The Exchange

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"Compliance"

Checking In with Compliance

Get to Know Our Compliance Team

The New Jersey Credit Union League's Compliance Center and Shared Compliance Program are great resources for our member credit unions to use so they can focus on growth…not compliance!

We had the members of our Compliance and Regulatory Affairs department answer a few questions for us on hot compliance topics, the solutions NJCUL has in order to tackle them, and what credit unions can expect at the upcoming Compliance Conference on June 19th.

Read on to hear from Vice President of Compliance and Regulatory Affairs Nicola Foggie and her team of Shared Compliance Specialists Sabrina Forano, Erika Miller, and Donna Pancoast.

Our Compliance team! From left to right: Shared Compliance Specialist Erika Miller, VP of Compliance & Regulatory Affairs Nicola Foggie, Shared Compliance Specialist Sabrina Forano, and Shared Compliance Specialist Donna Pancoast.

1. How long have you worked for the League?

Nicola Foggie: 6 1/2 years

Sabrina Forano: I've worked at NJCUL for almost 4 years.

Erika Miller: 9 months

Donna Pancoast: 6 years

2. What brought you to the compliance field of the credit union industry?

Nicola Foggie: I've been in the banking and credit union industries for over 30 years. In that time I became more and more involved in interpreting rules and regulations into organization policies and procedures. This included walking the delicate tightrope of leading staff through executing compliance requirements while keeping their focus on meeting their members' financial needs. When the League was looking for a Director of Compliance with the specific quality of understanding the compliance challenges of credit unions it seemed like a great fit to me.

Sabrina Forano: After working in various areas of banking, I wanted to have more of a service and less of a sales job.

Erika Miller: I worked for numerous credit unions in various positions, and dealing with regulations was a part of everyday life. Transitioning to the compliance world was a natural fit. This view gives me the opportunity to see the credit union as a whole and not just from a department perspective. I have the opportunity to enhance my compliance knowledge while drawing on my operational experience to assist our credit unions.

Donna Pancoast: I did compliance in the banking industry and this was a natural transition for me.

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3. Why is compliance such a big issue for credit unions?

Nicola Foggie: New and changing regulations, state and federal laws are what all financial institutions must comply with. They are being issued/changed at a rapid rate and are becoming increasingly burdensome and costly to deal with. It's tough for any asset size credit union to keep up let alone proactively maintain a consistently successful compliance culture all on their own.

**Benefits of League Membership*

Sabrina Forano: Compliance is required in every department in a credit union so there is no escaping it.

Erika Miller: Regulations are critical to running an effective business. As the NCUA and other regulatory agencies crack down, it is more important now than ever before to ensure that credit unions meet these challenges head on. The monetary penalties assessed by FinCEN are not to be disregarded. When a $3.6 million credit union is slapped with $300k in BSA fines, that gets your attention.

Vice President of Compliance and Regulatory Affairs Nicola Foggie sharing N.J. credit unions' compliance issues and concerns with NJ NCUA examiners last December.

Donna Pancoast: Compliance is a big issue for all financial institutions, not just credit unions. Compliance ensures that our members are treated fairly and protected under the law and also ensures that we are protected from lawsuits and bad press, if we follow the regulations.

4. What are some of the hot topics in compliance and regulations that credit unions are faced with right now?

Nicola Foggie: A top priority for the NCUA when they examine a credit union is compliance with the Bank Secrecy Act. Having a working, successful compliance program will ensure BSA compliance. Other agencies also issue proposed and final rules. The Consumer Financial Protection Bureau (CFPB), for example, recently issued changes to the Real Estate Settlement Procedures Act (Reg X) and the Truth In Lending Act (Reg Z) integrated disclosure rules (available here). The changes are effective August 1, 2015. Other challenges credit unions are facing are increasing, burdensome regulations, data security/breaches and exam fairness to name a few.

Sabrina Forano: TILA/RESPA.

Erika Miller: Agreed. BSA is always a hot topic and now everyone is patiently waiting for the finalization and enactment of the TILA-RESPA regulations. There are growing pains with any regulation, but this regulation is especially painful because this is more than ordering new documents. The credit union's core processor must make changes to their systems in order to help the credit unions comply and this comes at an additional cost.

