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Conversation: The Daily Exchange -- February 3, 2014

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The Daily Exchange

February 3rd, 2014

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CFPB Highlights Mortgage Servicing Problems of 2013

WASHINGTON – The CFPB released a report detailing problems in the mortgage servicing market over the previous year. The report also notes that between July and October 2013 companies returned \$2.6 million to consumers as a result of overall CFPB supervisory activities.

"Taking action against mortgage servicing practices that harm consumers is a key priority for the CFPB," CFPB Director Richard Cordray said as he made the report public. "Especially under the detailed protections of our new rules, we expect servicers to clean up their act and provide responsible customer service."

The CFPB's report uncovered many instances of unfair practices such as borrowers being charged the wrong amount, waiving the consumer rights of borrowers, poor payment processing, and failing to provide correct information to the consumer reporting agencies.

Where these unfair practices were discovered, the CFPB alerted the company of their concerns and specified necessary remedial measures and, when appropriate, opened investigations for potential enforcement actions.

To address the problems the CFPB adopted new rules, which went into effect Jan. 10. These rules require servicers to maintain accurate records, give troubled borrowers direct and ongoing access to servicing personnel, promptly credit payments, and correct errors on request. The rules also include new, stronger protections for struggling homeowners, including those facing foreclosure.

The CFPB also announced that it is changing the format of supervisory reports in order to simplify them. The bureau anticipates that these changes will reduce the amount of time between an examination and when a supervised institution receives the report.

The CFPB report is available [here](#).

Data Protection a Shared Responsibility: Cheney in *PaymentsSource*

WASHINGTON – Protecting consumers following a data breach is a "shared responsibility," and "everyone, merchants included, must do their part," CUNA President/CEO Bill Cheney said in a *PaymentsSource* editorial published Thursday.

"Electronic payments in the United States are part of a sophisticated system that handles millions of transactions worth billions of dollars every day. When a data breach occurs, the system protects the consumers. But for the system to continue functioning when these breaches occur, all the participants of the system have to meet their responsibilities, take care of American consumers and save the finger pointing for another day," Cheney added.

The CUNA CEO responded to a Douglas Kantor blog post on *PaymentsSource*. In his post, Kantor, who serves as counsel to the Merchants Payments Coalition, asserted that lax card security standards were to blame for the Target data breach.

Cheney noted that for the moment, "no one knows the precise cause of the breach at Target...how the intrusion occurred is still a mystery.

"What is known, however, is that the breach has left tens of millions of customers with their personal information exposed," Cheney said.

Credit unions immediately moved to protect their members, reissuing cards and increasing account monitoring, he said. "We didn't wait to assess how the breach occurred or whom we could blame; we acted swiftly to protect our members. While these efforts brought significant expenses to credit unions, they are also the reasons our members remain confident in their credit unions and payment system," Cheney said.

And, while Kantor and retailers tout chip-and-PIN cards and payment card industry (PCI) standards as solutions to data breach issues, Cheney said those tools would not have prevented the theft of consumer marketing data during the Target breach. "Chip and PIN, to be truly effective, requires that retailers encrypt all data along the point of sale chain, decrypting it only outside of the merchant environment," he wrote.

CUNA has repeatedly encouraged Congress to consider legislation that holds merchants to the same standards as financial institutions when they handle financial transactions, and that permits financial institutions to disclose the source of the data breach and seek reimbursement from the merchant for the cost of the breach. CUNA supports chip-and-PIN cards as one way of addressing data security issues, but adds that other steps also need to be taken.

For the full *PaymentsSource* editorial, click [here](#).

[Discover Loyalty and Reward Solutions](#)



Are You Ready to Get Real???

Don't miss out on the one and only hard-hitting conference taking on all the issues that you need to know about. Join us March 10-12th at Harrah's Resort in Atlantic City for CU Reality Check 2014!

Check out www.curealitycheck.com for more information and to register! Please keep in mind that the deadline to secure a hotel room at the reduced rate is Feb. 20th.

