

InfoSight Highlight

Recent Content Updates

InfoSight Highlight – Identity Theft – How Does It Affect the Credit Union?

A credit union will suffer reputation risk if its procedures do not adequately protect its members and their accounts. A credit union may also suffer a financial risk if it allows an unauthorized person to access or open an account. By making certain that the credit union staff is following current law, a credit union will have significantly protected member information and helped to prevent identity theft.

When identity theft occurs, a credit union should close the member's accounts and flag the new account to alert all staff to the previous identity theft.

If a credit union experiences an attempted or successful identity theft, it must complete and file a Suspicious Activity Report (SAR). List the violation as identity theft or pretext calling on the SAR.

Federal law and NCUA Rules and Regulations require all federally insured credit unions to prevent the disclosure of member information to third parties except as provided for in the credit union's mandated privacy policy. Among other things, 12 CFR Part 1016 published by the CFPB replacing Part 716 of the NCUA's Rules and Regulations, which implements the Gramm-Leach-Bliley privacy law, requires the credit union to take steps to:

- Prevent the disclosure of member information to third parties, unless an exception allowing disclosure applies.
- Ensure that third party vendors protect the confidentiality of member information.
- Have policies and procedures in place to guard against unauthorized persons using a pretext or ruse in order to obtain member information.
- Provide sufficient staff training on member privacy requirements.

Federally insured credit unions are required by Part 748 of NCUA's Rules and Regulations to establish a security program addressing the safeguards for customer records and information.

GEORGIA CREDIT UNION

Affiliates

**InfoSight
Compliance eNEWSLETTER**

July 18, 2016

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Credit Union National Association

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, 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 video [here](#).

Compliance Calendar

July 25

5300 Call Report Due to NCUA

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
Wednesday, 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.

Call-in information and handouts will be pushed out to newsletter subscribers prior to the call.

Send your MLA questions to compliance@gcua.org, so we address your needs during the call.

Compliance Road Trip in Georgia
In four locations, September 12 – 14
North and South Atlanta, Macon and Savannah

Ever want to be in a room filled with compliance geeks to learn and talk about things that make all your friends roll their eyes, well here's your chance! Join us for a half day of compliance Hot Topics and Best Practices! We will cover old and new topics including: Fair Credit Reporting Act, Military Lending Act, website and social media compliance, quality control within the credit union's walls, the CFPB's next move and more. This will also be a perfect networking opportunity with other compliance professionals. Click [here](#) for the event flier (PDF).

September 5, 2016
Labor Day - Federal Holiday

September 23, 2016
[Same-day ACH \(NACHA\) – Phase 1 of the implementation period for the rule](#)

October 3rd, 2016:
[DOD Military Lending Act Regulation - Effective Date](#)

October 3rd, 2016:
[NACHA's Network Quality Rule](#)

October 10th, 2016:
Columbus Day - Federal Holiday

October 24th, 2016:
[5300 Call Report Due to NCUA](#)

November 6th, 2016:
Daylight Saving Time Ends

November 11th, 2016:
Veterans' Day - Federal Holiday

November 24th, 2016:
Thanksgiving Day - Federal Holiday

December 25th, 2016:
Christmas Day - Federal Holiday

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

Compliance Training

July 18, 2016
[New FFIEC Guidance on Mobile Financial Services -](#)

To register go to www.gcua.org, the second scrolling banner will take you to an information page along with a link for registration.

Wendy's Admits Breach Hit 1,025 Restaurants

Dublin, Ohio-based fast food chain Wendy's confirmed that hackers breached customer payment card data at 1,025 of its restaurants nationwide, a number considerably higher than originally believed. Wendy's said it worked with forensic experts, federal law enforcement and card industry contacts and found that specific card information (cardholder name, card number, expiration date, cardholder verification value and service code) was targeted by malware. The investigation found that the malware first hit some franchisee systems as early as fall 2015.

