InfoSight

Compliance eNewsletter

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InfoSight News

October is Cybersecurity Month!

Of course, it was already on your calendar, but in case you needed a reminder, the Security channel has a page dedicated to the **FFIEC Cybersecurity Assessment Tool** and it's always available for your use. A couple of new resource links have also been added: FTC Consumer Information - OnGuard Online and NCUA Fraud Prevention Center.

Compliance and Advocacy News & Highlights

Ransomware advisories

The Treasury Department announced recently that its Office of Terrorism and Financial Intelligence issued a pair of advisories to assist U.S. individuals and businesses in efforts to combat ransomware scams and attacks, which continue to increase in size and scope.

FinCEN issued an advisory [FIN-2020-A006], entitled "Advisory on Ransomware and the Use of the Financial System to Facilitate Ransom Payments," to provide information on the role of financial intermediaries in payments, ransomware trends and typologies, and related financial red flags. It also provides information on effectively reporting and sharing information related to ransomware attacks.

OFAC also issued an advisory, entitled "Advisory on Potential Sanctions Risks for Facilitating Ransomware Payments," to highlight the sanctions risks associated with facilitating ransomware payments on behalf of victims targeted by malicious cyber-enabled activities.

Source: Treasury Department/FinCEN

CFPB assessment of TRID disclosure rule

The CFPB has released a report to Congress on its formal five-year assessment of its Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) Rule (the "TRID Rule"), which took effect October 3, 2015. In its assessment, the Bureau used both its own research and external sources to evaluate the effectiveness of the Rule in meeting (1) the purposes and objectives of the Bureau and (2) the specific goals of the Rule as stated by the Bureau prior to the Rule's effective date.

Some highlights from the report:

- In laboratory testing, borrower understanding of mortgage transactions has improved due to their receipt of the required disclosures.
- The TRID Rule appears to have created sizeable implementation costs for lenders and closing companies. Based on the industry surveys, a typical cost for a lender to implement the TRID Rule was $146 per mortgage originated in 2015, or roughly 2.0 percent of the average cost of originating a mortgage. Similarly, a typical cost for a closing company to implement the TRID Rule was $39 per closing in 2015, or about ten percent of the average cost of closing.
- The TRID Rule's effects on ongoing costs is less clear. Industry data indicate that mortgage lending costs have steadily increased over the past decade. However, the Bureau does not have any data that demonstrates how much, if any, of these increased costs are attributable to the TRID Rule.
- The TRID Rule appears to have decreased mortgage originations and increased closing times, but these measures returned to pre-TRID Rule levels in a relatively short period of time.

Source: CFPB

Blanco Encourages Specificity in COVID-19-related SARs

In remarks delivered recently during a virtual AML conference, FinCEN Director Kenneth Blanco encouraged attendees to read FinCEN's advisories related to COVID-10 medical fraud, imposter scams, and cyber-related crime. He said that the most common trend FinCEN is seeing in COVID-19 related SARs involves fraudsters targeting multiple COVID-19 related government stimulus programs, employing money mules and cyber techniques. The largest share of COVID-19 SARs addresses fraud against federal or state COVID-19 stimulus programs. Stimulus programs intended to benefit both individual taxpayers and small businesses have been targeted for fraud, with multiple Automated Clearinghouse (ACH) payments disbursed to a single account representing the most common financial pattern reported in SARs.

Blanco recommended that SARs be specific in describing the activity being reported, to make them as useful as possible for law enforcement. Detailed information can help get SARs routed to the correct investigative team. For example, reports of medical scams like fake test kits, non-delivery of goods, and price gouging go to a specialized team of attorneys and investigators across the government. Specificity in the SAR about the fraudulent or suspicious medical aspects, both in the narrative and by checking box 34z, will get a SAR to this team more quickly.

For consumer related fraud, especially targeting the elderly or other vulnerable individuals with a COVID-19 related scam, such as a fake COVID relief charity or bogus person-in-need scam, specificity in SARs is also encouraged. Using the SAR check box 38d for elder financial exploitation will expedite getting the SAR to the right team.