Upcoming Events:

February 11, 2014
Webinar: Affordable Care Act: Employee Benefit Issues and Marketing Opportunities; Training and Education to Members
3:00 pm to 4:00 pm
[More Information Click Here](#)

February 25, 2014
Teller Training for Frontline Staff
10:00 am to 3:00 pm
[More Information Click Here](#)

February 27, 2014
Webinar: Essential HR Recordkeeping from Hiring to Firing
3:00 pm to 4:30 pm
[More Information Click Here](#)

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Connect with Us:



Discover Loyalty and Reward Solutions, Join SaveAround for a Free Webinar on Feb. 19th

Loyalty and rewards are a necessity in today's business environment!

Do your members go elsewhere for mortgages, auto loans, home improvement loans, etc.? If so, why?

Learn what hundreds of business already know: SaveAround can provide affordable solutions for your loyalty and reward needs.

A few solutions are:

1. Offer your members a BP cents-off-per-gallon fuel card for every loan application, new account opening, etc.
2. Offer a custom coupon book with thousands of dollars in savings at local, regional, and national merchants. The book will be branded with your CU logo and can contain any message. SaveAround has made this option affordable to any and every size credit union.
3. Add value to your statement stuffers with BP cents-off-per-gallon codes to use at the pump or local, regional, and national merchant offers to make sure your message is saved and read.
4. Set up an online program that allows your members, exclusively, to print coupons redeemable at local merchants.

These are just a few programs that will attract new members and keep current members loyal.

To learn more about these and other options, please join SaveAround for a free Webinar. Details are below:

Date: February 19th, 10:30am EST

To register, contact:

Dick Froiseth
SaveAround
607.624.3570
dfroy@savearound.com

John Hendery
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Webinar Information will be sent upon registration.

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CUNA's CompBlog on Rules & Compliance Tools

NCUA publishes derivatives rule - The NCUA has published a final rule permitting Federal credit unions only to engage in limited derivatives activities for the purpose of mitigating interest rate risk. This rule is effective March 3, 2014. The final rule from the Federal

Register is [here](#).

CFPB report highlights mortgage servicing problems - The CFPB has announced the issuance of a Supervisory Highlights report highlighting unfair and deceptive practices in the mortgage servicing market uncovered through the Bureau's supervision program in 2013. The report discusses servicer violations such as unfair practices with servicing transfers, waivers of consumer rights, poor payment processing, and failing to provide correct information to consumer reporting agencies. For more information see CFPB's announcement [here](#), and the report [here](#).

HUD updates its foreclosure brochure -All FHA-approved mortgagees must replace their current HUD foreclosure brochures with the updated version, "Save Your House: Tips to Avoid Foreclosure", by February 10, 2014. HUD requires FHA-approved mortgagees to send a cover letter with the brochure to delinquent mortgagors of FHA-approved mortgages no earlier than the 32nd day of delinquency, but no later than the 60th day. For more information see [HUD's Mortgagee Letter 2014-1](#). HUD also recently released Mortgagee Letter 2014 -2, explaining maximum qualifying ratios for manually underwritten loans. The guidance revises and clarifies the compensating factors that must be cited in order to exceed FHA's standard qualifying ratios for manually underwritten loans. This Mortgagee Letter also explains the new reserve requirement for manually underwritten loans for one and two unit properties. For more information see [HUD's Mortgagee Letter 2014-2](#).

FHA to accept e-signatures on some loan documents - A press release and Mortgagee Letter 2014-03 have been issued by HUD to announce the grant of expanded authority to lenders to accept electronic signatures on documents associated with mortgage loans. Current FHA policy allows for electronic signatures only on third party documents not controlled by the lender. The new policy allows e-Signatures on origination, servicing, and loss mitigation documents, as well as FHA insurance claims, REO sales contracts and related addenda. For more information see the [press release](#), and [HUD's Mortgagee Letter 2014-03](#).

