



December 2014

Dear CU PolicyPro Clients,

From the CU PolicyPro team, we hope you had a very happy holiday and wish you much happiness for the New Year! The final content update for 2014 is complete and includes forty two policy updates. More information can be found in the newsletter below or on the [CU PolicyPro support site](#). Please note that our offices will be closed on Thursday, January 1, 2015 for New Year's Day.

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Monthly OPS Notes Release: 2014 - A Year in Review

The past year has been filled with regulatory changes that have kept credit union personnel on their toes trying to implement new and revised requirements. Although 2013 was a busy year getting ready for all of the pending Consumer Financial Protection Bureau (CFPB) regulatory changes, 2014 was the year credit unions had to implement the CFPB rules that were required by Dodd–Frank Wall Street Reform and Consumer Protection Act, which Congress enacted in 2010.

In addition to new regulatory requirements from the CFPB, other agencies provided additional requirements that placed credit unions under a regulatory burden that may be considered one of the greatest in recent history. One of the more active agencies was the Financial Crimes Enforcement Network (FinCEN) with several new Bank Secrecy Act requirements.

Many of the new requirements that credit unions had to implement in 2014 included policy requirements and each of the quarterly updates of CU PolicyPro in 2014 included new and revised policies so that credit unions could comply with the regulatory requirements. Having a policy is only the beginning of meeting the requirements and it is important for credit unions to understand and implement the changes that are required. What follows is a review of the regulatory changes we faced as an industry in 2014:

CFPB

[Remittance Transfer Rules](#) – Regulation E

The 2014 amendments to the Remittance Transfer Rules provide new disclosure requirements and error resolution and cancellation rights to consumers who send remittance transfers to other consumers or businesses in a foreign country. The [CFPB Remittance Transfer Guide](#) is a good source for information.

[Ability to Repay & Qualified Mortgage Rule](#) – Regulation Z

The Ability to Repay and Qualified Mortgage Rule requires credit unions make a reasonable, good faith

determination of a member's ability to repay any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage, or temporary loans) and establishes certain protections from liability under this requirement for qualified mortgages. The [CFPB Ability to Repay & Qualified Mortgage Small Entity Compliance Guide](#) is a good resource.

[High-Cost Mortgage and Homeownership Counseling Amendments](#) – Regulations X & Z

The HOEPA Rules expand the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protections Act and revise and expand the tests for coverage under HOEPA. Additional restrictions have also been applied to mortgages that are covered by HOEPA, including a pre-loan counseling requirement and a requirement that all members receive information about homeownership counseling providers. The [CFPB Home Ownership and Equity Protection Act Rule Small Entity Compliance Guide](#) is a good reference.

[Loan Originator Compensation Requirements](#) – Regulation Z

The Loan Originator Compensation Rule implements requirements and restrictions for loan originator compensation and includes: qualifications and registration or licensing of loan originators; compliance procedures for credit unions; banning mandatory arbitration clauses; and restrictions on financing single-premium credit insurance. Access the [CFPB Loan Originator Rule Small Entity Compliance Guide](#) for guidance.

[Appraisals and Other Written Valuations Rules](#) – Regulation B

The revisions to Regulation B require credit unions provide members applying for a loan secured by a first lien on a dwelling to provide free copies of all appraisals and other written valuations and requires the credit union notify members in writing that copies of appraisals will be provided to them promptly. The [CFPB Equal Credit Opportunity Act Valuation Rule Small Entity Compliance Guide](#) is a good resource.

[Appraisals for Higher-Priced Mortgage Loans](#) – Regulation Z

The appraisal rules for mortgages with an annual percentage rate that exceeds the average prime offer rate by a specified percentage requires the credit union obtain an appraisal or appraisals meeting certain specified standards, provide applicants with a notification regarding the use of the appraisals, and give applicants a copy of the written appraisals used. For guidance refer to the [CFPB TILA Higher-Priced Mortgage Loans Appraisal Rule Small Entity Compliance Guide](#).

[Escrow Requirements](#) – Regulation Z

The escrow requirement amendments lengthen the time a mandatory escrow account for a higher-priced mortgage loan must be maintained. The [CFPB TILA Higher-Priced Mortgage Loans Escrow Rule Small Entity Compliance Guide](#) provides guidance.