Regarding SARs reporting suspected fraud in government programs, Blanco said vague references to “stimulus” or “CARES Act” or “benefit” in SARs hinder FinCEN's ability to get the information into the hands of the right team. The more specific filers are in their SAR narratives, the faster their reports will get to the right investigators. For example:

- If the suspicious activity is related to an ACH payment from a state unemployment insurance program, filers should clearly mention COVID19 UNEMPLOYMENT INSURANCE FRAUD in field 2 of the SAR (Filing Institution Note to FinCEN) as well as in the narrative. This will make it much easier for the SAR to get to law enforcement teams working with the states on unemployment fraud.
- If the activity involves a counterfeit check or ACH payment for the EIDL program, filers should clearly mention COVID19 EIDL FUNDS FRAUD in field 2 of the SAR and state this in the narrative, because there are specific prosecutorial teams working on EIDL fraud.

Blanco said that, from February 1 to September 12, banks and credit unions filed over 64,000, or about 71 percent, of all COVID-19-related SARs.

Source: FinCEN

Global Credit Union Membership Grew 59% in 2010s to Surpass 291 Million

The international credit union movement added over 17 million members in 2019 to reach a new membership high of more than 291 million in 118 countries, according to World Council of Credit Unions’ [2019 Statistical Report.]

That surge contributed to a worldwide credit union membership growth of more than 107 million over the past decade (2010-19)—an increase of 59%. The rise was fueled primarily by large increases in Latin America, Africa and Asia. Membership growth by region for the ten-year period was as follows:

- Latin America 153%
- Africa 143%
- Asia 81%
- Oceania 48%
- North America 30%
- Caribbean 17%

- Europe 8%

“Our movement continues to grow because we respond to the needs of members by expanding services, providing more access through digital channels and putting their economic empowerment ahead of corporate profits,” said World Council President and CEO Brian Branch. “That growth will continue as consumer demands for safety join those of convenience and seamless integration into the digital economy. Those demands have only grown throughout the COVID-19 crisis, and credit unions across the globe are responding.”

Credit union assets increased by more than 26% worldwide in 2019, while savings, loans and reserves also grew.

World Council reports data based on country responses to its annual survey and does not make estimates for non-reporting countries. The Statistical Report provides the most comprehensive data on the global credit union movement available, and is cited widely by governments, international institutions and analysts as an expert resource.

Source: WOCCU

FinCEN seeks comments on CDD and EDD requirements

FinCEN published [85 FR 61104] in the September 29 Federal Register a 60-day notice to renew the Office of Management and Budget (OMB) control number assigned to the regulatory requirements to conduct due diligence and enhanced due diligence over foreign correspondent accounts and private banking accounts.

In the notice, FinCEN proposes for review and comment a methodology to expand the scope of future estimates of cost and time for purposes of the Paperwork Reduction Act to be more granular in the estimates of resources expended to comply with these regulatory requirements. The notice requests feedback from the industry on or before November 30, 2020.

Source: FinCEN

Articles of Interest

- Airline, Disney Job Cuts Land on Credit Unions
- FinCEN posts Spanish Language Version of FIN-2020-A005 Advisory on Cybercrime and Cyber-Enabled Crime Exploiting the COVID-19 Pandemic
- NCUA Hosts Seminar on Financial Inclusion and Minority Depository Institutions (Press Release)
- Capital Coronavirus Crisis Pushing Credit Union Priorities Off the Table

CUNA's Advocacy Resources:

- Last week in Washington

- CUNA Advocacy Issues - COVID-19

WOCCU Advocacy Resources:

- Telegraph
- Advocate Blog

Compliance Calendar

- October 12th, 2020: Columbus Day - Federal Holiday
- October 14th, 2020: **Amended Field of Membership Application Requirements for Combined Statistical Area and Core-Based Statistical Area**
- October 20th, 2020: **Payday Lending, Vehicle Title, and Certain High-Cost Installment Loans (CFPB)**
- October 25th, 2020: **5300 Call Report Due to NCUA**
- November 11th, 2020: Veterans Day - Federal Holiday