"We are committed to protecting our customers and keeping them informed. We sincerely apologize to anyone who has been inconvenienced as a result of these highly sophisticated, criminal cyberattacks involving some Wendy's restaurants," Todd Penegor, Wendy's president/CEO, said. "We have conducted a rigorous investigation to understand what has occurred and apply those learnings to further strengthen our data security measures."

The company also released a list of locations affected by the breach, searchable by city and state, but did not specify how many customers took a hit. Cybersecurity expert Brian Krebs first reported the breach in January. In mid-May, the company announced in its first-quarter financial statement that the fraud only affected 5 percent of stores, fewer than 300 locations. However, a number of sources in the fraud and banking community told Krebs there was no way the Wendy's breach only affected 5 percent of stores, given the volume of fraud the financial institutions traced back to Wendy's customers.

According to CUNA, industry sources estimated the fraudulent charges have been even larger than in other recent data breaches such as those at Target and Home Depot, which combined cost credit unions more than \$90 million.

Vicki McIntosh, president/CEO of the \$21.5 million, Richmond, Mich.-based Belle River Community Credit Union, said her cooperative paid \$8,000 in fraudulent charges. In addition, the credit union paid \$1,000 in out-of-pocket costs to issue new cards because of the breach.

GCUA has been very concerned with the escalating problem of

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 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

merchant data breaches, which are resulting in significantly higher losses and mitigation costs for credit unions. In late May, Mike Mercer reached out to the leadership of CUNA, CUNA Mutual and other Leagues to share our state's concerns about the growing problem. Stating that in a quick review with several Georgia credit unions, they had experienced a substantial increase in fraud losses in 2016 as compared to 2015, most at or above 200 percent increase. GCUA has spent numerous hours along with credit union officials calling on our elected officials and regulators to use their authority to ensure that both retailers and card networks do their part to protect consumer's information.

Ondrej Krehel, founder/CEO of the New York City-based LIFARS, a digital forensics and cybersecurity intelligence firm, noted, "Malware distribution is becoming a commodity, and organized crime rings are moving laterally from target to target. No one is immune, and many times the same crime group penetrates multiple networks of various enterprises."

The Wendy's chain includes about 6,500 franchise and company-operated restaurants in the United States, 28 other countries and U.S. territories worldwide. Most of the U.S.-operated stores are franchises.

OCC Report Examines Risks for Financial Institutions

The OCC has [released](#) its Semiannual Risk Perspective for Spring 2016, which reports that strategic, credit, operational, and compliance risks remain top concerns. Highlights from the report include:

- Strategic risk remains high as banks struggle to execute their strategic plans and face challenges in growing revenue.
- Credit risk is increasing because of strong loan growth combined with easing in underwriting standards. An increase in concentrations and risk layering continues as banks strive for yield in an increasingly competitive environment. This is particularly evident in indirect auto, commercial and industrial, and commercial real estate.
- Operational risk concerns include increasing cyber threats, reliance on third-party service providers, and resiliency planning.
- Banks face challenges meeting the integrated mortgage disclosure requirements and amended Military Lending Act regulatory requirements, the latter of which takes effect on October 3, 2016, and managing Bank Secrecy Act risks.
- Low energy prices, the potential for rising interest rates, and risks associated with banks partnering with marketplace lending firms

[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

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](#) -

are of concern and being monitored, as they may develop into broader system-wide issues.

NCUA Marketing and Social Media Webinar

Credit unions can learn how to use social media to increase their web traffic, improve their brand identity and boost their lending during the National Credit Union Administration's upcoming webinar, "[Marketing – Effective Use of Social Media](#)," on August 10, starting at 2 p.m. EDT. During the free webinar, a panel will discuss how to create a social media plan, define the credit union's target audience, and determine what messages the CU wants to send to its audience, and how to have meaningful interactions with them.

Your CU Should Know...

Q & A: Do we need to remit to Department of Revenue?

