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Credit Union National Association

Compliance Video

CU Compliance Connection

In this **recently released** video (now on YouTube!), Glory LeDu, Manager of League System Relations, discusses the Compliance outlook for the 2nd Quarter of 2016 and reviews the 1st Quarter of 2016. View the CUBE TV video [here](#).

Compliance Calendar

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

InfoSight Highlight

Security Program for Credit Unions: Physical Security

Credit unions are subject to threats to the physical security of their employees, members, and member assets and information. Part 748 of NCUA Regulations require each federally-insured credit union to establish a written security program that:

1. Protects each credit union office from robberies, burglaries, larcenies, and embezzlement;
2. Ensures the security and confidentiality of member records, protects against the anticipated threats or hazards to the security or integrity of such records, and protects against unauthorized access to or use of such records that could result in substantial harm or serious inconvenience to a member;
3. Responds to incidents of unauthorized access to or use of member information that could result in substantial harm or serious inconvenience to a member;
4. Assists in the identification of persons who commit or attempt such actions and crimes, and
5. Prevents destruction of vital records.

For additional information, click [here](#) for the topic.

Review the information today to help your credit union remain in compliance.

Compliance News

SAR Filing Change for State-Chartered Credit Unions

The Department of Banking and Finance adopted several Final Rules on June 20, 2016 that become effective on July 10, 2016. Of these rules, the one of operational concern to state-chartered credit unions involves SAR filings.

Additions to the current rule 80-9-1.02 institutes asset size reporting thresholds along with an avenue to request an increase in the new reporting threshold.

Rule 80-9-1.02 follows with new additions to the rule noted in italics:

(1) A state-chartered financial institution filing a suspicious activity report (SAR) with a federal authority must send a copy of such report to the Department promptly after filing the SAR if:

- (a) The SAR involves a director, officer, employee, or principal shareholder of the state-chartered financial institution, or a known immediate family member, related interest, or an *affiliate of a director, executive officer, or principal shareholder* of the state-chartered financial institution;
- (b) *The SAR indicates that a financial institution is a suspect or otherwise indicates the possibility that such financial institution violated the law;*
- (c)
 1. *For banks or credit unions with assets less than one billion dollars, the SAR involves either a loss or a potential loss of one hundred thousand dollars (\$100,000) or more;*
 2. *For banks or credit unions with assets of one billion dollars or more, the SAR involves either a loss or a potential loss of two hundred fifty thousand dollars (\$250,000) or more; or*
 3. *For all other financial institutions, the SAR involves a loss or a potential loss of one hundred thousand dollars (\$100,000) or more;*
- (d) The SAR involves a money service businesses entity that is a customer of the bank; or
- (e) *The SAR involves an affiliate or subsidiary of the financial institution.*

(2) *A financial institution can make a written request to the Department for an increase in the amounts set forth in Paragraph (1)(c). Such request shall set forth in detail the rationale for an increase in the reporting threshold for the particular institution. It shall be in the Commissioner's sole discretion to approve, conditionally or otherwise, or deny the request for an increase in the reporting amounts set forth in Paragraph (1)(c).*

(3) *Along with any SAR forwarded to the Department, a financial institution shall also notify the Department when law enforcement or the financial institution's insurers, including, but not limited to surety companies, have been notified of the underlying activity.*

(4) Financial institutions must comply with federal requirements for detecting and reporting any suspicious activities.

July 25
5300 Call Report Due to NCUA

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

Compliance Training

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. ET

June 29, 2016
[Understanding FCRA Permissible Purposes in Obtaining Credit Reports](#) - Webinar
3:00 – 4:30 p.m. ET

June 30, 2016
[Compliance Officer Training: Risk Assessments, Monitoring & Testing](#) - Webinar
3:00 – 4:30 p.m. ET

July 7, 2016
[Your Borrower Has Died: Actions to Take, Mistakes to Avoid](#) - Webinar
3:00 – 4:30 p.m. ET

July 10-13, 2016
[Southeast Regional Directors' Conference](#)
Pinehurst, NC

July 11, 2016
New Overtime Rule Critical

To view or download the Final Rules, go to Regulations page on the Department's website (<http://dbf.georgia.gov/dbf-regulations>) and select the appropriate link for the Final Rules, OR you may access them directly from: [2016 DBF Final Rulemaking](#).