[Mortgage Servicing Rules](#) – Regulation X & Z

The amendments to Regulation X based on the mortgage servicing rules addresses credit union servicers' obligations to establish reasonable policies and; provide information about mortgage loss mitigation options to delinquent members; establish policies and procedures for providing delinquent members with continuity of contact with servicer personnel capable of performing certain functions; and to evaluate members applications for available loss mitigation options. The amendments to Regulation Z address initial rate adjustment notices for adjustable-rate mortgages, periodic statements for residential mortgage loans, prompt crediting of mortgage payments, and responses to requests for payoff amounts. The mortgage servicing rules are complex and some portion of the rules apply to all credit unions. The [CFPB Real Estate Settlement Procedures Act and Truth in Lending Act Mortgage Servicing Final Rules Small Entity Compliance Guide](#) should be consulted for guidance.

[Annual Privacy Notice Requirement](#) – Regulation P

In the fourth quarter of 2014 Regulation P was amended to allow credit unions with an alternative delivery method for the required annual privacy notice. Credit unions must meet certain requirements in order to be able to use the new web delivery method. A careful review of the requirements and their implications for the credit union is advised and can be found in the [Federal Register – Amendment to the Annual Privacy Notice Requirement](#).

NCUA

Liquidity and Contingency Funding Plans – 12 CFR Part 741

In 2014 the NCUA enacted the Liquidity and Contingency Funding Rule that requires federally insured credit unions with less than \$50 million in assets to maintain a basic written policy that provides a credit union board-approved framework for managing liquidity and a list of contingent liquidity sources that can be employed under adverse circumstances. The rule requires FICUs with assets of \$50 million or more to have a contingency funding plan that clearly sets out strategies for addressing liquidity shortfalls in emergency situations. Finally, the rule requires

FICUs with assets of \$250 million or more to have access to a backup federal liquidity source for emergency situations.

Derivatives - 12 CFR Parts 703, 715, and 741

This final rule permits Federal credit unions to engage in limited derivatives activities for the purpose of mitigating interest rate risk. The final rule addresses permissible derivatives and characteristics, limits on derivatives, operational requirements, counterparty and margining requirements, and the procedures a credit union must follow to apply for derivatives authority.

Capital Planning and Stress Testing – 12 CFR Part 702

NCUA issued the Capital Planning and Stress Testing Rule to require federally insured credit unions with assets of \$10 billion or more to develop and maintain capital plans. The rule also provides for annual stress tests of those credit unions.

Credit Union Service Organizations Rule – 12 CFR Parts 712 and 741

Effective in June 2014, CUSO's were required to provide basic profile information to the NCUA and relevant state authority. Credit unions should review [NCUA Letter 13-CU-13](#) to determine if written agreements between the credit union and the CUSO need to be amended to comply with the new requirements.

Voluntary Liquidation – 12 CFR Part 710

The Voluntary Liquidation rule was amended to reduce administrative burdens on voluntarily liquidating federal credit unions and recognize technological advances by: permitting liquidating FCUs to publish required creditor notices in either electronic media or newspapers of general circulation; increasing the asset-size threshold for requiring multiple creditor notices; requiring that preliminary partial distributions to members not exceed the National Credit Union Share Insurance Fund insurance limit for any member share account; specifying when liquidating FCUs must determine member share balances for the purposes of distributions; and permitting liquidating FCUs to distribute member share payouts either by wire or other electronic means or by mail or personal delivery.

2014 Technical Amendments

As a part of the NCUA's annual regulatory review process several changes were implemented:

- Based on requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act the NCUA's rulemaking authority under the Federal Trade Commission Act (FTC Act). As a result, the NCUA Board (Board) repealed NCUA's regulations governing unfair or deceptive acts or practices.
- The NCUA amended their regulations to include the agency's current central and field office structures.
- The NCUA's payday alternative loans regulation was amended to replace all references to "short-term, small amount loans" and "STS loans" with corresponding references to "payday alternative loans" and "PAL loans." The latter terms more accurately reflect the nature and purpose of this loan product.

Appraisals – 12 CFR Parts 701 and 722

Based on new appraisal regulations introduced by the CFPB the NCUA eliminated the duplicative requirements that credit unions make copies of appraisals available to members. Additionally, a federally insured credit union is now permitted to refinance or modify a real estate-related loan held by the FICU without having to obtain an additional appraisal if there is no advancement of monies and adequate collateral protection.

