Z. Auto refinance loans are covered by the MLA - it is auto purchase loans that are not covered by the MLA. For more information, see CUNA's MLA [Final Rule Analysis: CompNotes DoD's Military Lending Act](#).

Question: Does the DoD's Military Lending Act regulation require a credit union to disclose the numerical value of the MAPR to the covered borrower before the loan is made?

July 22
5300 Call Report Due to NCUA

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

Compliance Training

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 & 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 16, 2016
[Examining Complex TRID](#)

Answer: No. However, before providing the answer, we need to discuss some details concerning the MAPR. The final rule prohibits a credit union from imposing a MAPR greater than 36 percent in connection with a loan made to a covered borrower.

For closed-end loans the MAPR limit applies at time of consummation. For open-end loans the MAPR limit applies for each billing cycle.

The MAPR is the cost of credit expressed as a annual percentage rate. The MAPR includes interest, other finance charges, premiums or fees for credit insurance, charges for single premium credit insurance, fees for a debt collection contract, or any fee for a debt suspension agreement, any fee for a credit-related ancillary product sold in connection with the loan, any fee imposed for participation in any plan, and any application fee charged to a covered borrower who applies for a consumer loan.

The rule requires a statement of the MAPR and a clear description of the payment obligation in writing in a form the covered borrower can keep. A payment schedule (for closed-end loans) or an account opening disclosure (for open-end loans) fulfills this requirement. A credit union must also provide any disclosure required by Regulation Z.

In addition, a credit union must verbally provide a statement of the MAPR and the description of the payment obligation or provide a toll-free number to deliver the verbal disclosures to the covered borrower.

A credit union may satisfy the requirement of providing a “statement of the MAPR” by describing the charges the credit union may impose.

There is no requirement to describe the MAPR as a numerical value or to describe the total dollar amount of all charges in the MAPR that apply to a specific loan, nor is there any requirement to disclose the numerical value of the MAPR to the covered borrower prior to the loan being made or at any time thereafter.

However, to ensure that the MAPR doesn't exceed the limit of 36%, a credit union must be able to calculate the numerical value of the MAPR prior to consummation for closed-end loans and during each billing cycle for open-end loans.

Issues, Part 2: Closing Disclosure, Tolerances & the Good Faith Analysis – 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

June 2, 2016
Best Practices for Member Business Lending - Webinar
3:00 – 4:30 p.m. EST

June 7, 2016
Hiring in the Digital Age: What Every HR Manager Needs to Know About Social Media – Webinar
3:00 - 4:30 p.m. EST

June 8, 2016
Federal Government ACH Payments, Reclamations & Garnishments - Webinar
3:00 – 4:30 p.m. EST

June 9, 2016
FFIEC Cyber Security Risk Assessments: Recent Findings & Recommended Actions -

Bureau Adds Title XIV Implementation Tools

The Consumer Financial Protection Bureau (CFPB) has added two new resources to its [Regulatory Implementation page](#):

- [Fact sheet](#) for small creditors operating in rural or underserved areas
- [Chart](#) on eligibility for making various types of qualified mortgages

Your CU Should Know...

OFAC Updates FAQs: OFAC has updated its [Frequently Asked Questions](#) (FAQs) regarding payments or the facilitation of payments to Iranian Civil Aviation Authorities for overflights of Iran or landing in Iran.

NCUA \$2M Grant Round Begins June 1: The NCUA has announced it will accept grant applications for Community Development Revolving Loan Fund assistance grants between **June 1–30**. Interested credit unions may submit one application for all initiatives using NCUA's [CyberGrants program](#). The four eligible initiatives and maximum grant awards are:

- Capacity and growth: Credit unions considering new lending programs, deposit products or other growth strategies to increase members' financial service opportunities may apply for up to \$15,000 in assistance.
- Cyber security: Up to \$7,000 will be available for each eligible credit union to enhance cyber security and protect member information.
- Staff training: Grants of up to \$3,000 will be available for selected credit unions to pay for training related to credit union operations, including compliance, lending and collections.
- Student internships: Up to \$4,000 will be available to each credit union to hire students enrolled in high school or college.

