

InfoSight Newsletter

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League InfoSight Highlight:

When is the effective date for the CFPB Small Business Lending Rule?

As we reported a few weeks ago, the CFPB recently issued the final Small Business Lending Rule. The effective date for this rule depends on the amount of covered (small business) originations conducted by the credit union. Here is additional information on how to conduct this calculation to determine your credit union's specific compliance effective date.

According to the final rule, a credit union that originated at least **100 covered originations** (not applications) in each of the two preceding calendar years will be required to report data to the CFPB. This determination will be an annual determination for the credit union.

The compliance effective date is dependent on covered originations from 2022 and 2023.

- If the credit union was collecting the relevant information related to the gross annual revenue on business credit, they can use the actual number of covered credit transactions made in 2022 and 2023.

If the credit union hasn't been collecting gross revenue for its business credit, there are a few options to determine if the transaction is covered:

- From October 1, 2023 – December 31, 2023, the credit union can ask applicants of an approved credit transaction (prior to close), to self-report whether it had gross annual revenue for its preceding fiscal year of \$5 million or less and then annualize the number of covered credit transactions originated for both calendar years 2022 and 2023;
- Assume every covered credit transaction originated for business members in calendar years 2022 and 2023 is a small business; or

- Use another method provided that such methodology is reasonable and documented in writing.

As a reminder, the **effective date** for credit unions to start reporting data is included below:

- At least **2,500** covered originations (2022 and 2023) – **October 1, 2024**
- At least **500 and less than 2,500** covered originations (2022 and 2023) – **April 1, 2025**
- At least **100 and less than 500** covered originations (2022 and 2023) – **January 1, 2026**

Just this week the CFPB also issued their Small Entity Compliance Guide for the Rule. These guides are very helpful in dissecting the applicable rule into a digestible format to assist with compliance. This resource, along with other resources and summaries will be added to **InfoSight** for easy access and research. Stay tuned for more information! In the meantime, be sure to check out our 1st Q 2023 Compliance Video on your **InfoSight** dashboard to get more information.

Glory LeDu,
CEO, League InfoSight and CU Risk Intelligence

Story Time! A Tale of Two Compliance Departments

Once upon a time, there were two credit unions, ABC Credit Union and XYZ Credit Union. Both credit unions were of similar size and had compliance departments committed to ensuring that they were adhering to all relevant laws and regulations.

Despite their similarities, the two compliance departments had vastly different approaches to their work.



ABC Credit Union's compliance department diligently monitored and researched changes to laws and regulations. However, the information they found was often written in legal and technical terms, making it difficult to understand and interpret. Changes to policies and procedures were distributed to staff via email, but staff members didn't always read or download the new documents, often referring to copies of previous versions that were outdated. There were no processes in place to determine which staff members had (or had not) reviewed the new documents. Staff members often came to the compliance team with questions, but many of the questions were so similar the compliance team spent a great deal of time sending and resending duplicative information. As time went on, ABC Credit Union's compliance team began having difficulty staying up to date with regulatory changes, often missing important deadlines and effective dates.

XYZ Credit Union's compliance department diligently monitored and researched changes to laws and regulations, and also regularly checked their League's website to see what resources and tools were available to make their job easier. They set up access to **InfoSight** for several team members in various departments. They helped those team members customize their dashboard so they could easily view resources and regulatory updates relevant to their position and had the ability to look up common questions on their own. When a new branch opened in a neighboring state, the team used InfoSight to quickly determine which operations needed to be adjusted due to state-specific law variations. They utilized **CU PolicyPro** to manage their policies and were able to create assignments so staff would be alerted to changes that needed review and they could easily follow up with anyone who did not complete their assignments. When needed, they reached out to the League's Compliance Helpline for clarification and assistance. They were able to stay ahead of regulatory changes and quickly adapt their processes to meet new requirements.

Over time, the differences between the two compliance departments became apparent. Credit Union ABC began to struggle to stay ahead and there were more audit and examination findings, which led to a reactive approach which is more work and more costly for the credit union. Meanwhile, XYZ Credit Union consistently had strong examinations, and were able to spend their time being proactive, refining and enhancing their compliance program and training.

In the end, the tale of the two compliance departments serves as a cautionary tale to utilize League/Association resources such as the compliance helpline, InfoSight, CU PolicyPro and RecoveryPro. The best compliance teams remain proactive, empower their entire staff with

resources and leverage their League/Association partners! Contact info@leagueinfosight.com today to get started!

