

## InfoSight Highlight

### InfoSight Highlight – Other Real Estate Owned (OREO)

#### What actions should federal credit unions take to ensure compliance with OREO accounting and auditing requirements?

According to the NCUA Examiner's Guide, federal credit unions should account for and value foreclosed assets acquired by the credit union as OREO as follows:

- Presume OREO is "held-for-sale". The credit union should obtain appraisals or broker price opinions and onsite inspections as warranted to support the value of the property in question. (Note: generally, federal credit unions cannot hold OREO for the production of income. Therefore, this discussion of the accounting rules for OREO is limited to OREO-held-for-sale).
- Record OREO at foreclosure at fair value less estimated cost to sell. After foreclosure, the credit union should account for OREO held-for-sale at the lower of fair value minus estimated costs to sell, or at cost. Credit unions should periodically evaluate the property for impairment and write down its carrying value if warranted. Often foreclosures need substantial refurbishments, such as new paint and carpeting, to make them marketable. Credit unions should factor estimated refurbishment costs into the carrying value.
- Report as a liability the principal amount of any debt to which the OREO is subject, and not deduct it from the carrying amount of the asset (i.e., tax lien, mechanic's lien).

For Federal Credit Unions under \$10 million in assets, Section 300 of the NCUA Accounting Manual provides additional guidance and illustrations of accounting for OREO.

Pursuant to NCUA Letter to Credit Unions 08-CU-25, when determining the appropriate program and time-frame for holding foreclosed assets, credit unions should perform a risk assessment and develop policies and procedures establishing overall limits and guidelines for the level of risk the credit union could sustain and still ensure continued safety and soundness. Credit unions should also take various factors into consideration when marketing foreclosed assets for sale.

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

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## 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 2<sup>nd</sup> and 3<sup>rd</sup> 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 1<sup>st</sup> 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**

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

## Compliance News

### Web Content Accessibility Guidelines (WCAG 2.0)

As most of you are aware, we remain in a holding pattern when it comes to the Department of Justice (DOJ) issuing website accessibility regulations under Title III of the Americans with Disabilities Act (ADA). Waiting for official regulations, however, is no longer an option as the number of lawsuits alleging inaccessible websites continues to grow.

In the absence of regulations, credit unions have asked what technical standard they should use since current Title III regulations do not specify a standard for accessible websites. The gold standard is the [Web Content Accessibility Guidelines \(WCAG\) 2.0](#), developed by the World Wide Web Consortium (W3C). The W3C is an international community that "develops open standards to ensure the long-term growth of the Web."

So, where do you get started? The WCAG 2.0 is a technical standard written for web developers. But there are a number of non-technical explanatory resources available on the consortium's website as well. Additional resource links appear below, but you may want to begin with [Easy Checks - A First Review of Web Accessibility](#). Then move on to [Tips for Getting Started with Web Accessibility](#), which includes:

- Designing for Web Accessibility: tips for user interface and visual design.
- Writing for Web Accessibility: tips for writing and presenting content.
- Developing for Web Accessibility: tips for markup and coding.

The United States Access Board [adopted WCAG 2.0 as its accessibility standard for federal agency websites](#) in January 2017 (note: these are not DOJ Title II regulations for public entities -- they're on hold as well). So, it's quite likely that the DOJ will also adopt this standard for non-agency websites whenever it gets around to issuing Title III regulations for "public accommodation" websites. However, please note that WCAG 2.1 is currently under development and is scheduled to be published as a standard some time in 2018. So, these standards will be tweaked in the future. Nevertheless, it's a good idea to evaluate and create a plan of action for your website sooner rather than later to bolster your credit union against the recent flood of ADA web-related lawsuits.

**Servicing Rules, effective 10/19/2017.** Be sure to 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 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
- November 23rd, 2017: Thanksgiving Day - Federal Holiday

### December, 2017

Sources:

[W3C Web Accessibility Initiative \(WAI\)](#)

[United States Access Board](#)

CUNA News Now: [CUNA, leagues push for ADA website guidance from DOJ\(10-11-17\)](#)

CompBlog Post: [ADA Website Accessibility: Common Problems and Solutions\(2-8-17\)](#)

### Back to Basics: Disaster Preparedness

Hurricanes Harvey, Irma and Maria, as well as the wildfires currently raging in California, serve as a harsh reminder of the importance of disaster preparedness – for both institutions and individuals. Federally-insured credit unions (FICUs) are required to have disaster recovery and business resumption contingency plans in place to address all types of operational disruptions, from short-term power outages to natural disasters that have the potential to physically destroy the credit union’s premises. The question is: how prepared is your credit union to respond to the next unforeseen catastrophic event?

