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Conversation: The Daily Exchange -- February 11, 2015

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February 11th, 2015

Today's News:

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CUs Pose IRR, FOM, Sup-Cap, Overdraft and Other Questions to NCUA, CFPB

ALEXANDRIA, Va. – At a town hall-style Webinar with federal regulators yesterday, credit unions had the opportunity to ask questions on a wide range of topics from a potential interest-rate risk (IRR) rule to what's going on with recently formed working groups on key issues.

More than 900 people registered for the joint NCUA-Consumer Financial Protection Bureau (CFPB) Webinar.

An IRR plan originally was included in NCUA's risk-based capital proposal, but it was removed. However, the agency has mentioned a separate rule might be coming. CUNA has urged the agency on numerous occasions not to issue a new IRR rule or address it in the RBC2 risk weightings, since an IRR rule took effect in 2012.

Larry Fazio, NCUA's director of examination and insurance, said the agency's goal is to make sure credit unions with significant IRR can weather the storm, should rates change dramatically. He said the agency is evaluating ways to approach a standard way to analyze IRR.

"I wouldn't expect anything definitive in terms of guidance or any rulemaking in the next few months," he said.

The Webinar also touched on NCUA's two recently formed to look at supplemental capital and field of membership (FOM).

Matt Biliouris, deputy director of NCUA's Office of Consumer Protection, said the FOM group is inventorying the issues brought up by the credit union community and is examining policy and regulatory changes that can be made regarding FOM within the parameters of

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Calendars

Executive Leadership Series

Brought to you by the New Jersey Credit Union League 

First ELS Session of the New Year Set for March 3rd

New innovations in technology, shifting customer expectations, cyber security threats, and economic pressures have dramatically changed financial institutions.

Join us for the first Executive Leadership Series (ELS) [session](#) of the New Year on March 3rd at the League office where you'll hear from Joel Abramson on how to reduce costs while investing in innovation to better serve the modern member. Register [here](#).

changes that can be made regarding FCU within the parameters of the Federal Credit Union Act.

Bill Myers, director of NCUA's Office of Small Credit Union Initiatives, said the supplemental capital group has held two meetings and is reviewing what can be changed through regulation or legislation and will seek public feedback in the coming months.

Other items discussed include:

- NCUA Chairman Matz said she supports "raising or eliminating" the member business lending cap, currently at 12.25% of a credit union's assets but said any changes must be statutory and come from Congress;
- The agency is analyzing comments on its fixed-assets proposal, and Matz said it hopes to have a final rule "in next couple of months;"
- CFPB Director Cordray said the CFPB has expanded its definition of "rural" creditors from a proposal covering 9.9% of the population, to one covering roughly 22% of the population;
- The bureau is considering standardizing and streamlining disclosures on prepaid credit cards; and
- Cordray also said looking at overdraft products is "in the queue" at the bureau, but there is no timeline on any potential guidance or rulemaking.

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CFPB Makes RESPA Enforcement Action

Tuesday, the CFPB announced an action against Maryland-based mortgage company "NewDay USA" for violations of the kickback and unearned fees prohibitions under the Real Estate Settlement Procedures Act (RESPA). NewDay focuses on mortgage lending to veterans, and has primarily advertised its mortgage products to consumers through direct mail campaigns. It used pre-screened lists from a veterans organization, and paid the organization a "lead generation fee" for each referral. The arrangement was facilitated by a broker company.

During the time period covered by this order, NewDay sent over 50 million solicitations by postal mail and email to consumers, offering reverse and forward mortgages. These advertising communications were typically sent to a pre-screened list of consumers, generally veterans and older Americans, selected due to various characteristics that NewDay believed made them more likely to be potential customers for its offerings. As part of this arrangement, NewDay was named the "exclusive lender" of the veterans' organization. These communications never disclosed the financial relationship between NewDay, the veteran's organization, or the broker company, and thus were deemed "deceptive acts or practices."

The consent order imposes a \$2 million civil penalty on NewDay USA for failing to disclose its marketing relationship with the veteran's organization. Some features of this marketing relationship included:

Upcoming Events:

February 17, 2015
VirtualCorps Webinar: How to Develop a Simple Investment Strategy for Your Excess Liquidity
3:00 pm to 4:00 pm
[More Information Click Here](#)

February 18, 2015
Southern Chapter Meeting: Foundation and Compliance Update
Location: Crab Trap, Somers Point, NJ
6:00 pm to 8:30 pm
[More Information Click Here](#)

February 19, 2015
Compliance Roundtable: Pressing Compliance Matters
Location: NJCUL and via Video Conference
10:00 am to 12:30 pm
[More Information Click Here](#)

Contact Us:

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- NewDay paid a broker company a monthly “licensing fee” of \$15,000.
- For each referred member who contacted NewDay to inquire about a reverse mortgage and who completed mandatory counseling, NewDay paid Veterans’ Organization \$75 as a “lead generation fee” and NewDay paid broker company \$100 as a “lead generation fee.”
- For each referred member who contacted NewDay to inquire about a 100% loan-to-value (LTV) mortgage refinancing and had his/her credit report pulled, NewDay paid Veterans’ Organization \$15 as a “lead generation fee” and NewDay paid the broker company \$20 as a “lead generation fee.”