News and Alerts!

CFPB Posts Small Business Lending Rule Compliance Guide

The Consumer Financial Protection Bureau (CFPB) issued a 135-page Small Entity Compliance Guide for the Small Business Lending Rule and added it to their Small Business Lending Collection and Reporting Requirements resource page.

[Read More](#)

NCUA: Seeking Public Input on Climate-Related Financial Risk

The NCUA is seeking public input on current and future climate and natural disaster risks to federally insured credit unions (FICUs), related entities, their members, and the National Credit Union Share Insurance Fund (SIF). The NCUA also seeks input of any interested parties on the development of potential future guidance, regulation, reporting requirements, and/or supervisory approaches for FICUs' management of climate-related financial risks.

[Read More](#)

NCUA Chairman Todd M. Harper Testifies Before the U.S. House Committee on Financial Services

The NCUA Chairman Harper has testified before the House Committee on Financial Services. Both their written and oral testimonies cover topics outlining the state of the credit union industry, some of the NCUA's recent efforts to strengthen the system, and several legislative requests. You can read Harper's testimony

[Read More](#)

CFPB Blog: Building Resilience and Durability Into Mortgage Rules

"Since 2021, the CFPB has been reviewing a number of its rules and guidance documents, including those published by predecessor agencies like the Federal Reserve Board of Governors and the Federal Trade Commission. We have found that many of these policies were drafted in ways that are unnecessarily complex, often to accommodate the preferences of dominant industry incumbents, rather than the market as a whole. We identified a particularly serious problem in federal mortgage rules that has major implications for the market."

-Rohit Chopra

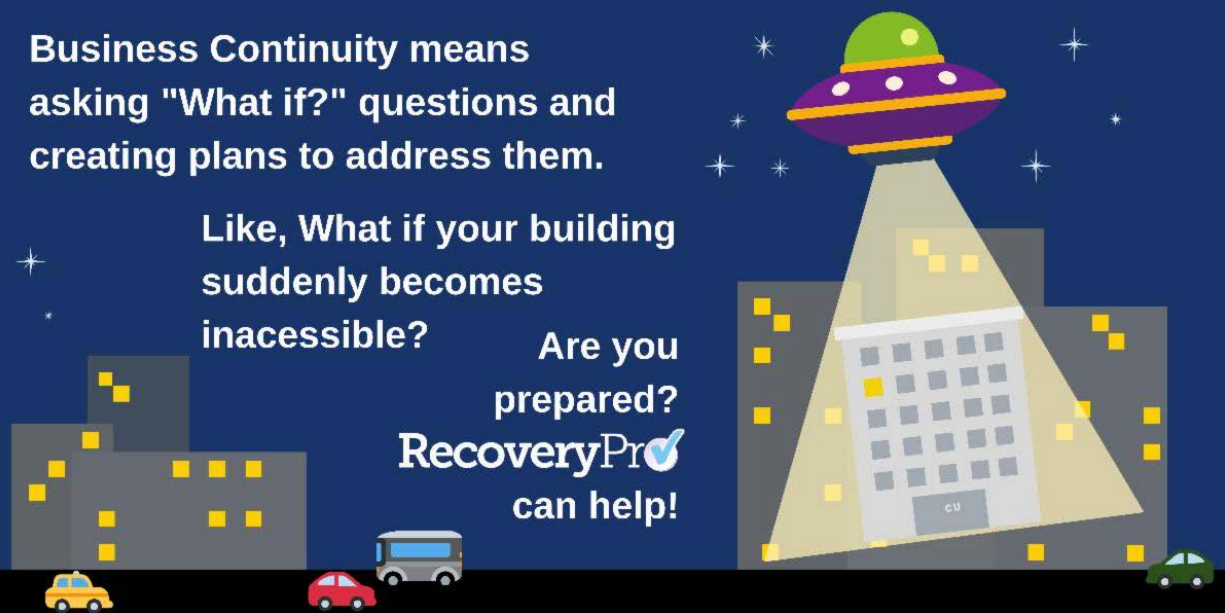
[Read More](#)

Business Continuity means asking "What if?" questions and creating plans to address them.

Like, What if your building suddenly becomes inaccessible?

Are you prepared?

RecoveryPro 
can help!



Questions, Comments, Concerns? We are here to help! Email us at info@leagueinfosight.com