FinCEN virtual currency rulings - FinCEN has published two administrative rulings regarding certain persons involved in the "mining" of or investments in virtual currency. Ruling FIN-2014-R001 states that, to the extent a user creates or "mines" a convertible virtual currency solely for the user's own purposes, the user is not a money transmitter under the BSA. Ruling FIN-2014-R002 states that a company purchasing and selling convertible virtual currency as an investment exclusively for the company's benefit is not a money transmitter. The rulings provide further interpretation of FinCEN's March 18, 2013, Guidance, "Applications of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies." For more information use the resource links below:

[FinCEN Announcement](#)

[FIN-2014-R001](#)

[FIN-2014-R002](#)

[FinCEN Guidance: Applications of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies](#)

Alloya Corporate FCU Offers Chapter Meeting Attendance Sponsorships

Alloya Corporate FCU offers Chapter Meeting Attendance Sponsorships to smaller credit unions that cannot afford to attend these valuable meetings.

The corporate offers these sponsorships to ensure that as many credit union leaders as possible have the opportunity to attend these meetings.

"The education of credit union staff and volunteers is a cornerstone of Alloya's mission," said Jacqueline Carlson, assistant vice president, business consulting at Alloya. "Rather than present a raffle prize to the chapter leaders at meetings, Alloya will be underwriting the expense of the meal for each sponsorship recipient."

To qualify, the applicant must be a representative of a New Jersey credit union with \$20 million or less in assets. One certificate will be awarded per chapter meeting, for each of the four chapters in New Jersey. Chapter council members will award the certificates prior to each meeting and they will cover the cost of the meal for the recipient.

For more information please contact Sandra Albertson, senior business consultant, at 800-253-0053 ext. 4701 or sandra.albertson@alloyacorp.org.

Upcoming Chapter Meetings are listed on the League's [NJ CU Chapter System page](#) of its Web site.

February VirtualCorps Webinars Tackle Affordable Care Act for CUs

HIGHTSTOWN, N.J. – The Patient Protection and Affordable Care Act of 2010, which was signed by the President and upheld by the Supreme Court, is now impacting credit unions and their employees alike. These dramatic changes may require credit unions to alter the administration and operation of their medical benefit plans.

Two VirtualCorps Webinars, offered through the League, are designed to educate credit unions with 50 or less employees about what is required under health care reform and best practices to implement. You will learn about:

- Small Business Health Option Program (SHOP) Marketplace
- Summary of Benefits & Coverage (SBC)
- Medical Loss Ratio Rebate Distribution
- Impact on HRA, FSA, HSA and wellness programs

- Additional Medicare Withholding on Wages
- New nondiscrimination rules prohibiting more generous benefits to credit union executives
- New HIPAA Final Omnibus Rule and what credit unions need to do to comply

This ACA Webinar is being offered on two dates in February. Click on the date below for more information and to register:

[Tuesday, February 11th at 3 p.m.](#)

[Tuesday, February 18th at 3 p.m.](#)

EDUCATION CANCELLATION POLICY: NJCUL must receive written cancellation in our office seven (7) days prior to the education session in order for you to receive a refund; substitutions only after this date. All cancellations will be subject to a \$25 cancellation fee.



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NFIP Rate-Hike Delay Sent to House, Rep. LoBiondo Calls for Immediate Vote

WASHINGTON – Legislation that would delay National Flood Insurance Program (NFIP) fee increases by four years was approved by the U.S. Senate yesterday.

The bill (S.1926) passed on a 67-32 vote and moved on to the U.S. House for consideration.

The NFIP bill would also correct some issues in the 2012 Biggert-Waters Flood Insurance Reform Act, which extends the NFIP until Sept. 30, 2017. The Federal Emergency Management Administration will also need to conduct an NFIP affordability study.

Rep. Frank LoBiondo (R-NJ-2) Thursday afternoon called on House Speaker John Boehner (R-Ohio) to immediately put flood insurance legislation on the calendar for a vote by the full House.

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Risk-Based Capital Plan is Latest *Inside Exchange* Topic

WASHINGTON – The basics of the NCUA’s proposed risk-based capital framework for credit unions, and credit union concerns regarding the proposal, are addressed in the latest edition of the CUNA’s *Inside Exchange*.

In the video, CUNA Vice President of Communications Pat Keefe

In the video, CUNA vice president of communications Patrick Keefe, Deputy General Counsel Mary Dunn and Chief Economist Bill Hampel discuss what CUNA is doing to review the proposal, draw on expertise regarding Basel III standards, develop detailed comments on the proposal to the NCUA and encourage the credit union system to weigh in on this very critical proposal.

