

2020

# Compliance Update

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# NCUA's Revised 2020 Supervisory Priorities Letter to credit unions 20-CU-22

- BSA/Anti-Money Laundering Compliance
- Coronavirus Aid, Relief and Economic Security Act (CARES Act)
- Consumer Financial Protection
- Credit Risk Management and Allowance for Loan and Lease Losses
- Information Systems and Assurance (Cybersecurity)
- LIBOR Transition Planning
- Liquidity Risk
- Serving Hemp-Related Businesses

GDB&F has not formally changed their Supervisory Priorities, but they are closely dialed in to COVID-related impacts and are examining under all various COVID-related Interagency Guidance that has been released. You can find all 2020 GDB&F Bulletins here

<https://dbf.georgia.gov/financial-institutions-bulletin-2020>

# BSA/AML Compliance

- Same stuff different day. Nothing new.
- Make sure your BSA/AML Program is risk-based
- Risk assessment, Policies and Procedures, Training, Independent Audit, and Enhanced Due Diligence

For your training needs the LSCU offers BSA/AML training at Chapter meetings upon request, BSA/AML all day workshop normally twice per year (fee), Board training at your CU upon request (fee) and Employee training at your CU upon request (fee).

# CARES ACT

- NCUA added this to its priorities to reflect the importance of the provisions in the Act.
- Examiners will review credit union's good faith efforts to comply with the Act to ensure they meet their obligations under the Act.
- Provisions that affect CUs
- Greater access to liquidity, and improved financial stability of member CUs through changes to the Central Liquidity Facility
- Suspended the requirement to categorize certain loan modifications related to COVID-19 as TDRs
- Authorized the SBA to create the PPP to assist eligible businesses
- Changed credit reporting requirements for loan mods related to COVID-19

# CARES Act continued

- Prohibited foreclosures on all single family, federally backed mortgage loans between 3/18/20-5/17/20. Fannie, Freddie, FHA, VA and USDA extended the prohibition to 6/30/20. The foreclosure moratorium for mortgages purchased by Fannie and Freddie is extended until 8/31/20.
- Provides up to a 360- day forbearance for borrower with single-family, federally backed mortgage loan with a hardship due to COVID-19
- Provides up to a 90- day forbearance for borrowers with multifamily, federally backed mortgage loan with a hardship due to COVID-19

For more information on any of these provisions visit LSCU InfoSight <https://ga.leagueinfosight.com/compliance-topics/covid-19-coronavirus>

Letter to Credit Unions 20-CU-07 <https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/summary-coronavirus-aid-relief-and-economic-security-cares-act>

# Consumer Financial Protection

- COVID-19 continues to effect consumers, result is increased consumer compliance risk.
- NCUA will continue to examine for consumer compliance
- Exams will include emphasis on regulatory changes since the start of COVID-19

For more information on any of these regulations visit LSCU InfoSight:

<https://ga.leagueinfosight.com/>  
or

<https://www.ncua.gov/regulation-supervision/regulatory-compliance-resources/consumer-compliance-regulatory-resources>

- Electronic Fund Transfer Act (Reg. E)
- Fair Credit Reporting Act
- Privacy Act
- Small dollar lending
- Truth in Lending (Reg Z)
- Military Lending Act (MLA) & Servicemembers Civil Relief Act (SCRA)

Emphasis on:

- Remittance Transfer Rule changes (Reg E)
- RESPA (TRID) rule and Rescission Rule changes (Reg Z)

# Credit Risk Management and Allowance for Loan and Lease Losses

- NCUA is shifting its emphasis from the priorities issued earlier in the year to reviewing actions taken by CUs to assist borrowers facing financial hardship.
- Adequacy of loan and lease losses accounts to address the effects of economic downturns.
- Use of loan workout strategies, risk management practices and new strategies implemented to assist borrowers impacted by the COVID-19 pandemic. Specifically, evaluating the CUs controls, reporting and tracking of these programs.
- CUs evaluation of the impact of COVID-19 decisions on capital and financial stability.
- Good news CECL delayed 1/23. Not looking at CUs transition efforts.

