InfoSight
Compliance eNEWSLETTER
September 22, 2017
Vol. 11, Issue 37

Created in partnership with the

Credit Union National Association

InfoSight Highlight

Field of Membership

A federal credit union may have one of four types of charters, defining its common bond/field of membership that it may serve. For a complete description of the rules and procedures regarding each charter type, credit unions should refer to the Appendix B to Part 701—Chartering and Field of Membership Manual.

Briefly, the four types of charters are:

- **Single-occupational common bond**: If a credit union serves a single-occupational sponsor, such as ABC Corporation, it will be designated as an occupational credit union. A single occupational common bond credit union may also serve a trade, industry, or profession (TIP), such as all teachers.

- **Single-associational common-bond**: If a credit union serves a single associational sponsor, such as The Ohio State University Alumni Association, it will be designated as an associational credit union.

- **Multiple-occupational/associational common-bond**: If a credit union serves more than one group, each of which has a common bond of occupation and/or association, it will be designated as a multiple-common-bond credit union. A multiple common-bond federal credit union may include in its field of membership, without regard to location, communities satisfying the definition of underserved areas in the Federal Credit Union Act. Adding an underserved area will not change the charter type of the multiple-common-bond federal credit union. More than one multiple-common-bond credit union can serve the same underserved area.

- **Community**: A community charter is based on a single, geographically well-defined local community, neighborhood, or rural district where individuals have common interests and/or interact.
    - NCUA recognizes three presumptive Well-Defined Local Communities:
        - A single Political Jurisdiction;
        - Core Based Statistical Area; or

Compliance Videos

Quarterly Update for Q2 and Q3 2017

This video reviews a few important laws and regulations that will impact our credit unions in the 2nd and 3rd quarters of 2017. League InfoSight CEO Glory LeDu covers the **DOL – Fiduciary Rule** effective 6/9/17, Phase II of the **NACHA Same Day ACH**, the changes to the **DOD - Military Lending Act** related to credit cards, and an overview to the 1st set of changes made to **Mortgage Servicing**.

Mortgage Servicing Rule

This video provides more detailed information from Glory LeDu, CEO of League InfoSight, regarding the upcoming **Mortgage Servicing Rules**, ***effective 10/19/2017***. Be sure to

- A Combined Statistical Area (“CSA”) (added with the October 27, 2016 FOM Rules)

Who can federal credit unions serve?

A federal credit union's charter provides the description of its field of membership. Field of membership is defined as the persons (including organizations and other legal entities) a credit union is permitted to accept for membership. Generally, a credit union may only offer share accounts and grant loans (and various other authorized services) to persons within the field of membership who have actually become members of the credit union.

A credit union should refer to its own charter (Section 5) and bylaws (Article II) to determine if a business or organization is eligible for membership. Membership requirements depend on:

- The type of charter the credit union holds (single occupational common-bond, single associational common-bond, multiple common bond, or community)
- The type of business entity or organization (sole proprietorship, partnership, corporation, Limited Liability Company, or club/association)

For additional information, click here for the topic.

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

Compliance News

Top 10 ways to protect yourself in the wake of the Equifax data breach

Whether or not you are among the millions of people affected by the recent Equifax data breach, there are several steps you can take to respond when your personal information is exposed in a data breach.

We outlined several identity theft tips for you last week. Since then, people have been asking many questions and we will continue to work to provide answers—or point people to other resources that may help make the situation clearer.

Free credit monitoring offered by Equifax

review this video to ensure you are in compliance with these upcoming changes.

Member Business Lending

This video provides the details you will need to know to comply with the NCUA’s Member Business Lending rules.

Compliance Calendar

October, 2017

- October 3rd, 2017: Military Lending Act for Credit Cards
- October 9th, 2017: Columbus Day - Federal Holiday
- October 19th, 2017: Amendments to the 2013 Mortgage Rules under the Real Estate Settlement Procedures Act - Regulation X and the Truth in Lending Act -Regulation Z
- October 29th, 2017: 5300 Call Report Due to NCUA

November, 2017

- November 10th, 2017: Veterans' Day (Observed) - FRB will be open

Equifax is offering a free monitoring service to anyone—not only those who are affected by this breach. Since this is a free service, you should consider signing up for this service, if it makes sense for you, by visiting equifaxsecurity2017.com .

Any time you are offered free credit monitoring, make sure you check for:

- Trial periods
- Fees
- Cancellation requirements
- Other restrictions, such as automatic renewals
- Whether you are being asked to give your credit card, debit card, or bank account information

If you don't give your credit card, debit card, or bank account information, that helps to avoid getting automatically renewed and charged for something that you expected to be free. This will also help to make sure you don't face unexpected fees, charges, or other limitations.