According to NCUA’s many risk alerts and guidance letters on the subject, a credit union’s disaster preparedness program should:

- Be commensurate with the institution’s complexity of operations;
- Minimize interruptions of service to members and maintain member confidence in times of emergency; and
- Be reviewed at least annually, and address changes in the credit union’s operations.

NCUA’s Catastrophic Act Preparedness Guidelines (Part 749, Appendix B) provide recommendations for developing (and maintaining) a disaster recovery program, with the oversight and approval of the credit union’s board of directors. The program should include the following elements:

**A business impact analysis to evaluate potential threats.** After evaluating the credit union’s exposure to a full range of possible disasters, management and/or the disaster recovery team should consider the cost, duration, and impact of critical service/system disruptions on the credit union’s operations or financial condition. For example, how will the

- 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 Diligence – CDD (FinCEN) – Effective date

Compliance Training

credit union handle a power outage that disrupts all electronic forms of payments for several days? What would the credit union do if it's main and/or branch office facilities are not available for an extended period of time?

**A risk assessment** to determine critical systems (buildings, hardware, software, power sources, telecommunications, etc.) and necessary resources (financial, personnel, etc.) Credit unions should prioritize the risks to critical systems/services and develop contingency plans accordingly.

**A written plan** addressing:

- Individuals with authority to enact the plan (e.g., senior management, disaster recovery team members);
- Preservation and ability to restore vital records (per NCUA's Part 749);
- A method for restoring of vital member services through identification of alternate operating location(s) or mediums to provide services, such as telephone centers, shared service centers, agreements with other credit unions, or other appropriate methods;
- Communication methods for employees and members (also vendors, bonding company, and any business partners, as necessary);
- Notification of regulators (i.e., catastrophic act report required by NCUA's Part 748);
- Training and documentation of training to ensure all employees and volunteer officials are aware of procedures to follow in the event of destruction of vital records or loss of vital member services; and
- Testing procedures, including a means for documenting the testing results.

**Internal controls** for reviewing the plan at least annually and for revising the plan as circumstances warrant, for example, to address changes in the credit union's operations; and

**Annual testing.** To ensure the contingency plans actually work, a credit union should test (i.e., validate) the plan at least annually or when a significant change takes place. The test should determine if the credit union could recover to an acceptable level of business within the time-frame stated in the disaster recovery plan. Examples of testing methods include, but are not limited to, simulations, role-play, walk-throughs, and alternate site reviews. Disaster drills should include all critical functions and areas of the credit union. The credit union should document the test

## Regulatory Compliance Training

### 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 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 is making [this webinar](#) available on July 13, 2017 to help!

and maintain work papers to demonstrate that responsible staff tested all critical functions and areas of the institution.

*Source: CUNA Comp Blog*

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### CFPB updates HMDA implementation tools

The CFPB has notified those on its mailing lists that it has updated selected implementation tools for its 2017 HMDA Final Rule (effective January 1, 2018):

- Updated Filing Instructions Guide (FIG), found on the Bureau's [Resources for HMDA Filers](#) webpage.
- Found on the Bureau's [HMDA Implementation](#) webpage:
  - Chart on Collection and Reporting of HMDA Information about Ethnicity and Race
  - New chart, Reportable HMDA Data: A Regulatory and Reporting Overview Reference

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### Correcting the Record on CFPB's Arbitration Rule

This summer, the Consumer Financial Protection Bureau [issued a rule](#) that prevents financial companies from using arbitration clauses to deny groups of consumers the ability to pursue their legal rights in court. We put this rule in place after conducting a comprehensive study that found that arbitration clauses were effectively blocking billions of dollars of relief for millions of harmed consumers. Still, some continue to question the impact of our rule on consumers and financial institutions. CFPB Director Richard Cordray recently addressed these criticisms in a column, published in [The Hill](#) on October 16. For more information, see [Director Cordray's letter](#) responding to an inquiry from U.S. Senator Sherrod Brown (including a memorandum from the Bureau's Office of Research) and [Director Cordray's August op-ed](#) in the New York Times.

