



InfoSight Highlight

Charitable Donation Accounts

In late 2013, the NCUA Board issued a final rule to amend its regulations to clarify that federal credit unions are authorized to create and fund a charitable donation account, a hybrid charitable and investment vehicle, as an activity incidental to the business for which the credit union is chartered, provided the account is primarily charitable in nature and meets other regulatory conditions to ensure safety and soundness. The final rule amends parts 703 and 721 of the NCUA Rules and Regulations. This rule became effective on December 19, 2013.

Charitable Donation Accounts

A charitable donation account (CDA) is a hybrid charitable and investment vehicle that federal credit unions may fund as a means to provide charitable contributions and donations to qualified charities. A qualified charity is a charitable organization or other non-profit entity recognized as exempt from taxation under section 501(c)(3) of the Internal Revenue Code.

A federal credit union may fund a CDA free from the investment limitations of the Federal Credit Union Act and part 703, if it funds a CDA that satisfies all of the following conditions:

- **Maximum aggregate funding.** The book value of your investments in all CDAs, in the aggregate, as carried on your statement of financial condition prepared in accordance with generally accepted accounting principles, must be limited to 5 percent of your net worth at all times for the duration of the accounts, as measured every quarterly Call Report cycle. This means that regardless of how many CDAs you invest in, the combined book value of all such investments must not exceed 5 percent of your net worth. You must bring your aggregate accounts into compliance with the maximum aggregate funding limit within 30 days of any breach of this limit.
- **Segregated account.** The assets of a CDA must be held in a segregated custodial account or special purpose entity and must be specifically identified as a CDA.
- **Regulatory oversight.** If you choose to establish a CDA using a trust vehicle, the trustee must be regulated by the Office of the Comptroller of the Currency (OCC), the U.S. Securities and



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Compliance Video

CU Compliance Connection

This **new video** provides an overview of the key changes made to the Military Lending Act that credit unions are going to need to consider and implement prior to the compliance effective date of October 3, 2016. View the video [here](#).

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

July 25

5300 Call Report Due to NCUA

Exchange Commission (SEC), another federal regulatory agency, or a state financial regulatory agency. A regulated trustee or other person or entity that is authorized to make investment decisions for a CDA (manager), other than the credit union itself, must be either a Registered Investment Adviser or regulated by the OCC.

Georgia law is silent on whether a state chartered credit union can have a charitable donation account. So before any state chartered credit union creates such an account they should discuss the issue with the Department of Banking and Finance.

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

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

Compliance News

Military Lending Act - Compliance Call
Save the Date! July 20 at 10:00 a.m.

Join us for a compliance call covering the new Military Lending Act (MLA). Department of Defense rules dramatically expand the MLA's coverage to almost all forms of credit within the Truth in Lending Act's scope, other than residential mortgages and purchase money loans, so that a wider range of creditors will be prohibited from charging more than 36% interest or requiring consumers to submit their disputes to arbitration.

Rule change compliance is required October 3, 2016. Mandatory compliance as to the credit card provisions is extended to October 3, 2017.

Join us as Suzanne Vesper, from Sherpy & Jones, P.A., leads this discussion.

GAO Study Suggests IRS Update Identity Theft Fraud Program
At the request of the Internal Revenue Service, the Government Accountability Office (GAO) examined the IRS's efforts to combat identify theft (IDT) refund fraud. The IRS utilizes its taxpayer protection program (TPP) to authenticate the identities of suspicious tax return filers and prevent IDT. IRS estimates that, in 2014, it prevented or recovered \$22.5 billion in attempted IDT refund fraud, but paid \$3.1

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

Compliance Training

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 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,](#)

billion in fraudulent IDT refunds. The GAO recommends that IRS update its TPP risk assessment and take appropriate actions to mitigate risks identified in the assessment. GAO also recommends that IRS improve its IDT cost estimates by removing refund thresholds and using return-level data where available. IRS agreed with GAO's TPP recommendations and will update its risk assessment. IRS took action consistent with GAO's IDT cost estimate recommendations.

CFPB Finds Mortgage Servicers' Ongoing Technology Failures (6/22/16) WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) released a special edition supervision report focused specifically on mortgage servicers. The report found that some mortgage servicers continue to use failed technology that has already harmed consumers, putting the company in violation of the CFPB's new servicing rules. In its examinations covering numerous mortgage servicers since the new CFPB rules took effect in January 2014, CFPB examiners have found violations because of deficient technology and process breakdowns. Specifically, examiners have observed problems with loss mitigation and servicing transfers. To spur industry in its general compliance with CFPB rules, the Bureau is also releasing an updated mortgage-servicing exam manual. The entire article can be found here.

CUNA Learns Supreme Court Will Hear Fair Housing Case
CUNA learned Tuesday (6/28/16) that the U.S. Supreme Court has agreed to review a lower court ruling that raises important questions about the scope of the Fair Housing Act (FHA). CUNA, along with other trade organizations, filed an amici curiae brief in the case in April.

The lawsuit is *City of Miami v. Bank of America and City of Miami V. Wells Fargo*, and it involves a decision by the 11th Circuit Court. Miami brought suit against the two banks arguing that discriminatory actions against city residents entitles the city to damages for indirect harm. The city argued that foreclosures and other events stemming from unfavorable mortgages resulted in lost revenue from lower property taxes and other incurred expenses.