The proposal would restructure NCUA's current prompt corrective action (PCA) regulation to include calculation of a capital-to-risk-assets ratio, analogous to Basel III for community banks. The risk weights would be substantially different, and the proposal would impose higher capital requirements for credit unions with higher concentrations of assets in real estate loans, member business loans, longer term investments and some other assets.

The proposal would apply to credit unions with assets of more than \$50 million.

Although a final rule is not likely to go into effect until 2016 or later, credit unions need to consider the proposal and its impact on their operations right now and submit their comments to NCUA, state credit union leagues and CUNA, Hampel emphasized.

CUNA has posted a comprehensive, but concise, summary of the rule to ensure credit unions are informed about the proposal and to encourage them to weigh in to CUNA, the leagues and NCUA on this proposal. The topic will be a major focus of this year's CUNA Governmental Affairs Conference.

The *Inside Exchange* is available [here](#).

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Interactive Risk-Based Capital Session Added to GAC Schedule

WASHINGTON – In response to increased interest in NCUA's risk-based capital proposal, CUNA has added a special breakout session to next month's GAC.

During the Sunday, Feb. 23, session, CUNA staff will provide a breakdown and brief overview of the proposal, which imposes new requirements on credit unions with assets of \$50 million and above. The session is set up with interactive polling for attendees. It will provide opportunity for participants to learn more and express concerns.

The session is in addition to the already scheduled "What's Next for Capital Reform?" breakout on Tuesday, Feb. 25.

Space is limited for the special breakout session.

Additional GAC information, registration and housing are available [here](#).

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Credit Unions, Mark Your Calendars

HIGHTSTOWN, N.J. – The New Jersey Credit Union League would like you to mark your calendars for these upcoming events:

NJCUL Education

February 4 -- [Marketing & Business Development Roundtable: Marketing & Business Development Show and Tell](#)

February 5 -- [Frontline Roundtable: The Benefits and Challenges of the Frontline Position](#)

February 11 -- [NJ DNA Meeting: Idea Implementation](#)

February 12 -- [NJ READ Meeting](#)

February 25 -- [Teller Training for Frontline Staff](#)

February 20 -- [Compliance Update & Roundtable: 10 Fraud Areas Affecting Credit Unions](#)

March 18 -- [Full-Day: Cross Selling from the Credit Report](#)

March 19 -- [Full-Day: ALM Update 2014](#)

April 8 -- [ELS Session: Economic, Political and Tech Trends: 10 Things You Need to Know to Grow Your Business](#)

Industry Events

February 18 -- [Northern Chapter Meeting: The NJ CU Foundation](#)

February 23-27 -- [CUNA's 2014 Governmental Affairs Conference](#)

February 23 - March 1 -- [America Saves Week](#)

March 10-12 -- [2014 CU Reality Check Conference](#)

March 28 -- [Reality Fair at The Wallace School](#)

April 2 -- [Financial Fitness Day](#)

April 4 -- [NJ CU Foundation Casino Night](#)

April 10 -- [Reality Fair at Barringer High School](#)

April 20-26 -- [National Credit Union Youth Week](#)

May 3 -- Jersey Shore FCU's 5th Annual 5K in May for the Marianne DiNofrio Pancreatic Cancer Research Foundation at Birch Grove Park

May 16 -- [Reality Fair at Ewing High School](#)

May 20 -- [NJCUL's 26th Annual Golf Tournament](#)

May 20 -- [Greater Alliance Federal Credit Union's 31st Annual Golf](#)

May 29 -- [Greater Alliance Federal Credit Union's 31st Annual Golf Outing](#)

June 2 -- North Jersey FCU Foundation's 5th Annual Above and Beyond Golf Outing at Picatinny Arsenal Golf Course

July 21 -- 4th Annual Garden Savings Federal Credit Union Golf Outing at Fiddler's Elbow Country Club

July 30 - August 1 -- [NYIB Conference](#)

September 21-23 -- NJCUL's 80th Annual Meeting & Convention at Trump Taj Mahal

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