PENNSYLVANIA CREDIT UNION ASSOCIATION

KEYSTONE Extra

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*Your online connection to important information, service updates, and happenings for Pennsylvania credit unions*

## In This Issue:



PENNSYLVANIA CREDIT UNION ASSOCIATION

# Bracing for 2014 Regulations

## *Compliance Dates to Make Heavy Hit in January*

As 2013 begins to wind down, credit union compliance staff are faced with a number of January effective dates. Regulatory complexity continues to increase, creating more and more emerging issues for credit unions.

With numerous final rules set to take effect in January, most credit unions have been hard at work adapting policies and systems. Of great concern is the Consumer Financial Protection Bureau's (CFPB) final rule on the Ability-to-Repay and Qualified Mortgages.

Financial institutions, including credit unions, are getting snowed under by the CFPB's real estate rulemaking. Last week, a letter circulated on Capitol Hill for delivery to Director Richard Cordray, urging the consumer bureau to delay – for up to one year – the new mortgage rules slated to take effect in early January. CUNA reports that a bipartisan group of 118 House members have signed on to the letter at presstime.

The letter points out that the mortgage rules released in January — combined with the amendments released in May, July, and September — present financial institutions with more than 4,000 pages of new regulations that they must be in compliance with by January 2014. As the letter states, "This task is especially difficult for community financial institutions that may only have one or two compliance officers," the letter states, adding: "If financial institutions are unable to comply with these rules by the January 2014 deadline there could be significant distortions in the mortgage market affecting the availability of credit for consumers."

At this time, however, the effective dates remain in place and credit unions should prepare to be in compliance with the new rules in January.

The Ability-to-Repay (ATR) rules establish a very narrow set of rules that creditors must comply with to evaluate a potential borrower's ability to repay. These rules take into consideration other borrower obligations, income level, employment status, assets, debt-to-income ratio, credit history, and several other factors. Creditors will be able to establish their own underwriting standards, as long as they consider these factors. This rule requires that creditors use these factors to establish a reasonable and good faith determination of the consumer's ability to repay.

The rule also defines the kinds of loans that fit the definition of Qualified Mortgage (QM). Those loans that qualify as a QM will be afforded a "safe harbor" for compliance with certain ability-to-repay provisions. Creditors will be entitled to greater protection for QMs than for other mortgage loans should the creditor be sued for noncompliance with the ability to repay provisions.

Creditors will be required to maintain records that evidence compliance with the Ability-to-Repay and other provisions of the new rule.

The ever-popular Online Discovery Conference, presented by CUNA Mutual Group in early October, offered a session to review the regulatory agenda, particularly focusing on the Consumer Financial Protection Bureau. "A look at the CFPB's semiannual regulatory agenda indicates the agency is moving full speed ahead

on additional rulemaking," said Jon Bundy, Regulatory Compliance Manager. "Looking ahead to 2014, credit unions can expect to see the CFPB expand its fair lending focus," said Bundy. "The CFPB's regulatory agenda unmistakably signals that fair lending will be a focal point of new rule making starting in 2014."

The start of this effort will be a hard look at the data-gathering requirements under the *Home Mortgage Disclosure Act*, and will later expand into possible rules mandating the collection of credit application data for credit unions involved with business lending.

Other potential regulatory changes on the CFPB's radar include:

- Possible revised disclosures for student loans and credit cards;
- Payday lending and payday alternative loans; and
- Overdraft protection.

Bundy told audience members the key to managing all of the complex regulatory changes is to stay on top of the mandatory compliance deadlines by finding competent compliance staff, and then giving them the tools and resources they need to be successful.

"Make compliance a reason your members rely on you. Plan for it. Budget for it. And embrace the fact that continuous change is the new normal," said Bundy.

The Association's Compliance Department staff is available to assist credit unions with compliance information. Please call the Compliance Hotline, 800-932-0661, and select Option 3. In addition, the Association offers *InfoSight* and *PolicyPro* online resources.

