

InfoSight Highlight

IRS Form 1098

Credit unions (i.e., "interest recipients"/lenders) who receive mortgage interest payments of \$600 or more during a calendar year, must report those interest payments to both the member (i.e., payer of record making those payments) and to the IRS on "Form 1098, Mortgage Interest Statement."

In 1994, the IRS issued a final regulation on reporting prepaid interest in the form of points paid on residential mortgages. Although this regulation took effect December 8, 1994, the reporting requirements do not apply to points received before January 1, 1995.

The IRS compares the 1098 provided by the credit union with the mortgage interest payments claimed as deductions on the member's income tax return.

What is a mortgage?

For purposes of this reporting requirement, a mortgage is defined as an obligation (e.g., a loan) secured (all or in part) by real property. It is the credit union's responsibility, as the interest recipient, to make the determination as to what a mortgage is. Note that real property includes a manufactured home, including certain mobile homes.

How do multiple mortgages effect credit unions?

The credit union must file a separate 1098 for each mortgage on which it received interest of \$600 or more during a calendar year. If the credit union receives less than \$600 of interest on a mortgage then no reporting is required.

What are mortgage interest payments?

According to Form 1098, the term mortgage interest includes "interest on any obligation secured by real property, including a home equity, line of credit, or credit card loan."

[Click here to view the topic](#), and to ensure your credit union is in compliance.

Compliance News

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Credit Union National Association

Compliance Videos

NEW! Compliance Outlook for Q4 2017

In this video, Glory LeDu provides a [brief summary of the key changes of the new HMDA rules](#) becoming effective in January. You won't want to miss this important overview!

Quarterly Update for Q4 and Review of Q3 –

This newly released [Compliance Connection video](#) reviews those laws and regulations effective in the 3rd Quarter of 2017 and tells credit unions what to prepare for in the 4th Quarter of 2017 as well as what's coming up in the first half of 2018. You won't want to miss it!

Just a reminder that Compliance videos since 2016 can be found on YouTube at [the Compliance Connection channel](#), where they are generally updated quarterly.

The 2017 Tax Reform Bill: FAQ on the Deductibility of Home Equity Interest

CUNA Compliance has received several questions as of late regarding how the recently enacted tax reform legislation (H.R. 1) will affect the deductibility of interest for home equity loans and lines of credit going forward. Let's take a closer look, keeping in mind that we are not tax law experts. Members should be advised to consult their tax advisor for further information regarding the deductibility of interest and other charges.

Under the new tax law, is interest on home equity lines of credit (HELOCs) deductible or was that deduction removed?

Section 11043 of the tax bill amends Section 163(h)(3) of the Internal Revenue Code which is found in Title 26 of the United States Code.

It provides that a deduction for interest paid on home equity indebtedness shall not be allowed for taxable years 2018 through 2025. There is no grandfather provision for this disallowance, meaning that the deduction has been temporarily eliminated for ALL home equity indebtedness regardless of when the debt was incurred.

NOTE: Section 11043 also reduces the current \$1,000,000 cap on the deductibility of interest for acquisition indebtedness to \$750,000. However, acquisition indebtedness incurred before December 15, 2017 is grandfathered at the \$1,000,000 limit.

What debt qualifies as "home equity indebtedness" for purposes of this discussion?

Section 163(h)(3)(C) defines home equity indebtedness as **any** indebtedness (other than acquisition indebtedness) secured by a qualified residence to the extent the aggregate amount of such indebtedness does not exceed:

- The fair market value of such qualified residence, reduced by
- The amount of acquisition indebtedness with respect to such residence.

Use of the word "any" would seem to indicate that either a closed-end home equity loan or home equity line of credit meets the definition of home equity indebtedness.

Compliance Calendar

January, 2018

- January 15th, 2018: Martin Luther King, Jr. Birthday - Federal Holiday

February, 2018

- February 19th, 2018: President's Day - Federal Holiday

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

NOTE: The Internal Revenue Code defines “acquisition indebtedness” as any indebtedness which is incurred in acquiring, constructing, or substantially improving any qualified residence of the taxpayer, so long as it is secured by such residence.

Does any of this affect our advertising responsibilities when it comes to home equity loans and lines of credit?

Not really. Credit unions are strongly encouraged to not place themselves in the position of giving tax advice to their members. In addition, the advertising requirements found in Sections 1026.16 (for open-end credit) and 1026.24 (for closed-end credit) of Regulation Z remain. These sections provide that in advertisements for loans secured by the member’s principal dwelling, the credit union must clearly and conspicuously state that the member should consult a tax advisor for further information regarding the deductibility of interest and charges.

Source: CUNA Compliance Blog

Agencies announce leniency on 2018 HMDA data

OCC, FDIC, and a [public statement from the CFPB](#) all state that the respective agencies do not intend to require data resubmission unless data errors are material or assess penalties with respect to errors for data collected in 2018 and reported in 2019 under HMDA and Regulation C.