Question: We are looking for an answer. We have a couple of Safe Deposit Boxes that we drilled and are preparing to remit to the Department of Revenue. However, the contents appear to be nothing of value. Specifically, they are:

- Envelope containing money order purchase receipts
- Empty currency strap
- Empty stamp envelope
- A book of Bank of America checks
- Bank of America Passcode

Do we need to remit to the Division of Unclaimed Property; is this type of content required to be escheated?

Answer: According to the Division of Unclaimed Property, the credit union needs to turn over everything found; whether or not it is anything of value. The Department of Revenue will make the determination of value and decide whether to destroy or not.

230+ policies at your fingertips: How is that possible, you say? As part of your affiliation with GCUA we provide PolicyPro access. Go to the website www.gcu.org and choose the Compliance drop-down and then CU PolicyPro. Apply for a password if you do not have one and you are in. PolicyPro can be used to store policies or as a go-and-grab library. Subject areas include accounting, administration, asset/liability, federal

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

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

September 12, 2016
[New Customer Due Diligence Rules for Beneficial Ownership: Implementation](#)

regulations, investments, operations, lending, record retention, security and more. These policies are robust and meant to serve the needs of many, so if they are too beefy for your needs, go to the [AIRES Exam Questionnaire](#) (Automated Integrated Regulatory Examination System) and determine if your policy meets the standards examiners are expecting. In other words, does your policy address all of the areas the exam questionnaire states should be addressed? If it does, then the rest of the information present in the PolicyPro policy can be used as an excellent starting place for procedure language.

Getting started is easy and [support is available](#) with guides, videos, technical assistance and FAQs.

A quarterly [newsletter](#) is also published to keep users up to date on what has changed.

SSA to reduce cost of SSN verification service: The Social Security Administration has [posted a notice](#) in the Federal Register that for fiscal year 2017, which begins October 1, 2016, the transaction fee for SSA's Consent Based Social Security Number Verification (CBSV) service will be reduced from the current fee of \$1.40 to \$1.00 per SSN verification. The one-time non-refundable enrollment fee of \$5,000 will remain unchanged. The CBSV service was first announced in a notice at [72 FR 45079](#) on August 10, 2007. A [User Guide for the CBSV service](#) is available on the ssa.gov website.

CFPB on BancorpSouth Bank mortgage discrimination action: The Consumer Financial Protection Bureau has posted an article in [Spanish](#) and [English](#) on the recent action taken by the Bureau and the Justice Department that would require BancorpSouth Bank to pay millions to harmed consumers. The article describes how undercover testers were used to document disparate treatment afforded African-American and white consumers. For more information, see [“BancorpSouth pays \\$10.6 million for mortgage discrimination”](#).

OFAC adds Cuba FAQs: The Office of Foreign Assets Control has [updated its Cuba-related FAQs](#) to add questions about the use of the U.S. dollar in certain transactions.

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

[Game Plan](#) - Webinar **3:00 - 4:30 ET**

September 12 – 14, 2016
[Georgia Compliance Road Trip](#)
North and South ATL, Macon and Savannah
Check link for times

September 13, 2016
[Navigating Compliance Issues for Promotions, Bonuses, Contests & Sweepstakes](#) - Webinar
3:00 - 4:30 ET

September 19, 2016
[HMDA Roadmap Part 1: Impact, Important Changes & Implementation Considerations for Lenders](#) - Webinar
3:00 - 4:30 ET

September 20, 2016
[Director Series: Director & Officer Liability: Rules, Risks & Trends](#) - Webinar
3:00 - 4:30 ET

September 21, 2016
[ACH for the Frontline](#) - Webinar
3:00 - 4:30 ET

September 22, 2016
[Debt Collection Series: Best Practices for Garnishments & Levies: Getting It Right!](#) - Webinar
3:00 - 4:30 ET

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

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@gcu.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 Unions 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@gcu.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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Email compliance@gcua.org.