Credit monitoring and arbitration

In the initial response to the data breach, people were concerned over an arbitration clause to enroll in Equifax's TrustedID program for credit monitoring. Originally, this clause stated that claims and disputes against the company would be settled by arbitration, as opposed to in a court of law.

In an update for consumers , Equifax announced that it has removed the arbitration clause language from its terms of use for the credit monitoring product, called TrustedID Premier. With this change, the company has stated that anyone who enrolls in the company's free credit file monitoring and identity theft protection will not waive their right to pursue legal action or join a class-action lawsuit concerning the cybersecurity incident or the TrustedID Premier product provided in response to that incident, should you choose.

Top 10 ways to protect your personal information from being misused

1. Review your credit report. You are entitled to a free credit report every 12 months from each of the three major consumer reporting companies (Equifax, Experian and TransUnion). You can request a copy from AnnualCreditReport.com .

- November 23rd, 2017: Thanksgiving Day - Federal Holiday

December, 2017

- December 25th, 2017: Christmas Day - Federal Holiday

January, 2018

- January 1st, 2018: Home Mortgage Disclosure Act – Regulation C (CFPB), most provisions – Effective date

March, 2018

- March 16th, 2018: Same-day ACH (NACHA) – Phase 3 of the implementation period for the rule.

April, 2018

- April 1st, 2018: Prepaid Accounts under the Electronic Fund Transfer Act/Regulation E and the Truth In Lending Act/Regulation Z (Date Extended)

May, 2018

- May 11th, 2018: Customer Due

2. Consider a security freeze. A security freeze or credit freeze on your credit report restricts access to your credit file. Creditors typically won't offer you credit if they can't access your credit reporting file, so a freeze prevents you and others from opening new accounts in your name. In almost all states, a freeze lasts until you remove it. In some states, it expires after seven years.

3. Set up a fraud alert. Fraud alerts require that a financial institution verifies your identity before opening a new account, issuing an additional card, or increasing the credit limit on an existing account. A fraud alert won't prevent lenders from opening new accounts in your name, but it will require that the lenders take additional identification verification steps to make sure that you're making the request. An initial fraud alert only lasts for 90 days, so you may want to watch for when to renew it. You can also set up an extended alert for identity theft victims, which is good for seven years.

4. Read your credit card and bank statements carefully. Look closely for charges you did not make. Even a small charge can be a danger sign. Thieves sometimes will take a small amount from your checking account and then return to take much more if the small debit goes unnoticed.

5. Don't ignore bills from people you don't know. A bill on an account you don't recognize may be an indication that someone else has opened an account in your name. Contact the creditor to find out.

6. Shred any documents with personal or sensitive information. Be sure to keep hard copies of financial information in a safe place and be sure to shred them before getting rid of them.

7. Change your passwords for all of your financial accounts and consider changing the passwords for your other accounts as well. Be sure to create strong passwords and do not use the same password for all accounts. Don't use information such as addresses and birthdays in your passwords. For more tips on how to create strong passwords read more on the Federal Trade Commission's (FTC) blog .

8. File your taxes as soon as you can. A scammer can use your Social Security number to get a tax refund. You can try to prevent a scammer from using your tax information to file and steal your tax refund by making sure you file before they do. Be sure not to ignore any official letters from the IRS and reply as soon as possible. The IRS will contact you by mail; don't provide any information or account numbers in response to calls or emails.

Diligence – CDD (FinCEN) – Effective date

Compliance Training

Regulatory Compliance Training

NCUA Field-of-Membership Rule

Get more information about the NCUA' new field-of-membership rule by watching the agency's webinar online and review questions and answers from the event.

The NCUA Board unanimously approved the new field-of-membership rule at its October 2016 open meeting.

NCUA videos on effective board meetings

The NCUA has released a new video series, "Effective Board Meetings," designed to help credit union directors make the best use of their meetings. The four-part series features different examples of well-run and poorly run board meetings. It also provides helpful tips on how to run constructive meetings and create an environment that engages a

9. Active duty servicemembers are eligible for additional protections, and should also monitor their credit carefully. Learn more about what you can do if you're currently serving at home or abroad.

10. If you are the parent or guardian of a minor and you think your child's information has been compromised, here are some steps from the FTC you can take to protect their information from fraudulent use. If you think you or your child's identity has already been stolen you can follow checklists and additional steps provided by the FTC to begin recovering from a case of identity theft.

Source: CFPB Blog

CFPB recovers $14M for consumers

The CFPB has announced that recent supervisory actions have resulted in $14 million in relief to more than 104,000 harmed consumers from January through June 2017. Findings in the Bureau's Summer 2017 Supervisory Highlights report include that some banks misled consumers about checking account fees or overdraft coverage, and some credit card companies deceived consumers about pay-by-phone fees. The report also found some auto lenders had wrongly repossessed consumers' vehicles, and some debt collectors improperly communicated with consumers about debts. CFPB's examiners also found some companies did not follow the Know Before You Owe mortgage rules and some servicers failed to follow steps required by the Bureau's mortgage servicing rule to work with borrowers trying to avoid foreclosure.