The Bureau also announced it intends to open a rulemaking to reconsider various aspects of its 2015 HMDA rule, such as the institutional and transactional coverage tests and the rule’s discretionary data points.

Delay of Prepaid Accounts Rule likely

The CFPB has issued a [statement on its Prepaid Accounts Rule](#), indicating that it “expects to issue a final rule amending certain aspects of its 2016 rule governing prepaid accounts soon after the new year. As part of that process, the Bureau expects, based on its review of the comments received, to further extend the effective date of the 2016 rule to allow additional time for implementation of the final rule. The Bureau proposed making changes to the prepaid rule in June; the comment period on the proposal ended in August.”

- May 28th, 2018: Memorial Day - Federal Holiday

July, 2018

- July 4th, 2018: Independence Day - Federal Holiday

September, 2018

- September 3rd, 2018: Labor Day - Federal Holiday

October, 2018

- October 8th, 2018: Columbus Day - Federal Holiday

November, 2018

- November 12th, 2018: Veterans Day (observed) - Federal Holiday

Compliance Training

NCUA webinar on Credit Union Diversity

The NCUA presented a webinar on November 2, titled “What, Why and How: Credit Union Diversity.” An [archived recording of the webinar](#) is available online. The webinar featured credit union board members and staff leaders from Municipal

Bureau announces HMDA tools additions

The CFPB circulated an email notice last week that it has launched a HMDA Check Digit Tool and Rate Spread Calculator, both available on the CFPB/FFIEC [Resources for HMDA filers](#) webpage.

Source: CFPB

NCUA Issues Letter to Credit Unions Regarding Examination Priorities

In case you missed it, the NCUA recently issued a Letter to Credit Unions highlighting the agency's areas of examination focus for 2018: cybersecurity, bank secrecy (customer due diligence), internal controls and fraud prevention, interest rate and liquidity risk, auto lending, commercial lending, consumer compliance (HMDA, MLA, and overdraft policies). [Click here to read the details of the NCUA letter.](#)

Source: NCUA

Advocacy Highlight

Fed publishes Reg M proposal

The Federal Reserve Board has published its previously announced proposal to amend its Regulation M (12 CFR Part 213) to define its limited scope following enactment of the Dodd-Frank Act and the CFPB's issuance of its Regulation M. Both regulations implement the Consumer Leasing Act; the Fed's regulation only applies to certain motor vehicle dealers. Comments on [the Fed's proposal](#) are **due by March 5, 2018**.

Source: Federal Reserve

Tax Reform Bill Passed

At the end of 2017, the Congress passed the House-Senate tax reform conference committee of the compromise "Tax Cuts and Jobs Act" (TCJA), which would cut taxes by roughly \$1.5 trillion over ten years and would make significant changes to and simplify our nation's tax laws. [Use this link to read the details](#) of the recent passage of the tax reform bill that

Credit Union, Brooklyn, New York, Self Help Credit Union, Durham, North Carolina, and North Side Community Federal Credit Union, Chicago, Illinois. The webinar also discussed how to use the NCUA's Voluntary Credit Union Diversity Self-Assessment tool. This 28-question checklist is designed to support credit unions' diversity efforts. All credit unions, but especially those with at least 100 employees, are encouraged to complete the checklist and submit it electronically to the NCUA's Office of Minority and Women Inclusion by Dec. 30.

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!](#)

CFPB'S Amendments to the Mortgage Servicing Rules Webinar (Recorded)

Credit unions that service mortgage loans saw an

allows credit unions to maintain their non-profit status, among many other provisions.

Source: CUNA Advocacy

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. To receive this update, click on "Get CUNA Updates" on the [CUNA Advocacy page](#). Additional Advocacy efforts may also be found under [CUNA's Removing Barriers blog](#). With the recent updates to CUNA's website, Advocacy information has also changed. To view recent advocacy issues and see ways your credit union can become involved, visit the [Priorities](#) or [Actions](#) pages.

NEW COMPLYSIGHT TRAINING VIDEOS ARE NOW AVAILABLE

We are happy to announce that our training webinars have been updated! We have created a video series with shorter segments to help our users get the most out of ComplySight! These video tutorials are available 24/7!

We have created seven new video tutorials ranging in length from 5 to 23 minutes:

- ComplySight Overview and Set Up
- Set Up and Manage Users
- Assigning Compliance Reviews
- Factor Grading
- Automatic Action Items (AAI) and Manual Action Items (MAI)
- Examiner/Audit Findings
- Regulatory Alerts

To access the tutorials, log into ComplySight and click on the "Help" page, then choose "Video Tutorials." We are also in the process of revising our User Guide, so be sure to keep an eye out for those changes too. If you have any questions, please feel free to contact info@complysight.com.

increase in their servicing responsibilities in October 2017 and will see additional requirements take effect in April 2018. [Click here to register for this recorded webinar.](#)

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.](#)