FinCEN

[Promoting a Culture of Compliance](#) - FIN-2014-A007

Based on reviews of the Bank Secrecy Act FinCEN issued guidance about the importance of a compliance culture in financial institutions. FinCEN stated that regardless of a credit unions size and business model, a financial institution with a poor culture of compliance is likely to have shortcomings in its BSA/AML program. They provided guidance on strengthening the BSA/AML compliance culture by ensuring that: (1) its leadership actively supports and understands compliance efforts; (2) efforts to manage and mitigate BSA/AML deficiencies and risks are not compromised by revenue interests; (3) relevant information from the various departments within the organization is shared with compliance staff to further BSA/AML efforts; (4) the institution devotes adequate resources to its compliance function; (5) the compliance program is effective by, among other things, ensuring that it is tested by an independent and competent party; and (6) its leadership and staff understand the purpose of its BSA/AML efforts and how its reporting is used.

[Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking](#) – FIN-2014-A008

To support law enforcement efforts to fight human smuggling and human trafficking, FinCEN provided guidance to financial institutions on how to detect and report suspicious financial activity that may be related to human smuggling and/or human trafficking.

[Providing Banking Services to Money Services Businesses](#)

FinCEN issued a statement because they felt it was important to reiterate the fact that banking organizations can serve the MSB industry while meeting their Bank Secrecy Act obligations. They state that MSBs play an important role in a transparent financial system, particularly because they often provide financial services to people less likely to use traditional banking services and because of their prominent role in providing remittance services.

[BSA Expectations Regarding Marijuana-Related Businesses](#) – FIN-2014-G001

Because many states have legalized certain marijuana-related activity, FinCEN provided guidance on how financial institutions can comply with Bank Secrecy Act requirements due to the fact that the Federal government still classifies marijuana as an illegal substance.

OFAC Requirements

In the past year there have been several revisions and new lists that need to be confirmed and reviewed as a part of meeting the OFAC requirements. List changes affected the [Foreign Sanctions Evaders List](#) (FSE), [Specially Designated Nationals List](#) (SDN) and the [Consolidated non-SDN List](#).

IRS

[Foreign Account Tax Compliance Act](#)

The IRS made revisions to the FATCA or Foreign Account Tax Compliance Act to target the illicit activities of individuals who use offshore accounts to evade taxes. Many of the revisions apply to foreign financial institutions (FFIs), however, the requirements to withhold from certain payments made to FFIs began on July 1, 2014. The IRS continues to publish instructions on these FATCA revisions and credit unions are encouraged to contact their tax advisor to make sure reporting is being conducted correctly on 1042 and W-8Ben forms.

FASB

[FASB Accounting Standards Update No. 2014-02. Intangibles—Goodwill and Other \(Topic 350\): Accounting for Goodwill](#)

The FASB update permits a credit union to amortize goodwill on a straight-line basis over a period of ten years, or less if the CU can demonstrate that another useful life is more appropriate. It also permits the credit union to apply a simplified impairment model to goodwill.

It is important to ensure your credit union is in compliance with these regulatory changes as we enter 2015. Refer to the CU PolicyPro quarterly compliance update reviews to see how these regulatory changes affect your credit unions policies.

Content FAQs

Question. Do the CFPB rulemakings apply to my credit union even though we are under \$10 billion in assets?

Answer. Yes, the Consumer Financial Protection Bureau had several regulations transferred to their authority. Because they have authority over the regulations the amendments that they make to those regulations apply to all credit unions regardless of their size. Often there are small creditor provisions included in the rules that allows for an exemption of some part of the rules; however, careful review is required to ensure your credit union meets all of the exemptions requirements. The list of regulations transferred to the CFPB includes:

- Regulation B: Equal Credit Opportunity
- Regulation C: Home Mortgage Disclosure
- Regulation D: Alternative Mortgage Parity Act
- Regulation E: Electronic Fund Transfers
- Regulation F: Fair Debt Collection Practices Act
- Regulation G: S.A.F.E. Mortgage Licensing Act
- Regulation H: S.A.F.E. Mortgage Licensing Act
- Regulation K: Purchasers' Revocation Rights, Sales Practices and Standards
- Regulation L: Special Rules of Practice
- Regulation M: Consumer Leasing
- Regulation N: Mortgage Acts and Practices-Advertising
- Regulation O: Mortgage Assistance Relief Services
- Regulation P: Privacy of Consumer Financial Information
- Regulation V: Fair Credit Reporting
- Regulation X: Real Estate Settlement Procedures Act
- Regulation Z: Truth in Lending
- Regulation DD: Truth in Savings

Question. With so much occurring in compliance are there things that are less important to implement if we have to prioritize?

