

# InfoSight Newsletter

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## League InfoSight Highlight: NCUA Supervisory Priorities are here!

The NCUA just issued their 2024 Supervisory Priorities through a [Letter to Credit Unions - 24-CU-01](#). As usual, the spotlight is on those areas that pose the highest risk to credit union members, the industry, and the National Credit Union Share Insurance Fund (NCUSIF). Here's what's in store for credit unions in 2024:

### Credit Risk

It's no surprise that credit risk remains a priority for 2024! Economic conditions have made it tough for some members to repay their debts. The NCUA will be focusing on:

- Lending program soundness and risk management practices, including changes to underwriting standards, portfolio monitoring practices, modification and workout strategies and collection programs.
- Policies and procedures related to the Allowance for Credit Losses (ACL), documentation of reserve methodology, adequacy of reserves, and adherence to generally accepted accounting principles.

### Liquidity Risk

With uncertainty in interest rates and economic conditions, credit unions will need to maintain strong liquidity risk management in 2024. The NCUA will look for:

- Adequacy of liquidity risk management framework (relative to size, complexity, and risk profile) including current and prospective sources of liquidity compared to funding needs.
  - Policies, procedures, and risk limits.
- Evaluation of:
  - Effects of changing interest rates on the market value of assets and borrowing capacity.
  - Scenario analysis for liquidity risk modeling, including possible member share migrations and for changes in cash flow projections for an appropriate range of relevant factors (prepayment speeds for example).

- Cost of various funding alternatives and impact on earnings and capital.
- Diversity of funding sources under normal and stressed conditions.
- Appropriateness of contingency funding plans to address plausible unexpected liquidity shortfalls.

### **Consumer Financial Protection**

The NCUA will consider trends in violations identified during examinations and from member complaints, emerging issues, and any recent changes to regulatory requirements. They will also focus on:

- **Overdraft programs** – any changes to the credit union’s program to address consumer compliance risk and potential consumer harm, website advertising, balance calculation methods, and settlement process.
- **Fair Lending** – policies and practices for redlining, marketing, and pricing discrimination risk factors.
- **Auto lending** - review of indirect auto loans including disclosures, policies, and practices to assess Regulation Z compliance and policies and practices related to Guaranteed Asset Protection insurance.
- **Flood insurance** – policies and procedures to ensure compliance.

### **Information Security (Cybersecurity)**

The credit union should have a robust information security program to safeguard both members and the credit union, as well as updated policies and procedures for the new requirement to report a cyber incident to the NCUA. The NCUA will be looking for:

- Updated response plans.
- Process for reviewing third-party contracts.
- Plan for training employees.
- Procedures for monitoring and documenting incidents.

### **Interest Rate Risk (IRR)**

Higher interest rates continue to amplify market risk. The NCUA will be looking at how the credit union proactively manages its IRR and related risks to capital, asset quality, earnings, and liquidity, including:

- Key assumptions and related data sets – are they reasonable and well documented.
- Back testing and sensitivity testing of assumption set.
- Overall level of IRR exposure – is it properly measured and controlled.
- Communication of results to decision makers and Board of Directors.
- Proactive action to remain within safe and sound policy limits.

Don’t forget about the **Bank Secrecy Act!** This is still listed as an area of supervisory interest for the NCUA along with **support for small credit unions and minority depository institutions.**

As your credit union reviews these priorities and begins preparations, remember the resources offered by your League/Association to assist. Not only are there member benefit resources such as [InfoSight](#) and [CU PolicyPro](#), but there are additional discounted tools and resources such as [RecoveryPro](#) for business continuity planning, [ComplySight](#) for self-service compliance and complaint management, [AffirmX](#) for full service compliance and risk management, and [CUVM](#) for assistance with third-party vendor management.

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

## News and Alerts!

### CFPB Proposes Rule to Stop New Junk Fees on Bank Accounts

The Consumer Financial Protection Bureau (CFPB) proposed today to block banks and other financial institutions from one potential source of new junk fee revenue – fees on transactions declined right at the swipe, tap, or click. **The proposed rule would prohibit non-sufficient funds (NSF) fees on transactions that financial institutions decline in real time.** These types of transactions include declined debit card purchases and ATM withdrawals, as well as some declined peer-to-peer payments. The CFPB's proposal is part of the agency's proactive approach to protect consumers, and it would cover banks, credit unions, and certain peer-to-peer payment companies.

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### Board Approves Annual Performance Plan; Briefed on DEIA Strategic Plan

The National Credit Union Administration Board held its first open meeting of 2024 and unanimously approved the agency's 2024 Annual Performance Plan and received a briefing on the Diversity, Equity, Inclusion, and Accessibility Strategic Plan, 2024–2026. **Part of the plan includes an increase in Fair Lending Exams for credit unions.**

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### The IRS Doesn't Send Tax Refunds by Email or Text

Got an email or text message about a tax refund? It's a scam. IRS impersonators are at it again. This time, the scammers are sending messages about

your “tax refund” or “tax refund e-statement.” It might look legit, but it’s an email or text fake, trying to trick you into clicking on links so they can steal from you. How? They tell you to click a link — supposedly to check on your “tax refund e-statement” or “fill out a form to get your refund.” But it’s a scam and if you click that link, the scammer might steal your identity or put malware on your phone or computer.

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## **CFPB and Legal Team Sue Debt-Relief Enterprise, for Illegally Swindling More Than \$100 Million from Financially Struggling Families**

The Consumer Financial Protection Bureau (CFPB) and seven state attorneys general sued Strategic Financial Solutions (SFS) and its web of shell companies for running an illegal debt-relief enterprise. The CFPB and state attorneys general also sued the chief architects of the illegal enterprise, Ryan Sasson and Jason Blust. The CFPB and attorneys general allege the enterprise has collected hundreds of millions of dollars in exorbitant, illegal fees from vulnerable consumers.

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## **Federal Reserve Board Announces It Will Extend the Comment Period on Interchange Fee Proposal**

The Board on Monday announced that it will extend until May 12, 2024, the comment period on its interchange fee proposal. The Board extended the comment period to allow the public more time to analyze the proposal and prepare their comments. Comments on the proposal were originally due by February 12, 2024.

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## **FTC is Taking Another Look at COPPA and Kids’ Online Privacy – And Wants Your Insight**

The FTC announced [proposed revisions](#) to the Children’s Online Privacy Protection Act (COPPA) Rule on December 20, 2023. The [online portal to file public comments](#) is now open and the FTC welcomes your feedback by the March 11, 2024, deadline.

You’ll want to read the [Notice of Proposed Rulemaking](#) to see what’s on the table. Some of the suggested updates address changes in technology, such as limiting push

notifications to kids. Others aim to clarify and streamline the COPPA Rule and strengthen data security. And still others are designed to strengthen how children's personal information is protected online with an aim to ensure that parents – not companies – are in charge.

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## Serendipity:

Finding something good without looking for it.

**Info**  **Sight** :

Also finding something good without *you* having to look for it - we have state-specific compliance content for all 50 states! No need for searching.

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