SAR Filing Q&A for State Charters

Question: We are a state-chartered credit union that recently had an independent review of our Bank Secrecy Act program. One of the issues that came up was lack of proof of a SAR being filed with the Department of Banking and Finance (DBF) for an embezzlement we experienced here with a staff person. As it turns out, we did not notify the DBF of this SAR. What kind of proof can we obtain that shows our proper handling of SARs in this instance and to be certain internally that we are following the rules?

Answer: After our discussions with staff at the Department of Banking, it is our understanding that a credit union's BSA Officer may contact the DBF by phone to confirm a filing if they wish, but they are not required by the Rules of the Department to do so. The Department does not send confirmations back to institutions after they receive copies of the filing, so there will not be that tangible proof from the Department in the credit union's records that the credit union is in compliance without some type of follow-up. And because of privacy issues, the Department will not be able to confirm SAR filings with independent reviewers.

Agencies' Statement on New Accounting Standard

A [joint press release](#) from the Federal Reserve, FDIC, OCC and NCUA has announced the issuance of a [joint statement](#) regarding the new accounting standard, Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, issued by the Financial Accounting Standards Board. The joint statement also provides initial supervisory views regarding the standard's implementation. The new accounting standard applies to all banks, savings associations, credit unions, and financial institution holding companies, regardless of asset size. The standard allows for various expected credit loss estimation methods and is scalable. The standard will become effective in 2020 for financial institutions required to file financial statements with the U.S. Securities and Exchange Commission or the appropriate federal banking agency under the federal securities laws. The new accounting standard

[Budgeting Issues](#) - Webinar
3:00 – 4:30 p.m. ET

July 12, 2016
[Board Oversight & Responsibility for ACH Risk](#) - Webinar
3:00 – 4:30 p.m. ET

July 13, 2016
[Manufactured & Mobile Home Lending Standards & Eligibility](#) - Webinar
3:00 - 4:30 p.m. ET

July 14, 2016
[Call Report Preparation for New Preparers & Reviewers](#) - Webinar
3:00 – 4:30 p.m. ET

July 18, 2016
[New FFIEC Guidance on Mobile Financial Services](#) - Webinar
3:00 – 4:30 p.m. ET

July 19, 2016
[Collection Concepts, Compliance & Risks - Advanced](#) - Webinar
3:00 – 4:30 p.m. ET

July 20, 2016
[Analyzing & Managing Escrow Accounts](#) - Webinar
3:00 – 4:30 p.m. ET

July 21, 2016
[Same Day ACH Deadline](#) - Webinar
3:00 – 4:30 p.m. ET

July 26, 2016
[Risks & Precautions for Endorsements & Other](#)

will take effect in 2021 for all other financial institutions. Early adoption is permitted, but no earlier than in 2019.

Did you know Georgia has an active CFO Council? For more information visit [here](#). Next meeting is August 19, 2016.

**Bureau Issues Annual Reg Z Adjustments
Truth-in-Lending Act and Regulation Z Annual Threshold Adjustments**

On June 17, 2016, the CFPB issued a final rule to revise the dollar amounts in Regulation Z for credit card safe-harbor penalty fee amounts; for points and fees related to HOEPA high-cost mortgage loans; and for loan amounts and points and fees under the Ability-to-Repay and Qualified Mortgage rule.

These changes, with the exception of the credit card penalty fee amounts, will become effective January 1, 2017. The credit card penalty fee amounts become effective immediately upon publication in the Federal Register. The rule was published today.

Credit Card Penalty Fees Safe Harbor:

The dollar amount for the safe harbor for a first violation penalty fee will remain unchanged from the 2016 amount of \$27 and will continue at \$27 in 2017.

However, the subsequent violation penalty fee amount of \$37 in effect during 2016 was miscalculated and should have been \$38. Therefore, the final rule will increase the 2016 amount to \$38, effective immediately upon publication in the Federal Register. The penalty fee amount of \$38 will continue to apply during 2017.