These features violated kickback prohibitions under RESPA. Section 8(a) of RESPA provides that “[n]o person shall give and no person shall accept any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.”

This action serves as a reminder for all CUs to be careful and diligent when making mortgages and engaging in marketing relationships with non-affiliates. Read [the press release here](#), and entire [consent order here](#).

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Registration OPEN for Our Golf Tournament on April 28!

[Credit Union Registration](#)

[Sponsor Registration](#)

MONROE TOWNSHIP, N.J. – Register today for the NJ CU League’s 27th Annual Golf Tournament on April 28th!

Once again, the tournament will be held at the beautiful Forsgate Country Club in Monroe Township on both the Banks and Palmer courses. The day will consist of a continental breakfast, a 10 a.m. shotgun start, lunch at the turn, and a cocktail hour/awards ceremony at 3 p.m.



Back again is the President’s Cup! The team with the best score will receive a beautiful President’s Cup trophy. It’s a traveling trophy, and each year it will be passed along to the new winning team. Wouldn’t you like bragging rights for a year? There will also be chances to win great door prizes.

Registration is on a first-come, first-served basis, so sign up today! Credit union golfer



registration materials are available [here](#).

There are many sponsorship options for vendors to choose from to support the NJCUL's golf tournament and gain exposure among credit union professionals. Each sponsorship option gives you customized signage at the sponsored hole. You can also send in items to be included in "goodie bags" that will be given to each player.

Sponsor registration materials are available [here](#).

If you have any questions, please contact Yvette Segarra at ysegarra@njcul.org or 800-792-8861 ext. 103.



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Managing Operating Costs and More Discussed at Yesterday's CFO Roundtable

Video conferencing was at its best yesterday when CEOs, CFOs, and Accounting professionals shared challenges, methods, and resources that help them effectively make financial projections.



CFOs and other credit union leaders discuss vendor management at the CFO Roundtable held here at the League and via video conference to Atlantic FCU and Members 1st of NJ FCU.

Some of the areas of discussion included how to properly evaluate vendors, including cost, ease of integration, services provided, pure expense of product(s) package, marketing costs, and expected

expense of product, package, marketing costs, and expected revenue and timetable for ROI, if any. Following a product development process while timely is necessary to understand member need, value, and utilization. Credit unions tend to offer products to compete with neighboring banks but it may not always be the best option/investment.



A close-up of the video conferencing screen. Hello to those attending at the remote sites!

Some tools used by attendees included Guidance from NCUA, BankInsight for geographic measures, the Raddon Group, and, for SEG-based credit unions, working with the company's HR department for demographic information.

With an attendee working with a real situation, the group offered relevant, on-target information that all will be able to apply going forward. The session touched on investments and the group agreed that the next session should focus on the impending interest rate risk and the ability to manage the impact and uncertainty.

The next CFO Roundtable is scheduled for July 8, 2015.

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CUNA Training Highlights for the Finance Professional

Stay on top of your credit union's finances with training opportunities from CUNA. Improve financial literacy, help your members through future financial situations and make sure the permanent choices your business makes are the right ones.

Upcoming February CUNA webinars

February 11 -- [Credit Union Access to Liquidity](#)

February 18 -- [Expiring ITINs and Form W-8BEN](#)

February 18 -- [2015 Tax Refunds](#)

CUNA Online Courses

[Account Balances and Dividend Calculations](#)

[Account Balance and Dividend Calculations](#)

[Budgeting and Accounting for Non-Financials](#)

[Credit Union Financial Analysis](#)

[Financial Management Made Easy Financial Statements and Budgeting](#)

[Helping Members Reach Savings Goals](#)

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FREE Your Marketing Co. Info Session February 24

HIGHTSTOWN, N.J. – Join us on Tuesday, February 24, 2015 from 11 a.m. to 1 p.m. to learn about the League's latest endorsed provider —Your Marketing Co.

Your Marketing Co. (YMC) utilizes the credit union's organizational goals and objectives to develop a comprehensive marketing plan for the credit union, as well as develop collateral and provide complete campaign support. Learn how YMC takes this on and meet the CEO & Founder Bo McDonald and Vice President of Marketing Molly Jackson.

Ask questions about YMC's approach, capabilities and offerings; and learn why the League chose YMC as it's latest endorsed provider.

Date: February 24, 2015

When: 11 am to 1 pm

Where: NJCUL in Hightstown, NJ and via video conference at Members 1st FCU in Vineland, NJ and Atlantic FCU in Kenilworth, NJ

Cost: Free -- *Lunch will be provided.*

Registration: Please email Mary Zelinsky at mzelinsky@njcul.org to register.



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**Keep Your Members Protected this Winter
with the Credit Union Auto Club**

Winter is here which means snow storms, slippery driving conditions, and potholes. With the Credit Union Auto Club your members can be



protected with an exceptional yet affordable roadside assistance program. For less than \$1 a week, your members can get help with

anything from being locked out of their car to needing a tow and much more.

