



## Compliance eNewsletter

August 7, 2020 Vol. 14, Issue 30

### InfoSight News

#### InfoSight Topic Highlight: Non-Traditional Mortgage Products

##### What types of mortgage products are considered to be “non-traditional”?

Mortgage products that allow borrowers to defer payment of principal and, sometimes, interest are considered to be “non-traditional mortgage products.” These mortgages are also known as “alternative” or “exotic” mortgage loans, which include “interest only” mortgages, “payment option” adjustable rate mortgages, and those that are underwritten with less stringent income and asset verification. These products allow borrowers to exchange lower payments during an initial period for higher payments during a later amortization period.

*If you have a member interested in a **non-traditional mortgage product**, check out this topic in the Loans and Leasing Channel!*

### Compliance and Advocacy News & Highlights

#### NCUA Board approves membership rule changes and proposals

The NCUA Board has [announced](#) it approved a final rule and two proposed rules:

- A final rule amending the chartering and field-of-membership rules for credit unions applying for a community charter approval, expansion, or conversion.
- A [proposed rule](#) that would phase-in the day-one adverse effects on regulatory capital that may result from the adoption of the current expected credit losses accounting methodology over a three year period.
- A [proposed rule](#) that amends the NCUA’s regulation governing the assessment of an annual operating fee on federal credit unions.

The [rule amending the chartering and field-of-membership regulations](#) re-adopts a provision to allow an applicant to designate a combined statistical area, or an individual, contiguous portion thereof, as a well-defined local community if the chosen area has a population of 2.5 million or fewer. Credit unions that had their combined statistical areas removed from their fields of membership because of litigation will be contacted by the agency to determine if they would like

those reinstated. If they would, then NCUA will do so as soon as the rule is effective (30 days after Federal Register publication).

*Source: NCUA*

---

## FinCEN Advisory on cybercrime during pandemic

[Advisory FIN-2020-A005](#) has been issued by FinCEN to alert financial institutions to potential indicators of cybercrime and cyber-enabled crime observed during the COVID-19 pandemic. Many illicit actors are engaged in fraudulent schemes that exploit vulnerabilities created by the pandemic.

The advisory contains descriptions of COVID-19-related malicious cyber activity and scams, associated financial red flag indicators, and information on reporting suspicious activity. FinCEN will continue issuing COVID-19-related information to financial institutions to help enhance their efforts to detect, prevent, and report suspected illicit activity on its [website](#).

*Source: FinCEN*

---

## Federal Financial Institutions Examination Council Issues Statement on Additional Loan Accommodations Related to COVID-19

The Federal Financial Institutions Examination Council on behalf of its members recently [issued a statement](#) setting forth prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as initial coronavirus-related loan accommodation periods come to an end and they consider additional accommodations.

The COVID event has had a significant adverse impact on consumers, businesses, financial institutions, and the economy. To address some of these impacts, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides several forms of relief to business and individual borrowers, and some states and localities have taken action to provide similar credit accommodations. Also, many financial institutions have voluntarily offered other credit accommodations to their borrowers.

As initial loan accommodation periods come to an end, some borrowers may be able to resume contractual payments, and others may be unable to meet their obligations due to continuing financial challenges. The agencies encourage financial institutions to consider, when appropriate, prudent options for additional accommodations that can ease cash flow pressures on affected borrowers, improve their capacity to service debt, and facilitate the financial institution's prudent management of its loans, consistent with applicable laws and regulations.

*Source: NCUA*

---

## FinCEN Issues FAQs Regarding Customer Due Diligence Requirements

The Financial Crimes Enforcement Network (FinCEN), in consultation with the federal functional regulators, issued responses to three frequently asked questions (FAQs) regarding customer due diligence (CDD) requirements for covered financial institutions. [The FAQs](#) clarify the regulatory requirements related to obtaining customer information, establishing a customer risk profile, and performing ongoing monitoring of the customer relationship.

These FAQs are in addition to those that FinCEN issued in [July 2016](#) and [April 2018](#). See FinCEN's [CDD webpage](#) for additional information regarding customer due diligence requirements.