HOEPA (High-Cost Mortgage Loan) Annual Threshold Adjustment:

Effective January 1, 2017, for HOEPA loans, the adjusted total loan amount threshold for high-cost mortgages will increase from the 2016 loan amount of \$20,350 to the 2017 amount of \$20,579 and the adjusted points and fees dollar trigger for high-cost mortgages will increase from the 2016 fee trigger of \$1017 to the 2017 fee trigger \$1,029.

When the total loan amount for a transaction is \$20,579 or more, and the points and fees amount exceeds 5 percent of the total loan amount, the transaction is a high-cost mortgage. When the total loan amount for a transaction is less than \$20,579, and the points and fees amount exceeds the lesser of the adjusted points and fees dollar trigger of \$1,029 or 8 percent of the total loan amount, the transaction is a high-cost mortgage.

Negotiable Instruments - Webinar

3:00 – 4:30 p.m. ET

July 27, 2016

Understanding Letters of Credit: Rules, Responsibilities & Liabilities - Webinar

3:00 – 4:30 p.m. ET

July 28, 2016

Overdraft Outlook: Litigation Lessons, Avoiding Violations & Best Practices - Webinar

3:00 – 4:30 p.m. ET

August 3, 2016

Product Terms Part 2: Establishing New Product & Service Controls - Webinar

3:00 – 4:30 p.m. ET

August 4, 2016

15 Errors to Avoid When Conducting Internal Investigations - Webinar

3:00 – 4:30 p.m. ET

August 9, 2016

E-Mail Risks, Rules, Records & Regulations - Webinar

3:00 – 4:30 p.m. ET

August 10, 2016

Legally Handling ATM & Debit Card Claims Under Regulation E - Webinar

3:00 – 4:30 p.m. ET

August 11, 2016

Saving for Education: Coverdell & College Savings Plans - Webinar

3:00 – 4:30 p.m. ET

Ability-to-Repay and Qualified Mortgage Annual Threshold Adjustments:

The CFPB's 2013 ATR/QM rule established points and fees limits that a loan must not exceed in order to satisfy the requirements for a qualified mortgage. Effective January 1, 2017, a covered transaction is not a qualified mortgage if the loan's points and fees exceed 3 percent of the total loan amount for a loan greater than or equal to \$102,894; \$3,087 for a loan amount greater than or equal to \$61,737 but less than \$102,894; 5 percent of the total loan amount for a loan greater than or equal to \$20,579 but less than \$61,737; \$1,029 for a loan amount greater than or equal to \$12,862 but less than \$20,579; and 8 percent of the total loan amount for a loan amount less than \$12,862.

CFPB Releases New "Know Before You Owe" Auto Loan Shopping Sheet

The CFPB recently released an "auto loan shopping sheet" to help consumers evaluate costs when shopping for an auto loan and a step-by-step guide entitled "Take Control of Your Auto Loan" to help consumers navigate the auto lending process. These additional resources are part of the CFPB's broader "Know Before You Owe" initiative.

The sample online worksheet instructs consumers how to determine:

- upfront costs
- the exact amount they will need to borrow
- how much money they will pay over the life of the loan, and
- the total cost of the purchase

Additionally, the factors that are negotiable are also denoted with a special icon. A consumer can print out this sheet and take it along with them when shopping for an auto loan, and the sheet is supposed to help consumers make an "apples to apples" comparison when shopping for auto loan products. This initiative comes on the heels of the CFPB's proposed payday lending rule, which requires lenders to determine that consumers have the ability to repay small dollar loans. Single-payment auto title loans are one type of small-dollar loan. The CFPB is devoting a lot of attention to auto and small dollar lending and we should expect to see increased regulation in these areas.