Source: CFPB

Back to Basics: The TRID Mailbox Rule

Questions about various aspects of the confusing, complex and burdensome TILA-RESPA Integrated Disclosure Rule are some of the more frequently asked questions the CUNA compliance team answers. Sometimes we receive questions about the different means of delivery for the Loan Estimate and Closing Disclosure, as well as the timing requirements for each. Therefore, today's Back to Basics will throw it all the way back to 2015 and summarize the key elements of the so-called "mailbox rule" under TRID, which is the default rule of law for

credit union's board members.

CUNA AND CUNA Webinars

CUNA offers hundreds of online training events that make it easy for you to learn right at your desk. Whether you are looking for a beginner course or want a comprehensive understanding on a specific topic, CUNA webinars, audio conferences and eSchools have what you need.

Click here for updates on compliance, operations, lending topics and more!

MLA Part Two: New Credit Card Rules Webinar

Will you be ready for the changes, effective October 3, 2017? CUNA has provided a recorded webinar from July 13, 2017 to help!

establishing the time at which the disclosure is deemed to be received by the borrower.

Under TRID, the lender is required: (1) to deliver the Loan Estimate (LE) no later than the third business day after the lender receives the consumer's application for a mortgage loan and (2) to ensure that the consumer receives the Closing Disclosure (CD) no later than three business days before consummation of the loan. Consummation is the moment the borrower becomes contractually obligated on the loan (when they sign the loan documents). If the disclosures are provided in person it is easy to confirm receipt but what if they are sent by mail or e-mail? Regulation Z provides that if any required disclosures are not provided to the consumer in-person, then the consumer is considered to have received the disclosures three business days after they are delivered or placed in the mail (the so-called "mailbox rule"). The creditor may, alternatively, rely on evidence that the consumer received the disclosures earlier than three business days.

Let's take a look at the three main delivery channels for the disclosures, the mailbox rule for each type of delivery, and acceptable forms of proof of delivery that serve as alternative evidence that the disclosures were received in advance of the third day.

- **Snail Mail:** The default rule here is that the disclosures are deemed to have been received three business days after the LE or CD is placed in the US mail. Alternatively, an overnight delivery receipt signed by the borrower can also serve as proof of delivery before the third day.

- **E-delivery:** If choosing an electronic delivery channel, you must first obtain the borrowers consent to electronic delivery prior to sending the LE and CD. Similar to the snail mail rule above, the disclosures are deemed received three business days after they are sent through an e-delivery system. Acceptable forms of proof o include an "e-consent" from the borrower authorizing electronic delivery and a "read receipt" received from the borrower.

- **In-Person:** For delivery in-person, the LE is deemed received the day it is signed by the borrower. The CD is deemed received the day it is signed by the primary borrower on purchase money transactions, and by each borrower/each party on the title on refinance transactions. Since you received the borrowers' signature(s) in person, no other forms of evidence are necessary.

So when you are thinking about delivering disclosures, consider the delivery channel you will be using and make sure you are complying with the applicable timing and proof of delivery requirements specific to that delivery channel. For more information, the TRID disclosure delivery requirements can be found in §1026.19(e) and §1026.19(e) of Regulation Z.

Source: CUNA Compliance Community Blog

Advocacy Highlight

CUNA Takes Breach Concerns to Equifax, Requests Briefing

CUNA President/CEO Jim Nussle encouraged Equifax to take additional steps to notify all consumers impacted by its data breach in a letter sent Wednesday. Equifax announced the breach late last week, which it said impacts 143 million American consumers, with an additional 209,000 credit card numbers also being stolen.

"We encourage Equifax to develop stronger methods to ensure that all consumers have been contacted and fully appreciate the implication of the breach to their credit file and the risks of identity theft," Nussle wrote. "We leave this method up to your organization but remind you again that a press release and generic letter likely do not suffice for an entity like Equifax that is unknown to many consumers."

Nussle also noted that, since Equifax does not have a direct relationship with consumers, it may be unknown to them. Therefore, correspondence from Equifax may be viewed as junk mail, or suspicious, and may miss notification they were affected by the breach.

"We also encourage Equifax to immediately provide more information to consumers and businesses impacted by the breach," Nussle wrote. "The vacuum of information available only serves to sow additional angst for credit unions and consumers and does little to help Equifax protect them from the breach."

Nussle also requested a detailed briefing regarding the breach and consumer notification and protection efforts, so CUNA can adequately inform its member credit unions of the negative impact the breach might have on operations.