Answer. As far as regulators and examiners are concerned all regulatory requirements must be met and complied with. It may help your credit union to form workgroups made up of affected employees to assist in the implementation of new or revised requirements. Additionally, many Leagues provide support and guidance to their affiliated credit unions to help them understand and implement regulatory changes.

Technical FAQ

Question: Some policies include numbered within brackets, such as [[2110-1]]. What do these mean and what are we supposed to do with them?

Answer: CU PolicyPro model policy content includes a series of **Key Fields** to assist with customization of the model policies. Key Fields are bits of information which are important to completing the policy, but will vary from credit union to credit union. An example of a Key Field would be the maximum amount allowable in a teller's drawer.

Not every policy has Key Fields, and some policies have many Key Fields. A full list of the Key Fields, which includes the location of each Key Field, the Key Field number, and a brief description of the Key Field, can be found in the [Key Fields Guide document](#).

Within the content, a Key Field is a small piece of code. The Key Field code is typically a number enclosed in double brackets (e.g., [[2400-1]]). The first number of the Key Field correlates to specific policy numbers,

making them easy to find throughout the Manual.

[Segment 4 of the New User Training](#) will walk you through Key Fields and how to define them in the online policy management system, or [click here for written instructions](#).

If you have additional questions, please contact the CU PolicyPro Support staff at polycysupport@cusolutionsgroup.com.

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Content Updates – 2014.4

We are pleased to announce the fourth content update for 2014 for the CU PolicyPro Operations Manual - Update Version 2014.4.

This update includes **forty two policy updates**. **One policy was reviewed but no changes were necessary.** A full listing of the updated policies can be found in the "Update Overview" document below.

The tracked changes version of each update can be found in the library section of the online manual. There is also a full word version of the new policy that mirrors the content found in the online Master Manual. It is important to note that when updates are made to the Master Manual, these updates do not automatically go into your Working Manual. We do not want to take the chance of overwriting your content, or putting in content that may not apply to your credit union.

Next Steps for your Credit Union

Using the "Overview" document below, and the "Tracked Changes" information found in the online library, review the changes for each policy, and for each policy decide if you want to:

1. Do nothing and leave your Working Manual as is (usually only if the update does not apply to your credit union, or you are not currently using the policy)
2. Remove the policy from your Working Manual and bring in the updated policy in its entirety (usually if your working manual version has little or no customization, or if our updates were very extensive and it would be easier to start with the updated content and re-customize for your credit union)
3. Use the redlined version as a guide and manually incorporate the updates into your Working Manual version (usually if the updates were very minor, or if your working manual version is heavily customized and it would be less work to manually add the updates rather than re-customize the policy)

Documentation

The following documentation is available online to help you understand the updates and incorporate them into your working manual:

1. [Update Overview](#) - this lists all of the updated and new policies and provides a brief overview of what was updated and why it was updated.
2. [Updating Your Working Manual](#) - this document provides written instructions on removing the existing policy from your working manual and bringing in the updated policy in its entirety.
3. [Video Webinar](#) - Updating Your Working Manual - this recorded webinar walks you through the update process, including manually inserting the updated content into your policies. Please note this webinar

was recorded using the content from a previous update; however, the methodology will be the same for any update.

4. [Alphabetical Policy Listing](#) - the alphabetical policy listing is helpful for finding particular policies.

As with all the policies, you may need to modify these updates to meet your specific needs and ensure they comply with state law regulations.

If you have any questions, please contact the CU PolicyPro support team at polycysupport@cusolutionsgroup.com.

Questions?

If you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact polycysupport@cusolutionsgroup.com.

If this information was forwarded to you, and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, contact polycysupport@cusolutionsgroup.com.

Thanks and have a great week!