Webinar

3:00 – 4:30 p.m. EST

June 10 – 17, 2016

[Southeast CUNA Management School](#)

Athens, GA

June 14, 2016

[Comparing Regulation E Requirements with Visa & MasterCard Rules](#) - Webinar

3:00 – 4:30 p.m. EST

June 16, 2016

[ACH Rules for Deceased Account Holders & Federal Government Payments](#) - Webinar

3:00 – 4:30 p.m. EST

June 21, 2016

[The Growing Scope of Vendor Management: Business Continuity, Cyber Security, Contract Negotiation & More](#) - Webinar

3:00 – 4:30 p.m. EST

June 22, 2016

[Product Terms Part 1: Modifying Existing Product Terms & Fees, Including Timing, Content & Requirements for Change-in-Term Notices](#) - Webinar

3:00 – 4:30 p.m. EST

June 23, 2016

[Legal Aspects of HELOCs: Disclosures, Advertising, Termination, Credit Line Reduction & More](#) - Webinar

3:00 – 4:30 p.m. EST

The NCUA will offer a 90-minute webinar, “NCUA 2016 Grant & Loan Opportunities,” to help credit unions learn more about the grant process. The webinar will be held **Wednesday, May 11, beginning at 2:00 p.m. EST.**

NCUA Posts Video on CU Mergers: The NCUA has announced that a new online training module regarding best practices for merging credit unions is now available. The three-part video module examines current trends in mergers, when a credit union board should consider a merger and how to negotiate a merger agreement that best serves the credit union’s interests.

FFIEC Adds New Booklet to Exam Handbook: The FFIEC has announced the release of a new Appendix E, "Mobile Financial Services," to the "Retail Payment Systems" booklet of the FFIEC Information Technology (IT) Examination Handbook. The new appendix focuses on risks associated with activities and devices for mobile financial services. The appendix emphasizes an enterprise-wide risk management approach for effectively managing and mitigating existing and evolving risks. Additionally, the appendix contains work program objectives to assist examiners in determining the state of risk and controls at an institution or third-party provider. OCC Bulletin 2016-14 and FDIC FIL-31-2016 were also issued to announce the new appendix.

CFPB Snapshot on Mortgage Complaints: The CFPB has released its latest monthly consumer complaint snapshot, this time highlighting consumer complaints related to mortgages. The report shows that consumers continue to encounter servicing problems when they are unable to make payments. This month’s snapshot also highlights trends seen in complaints coming from California.

CFPB Tip Sheet to Help Incarcerated Protect Credit: An article on the CFPB Blog notes that it may be difficult for incarcerated individuals to monitor personal accounts or credit reports. Individuals who can’t monitor their credit reports could face an increased risk of fraud or identity theft. Errors or other problems on a credit report can create a barrier for those seeking employment or housing, accessing credit, and

June 26 – 29, 2016
America’s Credit Union
Conference
Seattle, WA

June 27, 2016
Developing a Sound Appraisal
Management Program -
Webinar
3:00 – 4:30 p.m. EST

June 29, 2016
Understanding FCRA
Permissible Purposes in
Obtaining Credit Reports -
Webinar
3:00 – 4:30 p.m. EST

June 30, 2016
Compliance Officer Training:
Risk Assessments, Monitoring
& Testing - Webinar
3:00 – 4:30 p.m. EST

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

can lead to other financial difficulties. The Bureau has released a [tip sheet](#) to help currently and recently incarcerated consumers protect their credit files and help eliminate unnecessary barriers to a successful transition to jobs or housing after these individuals serve their sentence.

Fair Treatment in the Financial Marketplace: The Bureau Blog features an [article](#) for consumers about the right to be treated fairly in the financial marketplace. It reviews various illegal and/or discriminatory practices and what consumers can do to protect their rights.

Comment Calls

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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Need a BSA, ACH or Website review?

Email compliance@gcua.org.