The Credit Union Auto Club gives your credit union the ideal opportunity to promote its auto loans.

Many credit unions have found great success offering Credit Union Auto Club memberships as an incentive for members who get a new auto loan. Credit Union Auto Club even offers free marketing materials to help you promote this exclusive program. Plus, when your credit union enrolls in Credit Union Auto Club, it can

earn marketing reimbursements for each membership purchased.

[Click here to learn more about the Credit Union Auto Club and how it can benefit both your credit union and its members.](#)

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CUNA-Backed Bill Easing Privacy Notice Rules Reintroduced in the Senate

WASHINGTON – A bill that would reduce credit union regulatory burden and enhance consumer protections by modernizing privacy notifications was reintroduced in the Senate yesterday.

The Privacy Notice Modernization Act (S. 423) would allow financial institutions that do not share customer information the option to forego delivery of the annual written notice unless there has been a change in the privacy policy.

An identical version of the bill was introduced in the last Congress, but because it was not taken up, it needed to be reintroduced in order to be considered by the 114th Congress.

"The fact is that an annual privacy notice requirement is unnecessary, costly and confusing to our members," said CUNA President/CEO Jim Nussle. "Requiring the notice to be mailed only when the policy is changed will make the notice more meaningful to credit unions and their members."

CUNA wrote to the Senate in November, urging lawmakers to take up the bill before adjourning.

A similar bill, the Eliminate Privacy Notice Confusion Act (H.R. 601), was introduced in the U.S. House last month.

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FEMA Proposal Could Spike Costs for CUs, Other Flood Zone Lenders, CUNA Says

WASHINGTON – CUNA is warning the Federal Emergency Management Agency (FEMA) that proposed changes to its standard form for determining whether a property is located in a flood-hazard zone could double the work and cost for credit unions and others that use the form.

The form involved is the Standard Flood Hazard Determination Form. It is used during a mortgage loan request to determine if a building or mobile home is in an area determined by the FEMA director as having special flood hazards and in which flood insurance is available under the 1994 National Flood Insurance Reform Act.

One proposed FEMA change would add a page to the now single-page form. CUNA said that change would immediately double the cost of reproducing the form, which FEMA estimates may be used at least 45 million times annually by different stakeholders. It also would require costly reprogramming of current systems.

Another change—adding pagination to the form—would also require lenders to make system changes and incur regulatory burden, CUNA warned.

CUNA sent a joint comment letter to FEMA Monday as part of a coalition of eight trade associations whose memberships would experience increased regulatory burden due to the FEMA change.

CUNA and its partners said they welcome "thoughtful improvements" to the form—even if it means the addition of fields that require more data collection.

"We are concerned, however, when proposed changes to the form, whether in required format or data collection, increase the burden of compliance without commensurate benefit," the letter stated.

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CUNA's PowerComment Posts New Proposed Reg for CFPB: Reg X and Reg Z

[CLICK HERE](#) to log-in, review the new proposed regulation for Consumer Financial Protection Bureau: Amendments to the 2013 Mortgage Rule under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z), and voice your concerns through PowerComment.

If the link above does not automatically connect you to the PowerComment, please copy and paste the following text into your browser line:

[http://www.powercomment.org?
fuseaction=regReview&rid=103&nav=2](http://www.powercomment.org?fuseaction=regReview&rid=103&nav=2)

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Credit Unions Mark Your Calendars

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 17 -- [VirtualCorps Webinar: How to Develop a Simple Investment Strategy for Your Excess Liquidity](#)

February 19 -- [Compliance Roundtable: Pressing Compliance Issues](#)

February 19 -- [NJ READ Meeting](#)

February 24 -- [Free Information Session with Your Marketing Co.](#)

March 3 -- [Executive Leadership Series Session: Six Essentials for Keeping Your Financial Institution Relevant](#)

Industry Events

February 18 -- [Southern Chapter Meeting: Foundation & Compliance Update](#)

February 19 -- [CU Direct Webcast Event: First Look: Drive Growth with the NEW AutoSMART](#)

February 23-28 -- [America Saves Week](#)

March 3 -- [Deadline for NCUA Low-Income Credit Union Grant Round Applications](#)

March 4 -- [Free MemberClose Users' Forum](#)

March 8-12 -- [CUNA's 2015 GAC](#)

April 13-15 -- [2015 CU Reality Check at the Golden Nugget Atlantic City](#)

April 28 -- [NJCUL's 27th Annual Golf Tournament](#)

May 18 -- Greater Alliance FCU Gold Outing at Apple Ridge Country Club in Mahwah

May 20-21 -- [CU Direct's Automotive Lending & Marketing Conference](#)

June 1 -- North Jersey Federal Credit Union Foundation's Annual Golf Outing

June 5 -- [Reality Fair at Thomas Wallace School](#)

June 10 -- [Reality Fair at Ewing High School](#)

July 20 -- Garden Savings FCU's 5th Annual Golf Outing at Fiddler's Elbow Country Club

September 28 -- Picatinny Federal Credit Union 17th Annual Golf Outing

October 4-6 -- NJCUL's 81st Annual Meeting & Convention

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