

# InfoSight Newsletter

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## League InfoSight Highlight: Automation Considerations

It's no surprise that credit unions are trying to transition to more automated processes and electronic transactions. It saves employee time and saves the credit union money and, on the surface, provides consistent results. So, what could possibly be the issue?

The [CFPB recently issued a spotlight](#) on “artificial intelligence” chatbots in banking. The CFPB highlights some of the “challenges” reported by consumers utilizing the chatbots. In general, there was a lack of effectiveness with more complex issues, the risk of violating legal obligations, eroding customer trust, and causing consumer harm. Examples included consumers disputing transactions and automated messaging indicating a provisional credit would be issued, but none was actually applied. These infractions are violations of regulation. Whether notified electronically, in-person, or over the phone, most regulations start the clock of being “notified” and require action within a certain time period.

There were many examples of negative interactions as customers tried to resolve an issue and felt even more frustrated after dealing with automated systems. The article indicates that in 2022, approximately 37% of the U.S. population engaged with a bank's chatbot. This probably isn't new to anyone reading this article, many of us have experienced something similar when dealing with automated systems.

Chatbots are susceptible and lack privacy and security protocols to identify suspicious patterns of behavior or impersonation attempts. Institutions are prioritizing the development of resources to improve systems promoting financial products versus improving customer functionality, which can lead to increased risk for potential fraud and breach of privacy.

On a different but slightly similar note, several days earlier a few of the regulatory agencies (including the NCUA) published a request for public comment on a

proposed rule regarding the integrity of models used in real estate valuations. The proposed rule is looking to implement quality control standards for automated valuation models (AVMs) used by mortgage originators and secondary market issuers for the valuation of real estate collateral for mortgage loans. Specifically, potential requirements for policies, practices, procedures, and controls systems to ensure the AVMs adhere to quality control standards designed to meet specific quality control factors. Credit unions are encouraged to read the proposal and provide the feedback being sought to shape the final rule.

With this recent focus on automation, it's critical for credit unions to explore all their automated processes. What is the quality of the automated interaction? Is it easy to get a response or to connect with a real person if the issue is complex? If a member has a complaint that comes through a chatbot or a live chat, is it being escalated through the Complaint Management System and are timeframes of notification being tracked per federal/state regulations for response times? What about security controls?

Be on the lookout in InfoSight for more information as further guidance is issued and rules are finalized!

**Glory LeDu**  
*CEO, League InfoSight and CU Risk Intelligence*

## Myth Busters! Compliance Edition: Part 3 (The Final)

### **Myth #5 - Compliance is too expensive**

Compliance management does come at a cost, but non-compliance can cost a credit union much more. Penalties for non-compliance can be steep, and the damage to a credit union's reputation can be irreparable. A proactive compliance program is more efficient and cost effective, while a reactive approach is more work and costly.

*Pro tip: Credit unions are encouraged to take advantage of their league/association's compliance offerings! Many of the compliance products and services provided are free or deeply discounted for affiliated credit unions.*

### **Myth #6 - Compliance management is just about following rules**

Following the rules (laws & regulations) ensures things are done correctly, and is an important cornerstone of compliance, but it may not be enough.

Credit unions strive to a higher standard that includes promoting ethical behavior, thoughtful leadership, being transparent with members and stakeholders, and building trust. Examiner and regulatory expectations are also increasing, especially with the size and sophistication of the credit union!

*Pro tip: Keep your staff engaged with the compliance process! Encourage your team to register for InfoSight and customize their dashboard for easy access to information applicable to their position or department. Create assignments in CU PolicyPro to ensure staff is aware of policy changes and understand the credit union's deep mission to provide excellent member service!*

Thanks for keeping up with Compliance Myth Busters!

## News and Alerts!

### **NCUA Designates June as MDI Awareness Month**

The National Credit Union Administration is designating June as Minority Depository Institution Awareness Month to enhance the public's understanding of the vital work minority depository institution credit unions perform in underserved communities nationwide.

The NCUA also has adjusted its examination process to accommodate the distinctive business model of MDIs. This important evolution in the examination process provides the NCUA with greater insight into MDIs' strategies and member needs while providing MDIs with useful metrics to benchmark their work against their true peers. This leads to enhanced services to members and under-resourced communities.

[Read More](#)

### **CFPB Issue Spotlight Analyzes "Artificial Intelligence" Chatbots in Banking**

The Consumer Financial Protection Bureau (CFPB) today released a new issue spotlight on the expansive adoption and use of chatbots by financial institutions. Chatbots are intended to simulate human-like responses using computer programming and help institutions reduce the costs of customer service agents. These chatbots sometimes have human names and use popup features to encourage engagement. Some chatbots use more complex technologies marketed as "artificial intelligence," to generate responses to customers.

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## Agencies Request Comment on Quality Control Standards for Automated Valuation Models Proposed Rule

Six federal regulatory agencies today requested public comment on a proposed rule designed to ensure the credibility and integrity of models used in real estate valuations. In particular, the proposed rule would implement quality control standards for automated valuation models (AVMs) used by mortgage originators and secondary market issuers in valuing real estate collateral securing mortgage loans.

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## CFPB Finds that Billions of Dollars Stored on Popular Payment Apps May Lack Federal Insurance

The Consumer Financial Protection Bureau (CFPB) published an issue spotlight on digital payment apps heavily used by consumers and businesses. The analysis finds that funds stored on these apps may not be safe in the event of financial distress, since the funds may not be held in accounts with federal deposit insurance coverage. The CFPB also issued a consumer advisory for customers holding funds in these apps and how they can make sure their funds remain safe.

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