CUNA warned that the lower court ruling could set a bad precedent that would allow other entities, such as neighboring residents, municipalities and even local businesses, to maintain suits against financial institutions, even if the entity never had any direct dealings with a credit union or bank. CUNA's brief urged the Supreme Court to reverse the 11th Circuit

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 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

Court's decision, and it cited other recent rulings from the Supreme Court itself, a lack of standing, and the unnecessary expansion of potential liability for lenders without any limiting factor.

CUNA was joined in that brief by the American Bankers Association, American Financial Services Association, Consumer Bankers Association, Consumer Mortgage Coalition, Housing Policy Council of the Financial Services Roundtable, Independent Community Bankers of America, Mortgage Bankers Association and National Association of Federal Credit Unions.

FTC Notice to Consumers and Telemarketers on Illegal Payments
The Federal Trade Commission wants businesses to know about important Telemarketing Sales Rule (TSR) amendments that are now in effect. These changes make it unlawful for telemarketers to use three types of payment methods exploited by con artists and scammers.

As of this month, it is illegal for telemarketers to ask consumers to pay for goods or services using cash-to-cash money transfers, such as MoneyGram and Western Union provide, or by providing PIN numbers from cash reload cards such as MoneyPak, Vanilla Reload or Reloadit packs. It also is illegal for telemarketers to use unsigned checks called "remotely created payment orders" to withdraw money directly from consumers' bank accounts.

As detailed in a [press release issued in November 2015](#), the FTC finalized the payment method bans amendments to the TSR late last year. [Business guidance about the new bans](#) is available. [New guidance warns consumers](#) that any telemarketer requesting payment using these methods is a scammer because the payment method is illegal.

Your CU Should Know...

OFAC adds to SDN list: The Office of Foreign Assets Control (OFAC) has sanctioned a Congolese government official, Céléstin Kanyama, for being responsible for or complicit in, or having engaged in, directly or indirectly, the targeting of women, children, or any civilians through the commission of acts of violence, abduction, or forced displacement in the Democratic Republic of the Congo (DRC), and for being a leader of an entity that has, or whose members have, engaged in such conduct. See [OFAC Sanctions Congolese Official](#), in our OFAC Updates pages, for more information.

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

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](#) -

NC company settles with OFAC: HyperBranch Medical Technology, Inc. (“HyperBranch”) of Durham, North Carolina, has agreed to pay \$107,691.30 to settle potential civil liability for apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560, reports OFAC.

HyperBranch is alleged to have exported medical goods to its United Arab Emirates distributor with knowledge or reason to know that the goods were destined for Iran. OFAC determined that HyperBranch voluntarily self-disclosed the apparent violations, and that the apparent violations constitute a non-egregious case.

CFPB features auto financing in monthly snapshot and blog series: The CFPB has [released its monthly complaint snapshot](#), this month highlighting complaints about consumer loans, including vehicle loans and leases, installment loans, title loans and pawn loans. The report shows that consumers continue to complain about issues managing their loans and problems they encounter when they are unable to pay them off. This month’s report also highlights trends seen in complaints coming from Arkansas.

The Bureau also posted an article, “[Consumer Voices on Auto Financing](#),” discussing the challenges faced by consumers in understanding auto loans. The article is the fourth post in the CFPB blog series on auto loans.

FATF updates statements on high-risk and non-cooperative jurisdictions: The Financial Action Task Force (FATF) has [updated its statements](#) identifying jurisdictions with strategic deficiencies in their frameworks to combat money laundering and the financing of terrorism and proliferation. FATF continues to call on countries to apply countermeasures to the Democratic People's Republic of Korea. Myanmar and Papua New Guinea were removed from FATF monitoring under its On-Going Global AML/CFT Compliance Process.

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

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

August 30, 2016
[Frontline Series: Essential Compliance Regulations for the Frontline - Webinar](#)
3:00 - 4:30 ET

August 31, 2016
[IRA Conversions & Recharacterizations: Understanding Requirements & Avoiding Errors - Webinar](#)
3:00 - 4:30 ET

September 7, 2016
[Financial Literacy Part 1: Understanding the NCUA Regulation & the 7 Critical Risk Areas Directors Should Track - Webinar](#)
3:00 - 4:30 ET

September 8, 2016
[Lending Series: Writing Effective Credit Memos & Loan Narratives - Webinar](#)
3:00 - 4:30 ET

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

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**.

Small-Dollar Payday, Vehicle Title and Certain High-Cost Installment Loans

On June 2, in conjunction with a field hearing in Kansas City, Missouri, the CFPB released a more than 1,300-page rule for Payday, Vehicle Title, and Certain High-Cost Installment Loans. The CFPB released the Small Business Regulatory Enforcement Fairness Act (SBREFA) proposals, prior to a Small Businesses Review Panel, for this rule more than a year ago. We have concerns that the rule will sweep in consumer-friendly credit union small-dollar loan products.

While the CFPB's proposed rule addresses some of the concerns raised by CUNA and credit unions prior to its release, and purports to exempt the National Credit Union Administration's (NCUA) Payday Alternative Loan (PAL) program as requested, in actuality it adds many new regulatory and compliance burdens for federal and state-chartered credit unions working to underwrite consumer friendly small-dollar options. The added requirements and changes to the PAL program eliminate flexibility in offering these loans, and will likely make many credit unions reevaluate their participation in the program. The rule also does not account for the diverse and unique structure of consumer-friendly small-dollar loans offered at state-chartered credit unions. To read CUNA's summary of the proposal [click here](#). GCUA would like to know your thoughts and/or concerns with this proposal. Please email Selina Gambrell at selinag@gcua.org by **August 15th**.

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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