## *Education & Professional Development*

### IRA Essentials, Advanced IRA ... or Both

November 18 & 19 — Sheraton Pittsburgh North, Mars
November 20 & 21 — Eden Resort & Suites, Lancaster

Whether it's getting new staff on board with the basics of IRAs or you need a more advanced training, the IRA Workshop is the answer. A successful IRA program begins with qualified, knowledgeable staff. Invest in your staff, in your credit union, and in your membership.

With the option of attending just the IRA Essentials, the NEW Advanced IRA, or both, you can tailor the training for your needs. Your staff will leave confident and ready to provide the professional service your members are expecting.

IRA Essentials is a full-day workshop that gives attendees a solid foundation of IRA knowledge to work with IRA owners and process basic IRA transactions with confidence.

Advanced IRAs is a full-day workshop that builds on basic IRA knowledge to help attendees address some of the more complex IRA issues. Attendees participate in real-world credit union activities which allows them to apply their learning immediately back on the job. Participants should bring a handheld calculator.

Click here for more information on both IRA training courses.

### CUNA's Compliance Effective Dates Chart

**January 1, 2014**
Mortgage Originator Compensation (CFPB) – Loan originator compensation requirements under the *Truth in Lending Act*.

**January 10, 2014**
Ability to Repay and "Qualified Mortgage" (CFPB) [Reg Z] – Requires lenders to consider a consumer's ability 'to repay before a mortgage can be approved.

**January 10, 2014**
High-Cost Mortgage and Homeownership Counseling (CFPB) [HOEPA –Reg Z] - Expands coverage

**January 10, 2014**
Mortgage Servicing (CFPB) [Reg X & Reg Z] - Nine provisions

**January 10, 2014**
Financing of Credit Insurance (CFPB) (provisions of the Mortgage Originator Compensation rule). Final Rule - Credit Insurance Delay of Effective Date

**January 18, 2014**
Appraisals (CFPB) [Reg B] - Providing the borrower with a copy of the appraisal.

**January 18, 2014**
Appraisals for higher-priced mortgages requiring physical inspections and other provisions (NCUA, FDIC, OCC, CFPB, Fed). Click here for the final rule in the *Federal Register*.

Refer to CUNA Final Rule Analysis for more information on the listed compliance dates.

The CFPB released e-Regulations, a new online tool intended to make CFPB regulations "easier to find, read, and understand." Regulation E, including the new international remittance transfers rule, is the first regulation highlighted by the new tool. The agency notes that the new tool is a work in progress, and will make it easier to find revisions and read the final regulations in context with the commentary.

## Smartphones: Helping Crooks Get Smarter

Smartphones are everywhere. Some people are talking, checking email, shopping online or even depositing a check. What? Depositing a check? Sure. Many credit unions have instituted remote deposit. This feature allows one to deposit funds into your checking account and many cases have immediate access to those funds.

One risk that credit unions are faced with is duplicate deposits. Here is how it works: the check initially is deposited with a smartphone/home computer by simply taking a picture or scanning a check and then sending the image to your credit union. The original paper check is then deposited at an ATM, drive through or teller workstation. A check for $500 quickly becomes $1,000 cash in a crook's pocket.

What can you do?

1. Qualify your remote deposit members on the front end.
2. Limit funds availability to next day (your credit union must weigh the impact on member service when limiting funds).
3. Set account balance minimum thresholds for remote deposit service access.
4. Implement duplicate detection software that notifies you your members' check has been deposited twice at your financial institution or anywhere in the United States.

To learn more about how Advanced Fraud Solutions can help detect duplicate checks automatically across the United States, contact your Association Account Executive.

## Credit Union Student Choice Seminar Helps Students Prepare for College

Horizon FCU, Williamsport, held a Credit Union Student Choice Seminar for its members and the community at Lycoming College.