Source: FinCEN

## CFPB Updates HMDA FAQs Related to Multiple Data Points

The CFPB updated its [HMDA FAQ](#) document to answer two new questions related to the reporting of multiple data points. The first question addresses whether financial institutions required to report the credit score, DTI and CLTV relied on in making a credit decision when such data is not the dispositive factor. The answer is yes, credit underwriting data such as credit score, debt-to-income ratio (DTI), and combined loan-to-value ratio (CLTV) must be reported if they were a factor relied on in making a credit decision—even if the data was not the dispositive factor. For purposes of Regulation C, it does not matter whether the application is approved or denied; if certain data was relied on in making a credit decision, such data must be reported.

The second FAQ answers the question of when income and property value are factors in the credit decision, though not the dispositive factor, should such data points be reported? Again here, the answer is yes. When a credit decision is made, sections 1003.4(a)(10)(iii) and 1003.4(a)(28) require reporting of the data “relied on in making the credit decision.” Hence, if these data are relied on in making a credit decision, such data must be reported. There is no requirement in Regulation C for either of these data points to be the dispositive factor in order to be reported.

Source: *CUNA Compliance Blog*

## Foundation Launches Free Disaster Recovery App for Credit Unions

The National Credit Union Foundation, in collaboration with PSCU, has launched a [free CUAid Disaster Recovery app](#) to streamline and connect credit union organizations with one another when disasters strike to quickly coordinate resources. The disaster recovery app serves as a “matching” service for credit unions to source and share emergency resources, such as generators, mobile branches and more to get credit unions back up and running as quickly as

possible. The app, generously funded by CUNA Mutual Group and FIS, was developed by CU-APPS.

Training webinars for the app will be held to train users on the app and fully prepare credit unions in case a natural disaster affects their organization and also assist others who are in need. The Foundation recommends that the individuals who will be using the app be the ones to register and attend training. If interested, please click the date and time below that works best for you:

[Wednesday, August 12th at 2 PM ET](#)

[Monday, August 24th at 2 PM ET](#)

[Wednesday, September 9th at 4 PM ET](#)

[Wednesday, September 30th at 3 PM ET](#)

[Tuesday, October 13th at 4 PM ET](#)

[Wednesday, October 28th at 3 PM ET](#)

For questions related to the CUAid app, please [contact the Foundation](#).

Source: CUNA Compliance Blog/NCUF

---

## NCUA to host Export-Import bank for webinar on small business exporters

On August 19th, the NCUA will host the Export-Import bank for a webinar on lending opportunities for small business exporters. The webinar, "Export Financing for Your Small Business Members," is scheduled for August 19, beginning at 2 p.m. Eastern. Online registration is now open for the free webinar. [Register now!](#)

---

## CUNA's Advocacy Resources:

- [This week in Washington](#)
- [CUNA Advocacy Issues - COVID-19](#)

---

## NEW! WOCCU Advocacy Resources:

In today's regulatory environment, *many financial rules are set at the international level*. National regulators often have limited discretion to deviate from international standards once they are finalized.

That's why [World Council of Credit Unions](#) (WOCCU) advocates on behalf of credit unions like yours in front of key international standard setting bodies, such as the:

- [Basel Committee on Banking Supervision](#).

- [Financial Action Task Force.](#)
- [International Accounting Standards Board](#)
- [Financial Stability Board.](#)

The [WOCCU Advocacy](#) team has succeeded in reducing regulatory burdens for credit unions in the areas of prudential regulation, anti-money laundering, taxation and accounting standards.

We now invite you to follow what our Advocacy team is working on each week right here in InfoSight!

- [Telegraph](#)
- [Advocate Blog](#)

## Compliance Calendar

- September 7th, 2020: Labor Day - Federal Holiday
- October 12th, 2020: Columbus Day - Federal Holiday
- October 25th, 2020: **5300 Call Report Due to NCUA**
- November 11th, 2020: Veterans Day - Federal Holiday
- November 19th, 2020: **Payday Lending, Vehicle Title, and Certain High-Cost Installment Loans (CFPB)**