The Know Before You Owe auto loan shopping sheet can be found at: http://files.consumerfinance.gov/f/documents/201606_cfpb_auto-loan-worksheet.pdf

August 16, 2016
The Application Process for the New Mortgage Lender:

Mortgage Application - Webinar

3:00 – 4:30 p.m. ET

August 17, 2016

Quarterly Supervisory Committee Series: Internal Controls & Due Diligence - Webinar

3:00 – 4:30 p.m. ET

August 18, 2016

Lending Series: Consumer Loan Documentation - Webinar

3:00 – 4:30 p.m. ET

August 23, 2016

Complying with Final Military Lending Act Rule Changes Effective October 3, 2016 - Webinar

3:00 – 4:30 p.m. ET

August 24, 2016

Audit Compliance Series: Auditing for BSA Compliance - Webinar

3:00 – 4:30 p.m. ET

August 25, 2016

Annual MLO Compliance Requirements & Auditing for SAFE Act - Webinar

3:00 – 4:30 p.m. ET

BSA Training Opportunities through GCUA

[Click here for details](#)

The Know Before You Owe auto loan initiative can be found at: <http://www.consumerfinance.gov/consumer-tools/auto-loans/>

Your CU Should Know...

NCUA proposes updates to loan fund: The National Credit Union Administration's Board has published a proposed rule [[81 FR 40197](#)] to make several technical amendments to NCUA's rule at 12 CFR 705 governing the Community Development Revolving Loan Fund (CDRLF). The proposal:

- Removes the \$300,000 aggregate limit for individual credit unions
- FISCUs are no longer required to obtain State Supervisory Authority approval prior to submitting the loan application to NCUA

NCUA believes the proposed amendments would make the rule more succinct and update it to improve its transparency, organization, and ease of use by credit unions. Comments on the proposal are due by August 22, 2016.

Agencies announce 2016 distressed or underserved geographies list:

The Federal Reserve, OCC, and FDIC have announced the availability of the 2016 list of distressed or underserved nonmetropolitan middle-income geographies, where revitalization or stabilization activities are eligible to receive Community Reinvestment Act (CRA) consideration as community development. Distressed nonmetropolitan middle-income geographies and underserved nonmetropolitan middle-income geographies are designated by the agencies in accordance with their CRA regulations. The current and previous years' lists can be found on the FFIEC website, along with information about the data sources used to generate those lists.

NCUA request for stakeholder comments: The NCUA has posted five questions for stakeholders' consideration regarding the regulator's efforts to modify supervision and examination procedures with its Exam Flexibility Initiative:

1. How can NCUA conduct future examinations in ways that minimize their impact on credit unions' operations?
2. What concerns do credit unions have about the current examination and supervision program?
3. What steps should NCUA take to improve the efficiency of its examination program while ensuring it remains effective?

4. How can NCUA better use technology in examinations?
5. What metrics should NCUA consider to determine a credit union's eligibility for an extended examination cycle?

Comments may be submitted online at ExamFlexibility@ncua.gov. The NCUA will accept suggestions received after August 1, but comments received before that date will receive full consideration.

OFAC TSRA licensing activities reports: OFAC has released the 4th quarter 2014 and the 1st quarter 2015 reports for licensing activities undertaken pursuant to the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA). Under the procedures established in its TSRA-related regulations, OFAC processes license applications requesting authorization to export agricultural commodities, medicine, and medical devices to Iran and Sudan under specific licensing.

Comment Calls

CFPB Arbitration Rule

The Consumer Financial Protection Bureau (CFPB) is proposing sweeping changes to the use of pre-dispute arbitration clauses. Congress directed the CFPB to study pre-dispute arbitration agreements in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). In 2015, the CFPB published and delivered to Congress a study of arbitration. In the Dodd-Frank Act, Congress also authorized the Bureau, after completing the study to issue regulations restricting or prohibiting the use of arbitration agreements. Despite conflicting findings in the study, some of which show that consumers receive little or no relief from class action litigation, and that there are benefits to arbitration, the CFPB is moving forward with a rulemaking, which eliminates the use of class action waivers in mandatory arbitration agreements. In October 2015, the CFPB published Small Business Regulatory Enforcement Fairness Act (SBREFA) proposals in conjunction with a Small Business Review panel.

GCUA would like to know your thoughts and/or concerns with this proposal. Please email Selina Gambrell at selinag@gcua.org by **August 2nd**.

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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Email compliance@gcu.org.