Student Choice representative Tyler Disburg described what teens should do during their high school years to help with their college preparation, acceptance, and funding.

## HR Administrators: Get Ready to be "WOW"ed!

If you're looking for a replacement or supplement to your current employee benefits package, Digital Benefit Advisors is ready to "wow" you. As the nation's largest, most technically advanced employee benefit-only agency supported through experienced, local market advisors, Digital has the breadth and depth of services and support to fulfill the role as your trusted resource for a full range of employee benefits solutions.

Why Digital? More products, more carriers, and competitive prices. Thanks to their volume of business, Digital has marketplace clout — having relationships with several hundred insurance carriers. You have access to all products sold through traditional brokers, plus proprietary options you won't find anywhere else.

As if that's not enough, Digital's Benefits Resource Center can help you to easily navigate through the complexities of Healthcare Reform, and deliver reliable, practical tools and Pennsylvania specific information to address many of your HR needs — online training, model notices, templates, blogs, compliance tools (including free access to *HR.Blog.com*)…just to name a few.

"They 'wow'ed me the second I walked in the door," said Liz Shaeffer, the Association's Group Health Insurance Administrator. With Digital on your side, crafting the right benefit package is easy. Contact Liz today at liz.shaeffer@pcua.org or call 800-932-0661, extension 5251.

## Association Staff Meet NCUA Board

Several members of the Association's Compliance Department attended the October NCUA Board meeting, and had the opportunity to meet the NCUA Board members. From left: Association EVP/General Counsel Rick Wargo; Joanne Broderick, Sr. Compliance & Operations Officer; NCUA Board Member Michael Fryzel; NCUA Chairman Debbie Matz; Newly-appointed NCUA Board Member Rick Metsger; and Association Compliance & Operations Officer Colleen Mateer.

## *Credit Unions in the News*

Sb1 FCU, Philadelphia, employees donated $255 during October for the opportunity to wear pink in support of breast cancer prevention and awareness. The funds were donated to The Cancer Support Community of Philadelphia.

Several employees of Diamond Credit Union, Pottstown, participated in the Reading Hospital Road Run. This is the fifth consecutive year that Diamond has been the lead sponsor of the Road Run.


Employees of R-S Bellco FCU braved chilly temperatures to hand out free popcorn at the annual New Brighton Halloween parade.

LANCO FCU employees donned gloves and neon vests to participate in Manheim Township's Adopt-a-Road program, and picked up litter along a two-mile stretch of West Roseville Road near LANCO's main office.


Belco Community Credit Union EVP Amey Sgrignoli (right) presents a check to Vicki Disylvester, Director for the American Diabetes Association (ADA). Sgrignoli serves as the Chair of the Executive Leadership Council at the Harrisburg ADA. Employees raised more than $1,500 for the ADA through a Walk to Stop Diabetes, Community Yard Sale, and the sale of hand cutouts.

As part of the Central Pennsylvania Food Bank's "Food Drive Challenge" during Hunger Action Month in September, Mid-Atlantic Corporate FCU's staff donated 5,101 pounds of food and water – enough to provide 4,250 meals to individuals across central PA. In addition, 13 employees volunteered their time at the food bank.

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News stories and photographs are welcome. Submit information for publication to *janet.johnson@pcua.org*.

PENNSYLVANIA CREDIT UNION ASSOCIATION

## *Events Calendar*

**November**

11
Veterans Day
Federal Reserve Bank Holiday

13
Compliance Town Meeting, Erie

14
Compliance Town Meeting, Trevose

18-19
IRA Workshop, Mars

20
Compliance Town Meeting, Johnstown

20-21
IRA Workshop, Lancaster

28
Thanksgiving Day
Federal Reserve Bank Holiday

**2014**

**January**

19-22
CEO Summit, Key West, FL

Visit *www.pcua.org* or contact the Association's Education Department for details on education programs and webinars.