*Source: CFPB*

**Advocacy Highlight**

**[NCUA Proposes Relief for its Official Advertising Statement \(Replies due by 11/30/17\)](#)**

NCUA issued a proposal last week to allow for a fourth (shorter) official advertising statement option - “Insured by NCUA”. The proposal also exempts radio and TV advertisements of less than 30 seconds from the official advertising statement requirement. This is a change from the current 15 second radio and TV ad exemption. (Basically, this will put the exemption back to its pre-2011 status, equal with FDIC’s requirements for banks).

Finally, the proposal eliminates the requirement to include the official advertising statement on “statements of condition required to be published by law.”

NCUA is requesting comments about “whether the regulation should be modified to facilitate the trend in advertising via new types of social media, mobile banking, text messaging and other digital communication platforms, including Twitter and Instagram. The comments should focus on specific recommendations that balance the regulation’s goal to inform the public with space and other constraints inherent in new forms of advertising.”

Here’s your chance to share all of your frustrations and challenges regarding this rule with NCUA. Comments are due to the agency by December 4, 2017. Share comments, bullet points, or your thoughts in any form with CUNA’s Regulatory Advocacy team. They will include them in CUNA’s letter – so get them to CUNA by the end of November. Or feel free to send your thoughts through [cucomply@cuna.com](mailto:cucomply@cuna.com) and they will be passed on to CUNA's Advocacy Team.

For more information: [Accuracy of Advertising and Notice of Insured Status](#)

*Source: CUNA Comp Blog*

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### **TCPA Petition: Member Webinar Held to Discuss Petition and CU Participation**

CUNA and counsel addressed the Telephone Consumer Protection Act (TCPA) petition recently filed with the FCC with more than 230 credit union professionals in a member webinar on Wednesday afternoon.

“With new leadership at the FCC, we recognized there might be an opportunity for some relief from the onerous TCPA requirements we’ve been seeing over the past few years,” said Leah Dempsey, CUNA Senior

Director of Advocacy and Counsel. “FCC Chairman [Ajit] Pai and Commissioner [Michael] O’Rielly, who are now in the majority at the FCC, were dissenters to the 2015 order that has been so problematic for credit unions.”

CUNA has asked the FCC for [an exemption for certain calls](#) and texts from credit union to members’ cell phones from the TCPA’s prior consent requirement. The FCC [issued](#) CUNA’s petition for public comment last week.

If granted, the exemption would apply to:

- Wireless informational calls to credit union member-owners with whom the credit union has an established business relationship; or
- A call or text that is free to the receiving party.

CUNA provided the FCC with a clear road map as to how credit unions and their members are impacted by the lack of clarity surrounding compliance with the TCPA.

In addition to submitting the petition and hosting the webinar, CUNA also:

- Created a webpage with the [latest TCPA Information](#);
- Reached out the NCUA & CFPB to request support for the petition;
- Finalizing a Grassroots Action Center for credit unions to participate in the process;
- Is in the process reaching out to Members of Congress; and
- Working with coalition partners to back the petition.

CUNA is excited about the opportunity for the credit union system to participate and inform the FCC of how the TCPA affects the way they communicate with their member-owners.

A [recorded version](#) of the webinar is available for CUNA members.

*Source: Removing Barriers Blog*

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## **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.

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### **New ComplySight Enhancements – COMPLAINT MANAGEMENT SYSTEM**

ComplySight's newest enhancement, Complaint Management System, allows credit unions to enter, track, assign, resolve and report on member and non-member complaints that are submitted to the credit union.

Although part of ComplySight, it is a separate and distinct system, sharing only the Administrative user access. To view an overview of this wonderful enhancement, visit the [ComplySight Training Webinars](#) page on our website! There you will also find additional videos related to the Complaint Management System and its use.

If you have any questions, please feel free to contact [info@complysight.com](mailto: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.](#)