For more info visit LSCU InfoSight:

<https://ga.leagueinfosight.com/compliance-topics/covid-19-coronavirus>

# Information Systems & Assurance (Cybersecurity)

- Priority switch from ACET cybersecurity maturity assessments to evaluating critical security controls.
- NCUA is piloting an Information Technology Risk Examination solution for credit unions (InTREx-CU). This solution harmonizes the IT and Cybersecurity examination procedures shared by the FDIC, Federal Reserve and some state financial regulators.
- GDB&F allows FIs to choose which Cybersecurity tool works best for them, which is broader than NCUA's approach.
- Cyber-attacks have likely increased as a result of advances in financial technology, increase in remote workforce and an increase in use of mobile technology
- Cyber criminals taking advantage of the COVID-19 pandemic. ACH fraud related to the stimulus and SBA Emergency Loans
- In June Leverage in partnership with NCUA and the Pivot Group did a webinar on Cybersecurity priorities for 2020. To get copies of the PP and a recorded version of the presentation you can contact your Leverage BD Consultant or Jim Soenksen with Pivot.



# LIBOR Transition Planning

- CUs cannot rely on LIBOR being published after the end of 2021. This came out in March from the United Kingdom's Financial Conduct Authority.
- CUs offer, own, and are counterparties to LIBOR-based products and contracts, including loans, investments, derivatives, deposits, and borrowings.
- Increase legal, financial, and operational risk once the reference rate is no longer available. Review anything that may rely on LIBOR.
- Examiners will assess credit unions for exposure and will want to see a plan related to the transition away from LIBOR. The LIBOR Assessment Workbook will be used  
<https://publishedguides.ncua.gov/examiner/Pages/default.htm#ExaminersGuide/IRR/IRRExamProcedures.htm%3FTocPath%3DInterest%2520Rate%2520Risk%7C> 9

# Liquidity Risk

## Pre COVID-19 Priority for CUs with low-levels of on-balance sheet liquidity

- The potential 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 (for example, shifts from core deposits into more rate-sensitive accounts). Also, scenario analysis for changes in cash flow projections for an appropriate range of relevant factors (for example, changing prepayment speeds); and
- The appropriateness of contingency funding plans to address any potential liquidity shortfalls.

For more information see NCUA's Examiners Guide  
[https://publishedguides.ncua.gov/examiner/Pages/default.htm#ExaminersGuide/Liquidity/Liquidity.htm%3FTocPath%3DLiquidity%7C\\_\\_\\_\\_\\_0](https://publishedguides.ncua.gov/examiner/Pages/default.htm#ExaminersGuide/Liquidity/Liquidity.htm%3FTocPath%3DLiquidity%7C_____0)

## Post COVID-19 Economic impact on all CUs. Liquidity Risk Management and Planning

- The effects of loan payment forbearance, loan delinquencies, projected credit losses and loan modifications on liquidity and cash flow forecasting;
- Scenario analysis for changes in cash flow projections for an appropriate range of relevant factors (for example, changing prepayment speeds);
- Scenario analysis for liquidity risk modeling, including changes in share compositions and volumes;
- The potential effects of low interest rates and the decline of credit quality on the market value of assets, funding costs and borrowing capacity; and
- The adequacy of contingency funding plans to address any potential liquidity shortfalls.

# Serving Hemp Related Businesses

- June 2020 Letter to CUs 20-CU-19 Additional Guidance Regarding Servicing Hemp-Related Businesses  
<https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/additional-guidance-regarding-servicing-hemp-related-businesses>
- June 2020 FinCEN guidance issued  
[https://www.fincen.gov/sites/default/files/2020-06/FinCEN\\_Hemp\\_Guidance\\_508\\_FINAL.pdf](https://www.fincen.gov/sites/default/files/2020-06/FinCEN_Hemp_Guidance_508_FINAL.pdf)
- These types of businesses may have been affected by COVID-19
- Examiners will continue to collect data through the examination process concerning the types of services CUs provide hemp-related businesses.
- Georgia has an approved plan to produce hemp in the state.  
<https://www.ams.usda.gov/sites/default/files/media/GeorgiaHempPlanandRules.pdf>

# Questions?

Contact the LSCU Compliance and Regulatory Services  
Department at [compliance@lscu.coop](mailto:compliance@lscu.coop)