CUNA has spent considerable time monitoring and studying the breach and its implications, and hopes a briefing will allow it to more fully assess the effects.

Source: CUNA News

Credit Unions Advocacy Efforts Payoff with House Appropriations Bill

Last week, the House in favor of H.R. 3354, an appropriations bill that contains several major victories for credit unions. The bill keeps NCUA out of the appropriations process, a provision the CUNA/League system advocated heavily for on Capitol Hill, and contains significant regulatory relief, including changes to the Consumer Financial Protection Bureau (CFPB).

Prior to the recent vote, CUNA sent a letter to House Speaker Paul Ryan and Minority Leader Nancy Pelosi outing CUNA's position and urging their support for H.R. 3354.

CUNA engaged heavily with leagues, credit unions and members to advocate for the adoption of the bipartisan Amodei-Aguilar amendment, and issued an action alert through its Grassroots Action Center for stakeholders to reach out to their legislators.

CUNA-backed changes to the CFPB in the bill include:

- Removes the CFPB's unfair, deceptive or abusive acts or practices authority;
- Places the CFPB under the appropriations process;
- Repeals the CFPB's authority to write rules for arbitration;
- Repeals the CFPB's Small Business Data Collection program;

The bill also contains CUNA-supported provisions to provide community financial institution mortgage relief, and a safe harbor for certain loans held in portfolio.

The bill also cuts the Treasury's Community Development Financial Institutions (CDFI) Fund by $58 million from FY17 levels. However, this still leaves it funded at pre-recession levels.

The many regulatory relief provisions in this bill, as well as the removal of language placing NCUA under appropriations, is a direct result of

CUNA, the leagues, credit unions and members strongly advocating on behalf of 110 million credit union members.

The bill's report includes language that is helpful to credit unions as well. It includes:

Regulation of Community Financial Institutions —The Committee remains concerned with Federal regulation of community banks and credit unions. The Committee requests each financial regulator to consider the risk profile and business model of a financial institution when the regulator engages in a regulatory action. In doing so, the regulator must determine the necessity, appropriateness, and impact of applying its regulatory action to an institution or class of institutions, and importantly, is directed to tailor its regulatory action in a manner that limits the regulatory compliance impact, cost, liability risk or other burdens as is appropriate for the risk profile and business model involved.

Puerto Rico —Within 90 days of the date of enactment of this Act, the Department is directed to provide a report to the Committees on Appropriations of the House and Senate describing how the Department has used its authority to provide technical assistance to Puerto Rico in fiscal year 2017 and how it plans to use it in fiscal year 2018.

Cybersecurity —The Committee recognizes the need to protect the financial services sector and its customers from the devastating effects of cyberattacks. While both industry and government have taken significant steps to mitigate this threat, there is more work to be done. The Committee encourages continued coordination to develop consistent and workable cybersecurity safeguards across the financial services sector. Consistent with this goal, the Committee directs the Office of Critical Infrastructure Protection and Compliance Policy (OCIP) to report to the Committees on Appropriations of the House and Senate, the Committee on Financial Services of the House, and the Committee on Banking, Housing, and Urban Affairs of the Senate within 60 days of enactment of this Act on the status of this collaboration and ways to improve cybersecurity controls and safeguards.

Financial Literacy —The Committee believes financial literacy is important and that the Department can be helpful to entities, like universities, state and local educational agencies, qualified nonprofit agencies, and financial institutions who may want to establish centers of excellence to develop and implement effective standards, training and outreach efforts for financial literacy programs. The Committee encourages the Department to use the Financial Literacy and Education

Commission to look into the feasibility of a program to make competitive grants to qualified institutions.

Source: CUNA Removing Barriers Blog

CUNA Advocacy Update

The CUNA Advocacy Update is published at the beginning of every week and 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. Additional Advocacy efforts may also be found under CUNA's Removing Barriers blog.

New ComplySight Enhancements – File Manager!

ComplySight's newest enhancement, File Manager, is now available and you can learn all about it in this 35-minute video. File Manager allows users to upload files and documents individually or in bulk and associate them to Areas, Items and/or Factors. If you have any questions, please feel free to contact info@complysight.com.

ComplySight Training is Available!

Not sure how to get started, or want a refresher on how to use ComplySight? Or are you interested in seeing more of how ComplySight works? We are excited to make available recorded webinars to help you get the most out of ComplySight! We currently have seven training modules available! The ComplySight training webinars are available at any time, and registration is not required. Click here to start training today!

ComplySight: 30 Day Free Trial!

If you're interested in a "trial run" of ComplySight, League InfoSight is offering a free, 30-day trial so you can see the benefits first-hand. It's easy to get started. Just visit us online and click on Free Trial Offer.