Donna Pancoast: BSA is always a hot topic because of the risk exposure; however, lending, particularly real estate lending, is another hot topic due to the real estate market crash a few years ago and the bad dealings by some of the large banks.

5. How does the Compliance Department and the Shared Compliance Program help credit unions manage compliance?

Nicola Foggie: Our goal is to provide credit unions with a source of independent compliance expertise in the form of compliance advocacy and shared services designed to directly benefit credit unions' goal of growth and safety & soundness. We strive to help credit unions "Focus on Growth Not Compliance"!

Sabrina Forano: We find the areas with the strengths and weaknesses to let them know where they need to focus.

Erika Miller: The Shared Compliance Program provides onsite compliance reviews of more than 20 topics that include BSA, ACH, and Dormant and Escheat Practices to name a few. This hands-on review al-

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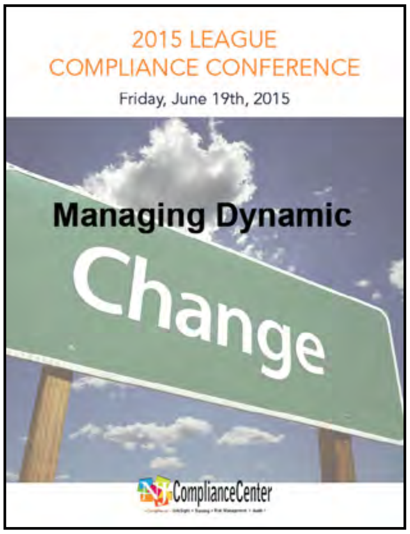
lows us to evaluate deficiencies and recommend corrective action. Our guidance provides an effective partnership for regulatory success. When you're compliant, everything else falls into place.



Reminder emails go out to our credit unions helping them stay on top of changes and annual requirements. We are just a phone call or email away, when assistance is needed. This program is not a "one-size fits all". Let us know what you require, so we can meet your needs.

Donna Pancoast: Credit unions that use our services know that when they have a question about compliance, they can reach out to us and get answers from experts in the field. This gives them peace of mind and for the ones using our SCP, they know that examiners review them more favorably because they have our service.

6. What are some compliance tools and resources the League has in place for member credit unions?

Nicola Foggie: Credit unions can visit our Web site www.njcul.org and click on our Compliance tab to see all that we offer. We also have a graphic (above) that outlines all we have to offer.

Sabrina Forano: InfoSight and CU Policy Pro are great tools.

Erika Miller: The Compliance Helpline (compliancehelpline@njcul.org) allows our members to contact us with their compliance questions. ComplySight is an awesome platform that allows you to track, measure, and report compliance activities in a single application. As regulations change, ComplySight notifies you about the changes.

7. What can credit unions look forward to at the Compliance Conference on June 19th?

Nicola Foggie: We are very excited about our upcoming Compliance Conference. The theme is Managing Dynamic Change. We have a wonderful lineup of experts to share the latest industry news in the world of compliance. This conference is tailored for credit union leaders, compliance professionals, and stakeholders, and recognizes the unending pressure to achieve compliance success and to learn from and respond to challenges. This conference will provide you the latest tools and information along with implementable solutions and best practices that will help you develop stability and growth within your organization's compliance program.

Sabrina Forano: Great speakers and great topics!

Erika Miller: This is my first time attending the Compliance Conference. I'm looking forward to participating!

Donna Pancoast: credit union have the opportunity to network with their peers and learn more about the hot compliance issues that they face every day.

8. If a credit union is interested in the Shared Compliance Program—or any of the compliance services offered by the League—how do they sign up?

Nicola Foggie: My team and I are ready to serve our credit union members. Contact myself, Nicola Foggie, Vice President of Compliance and Regulatory Affairs at nfoggie@njcul.org or call 800-792-8861, ext. 112.

Erika Miller: Your membership comes with InfoSight and CU Policy Pro. Make sure you have your League login for our Web site! Visit www.njcul.org/Secure/Register.aspx to register if you haven't already.

Join us for a webinar to learn all about It's a Money Thing!

THURSDAY, JUNE 4 AT 10 A.M. OR 3 P.M.

The New Jersey Credit Union League and Currency Marketing have collaborated on a fundraising agreement to promote the popular It's a Money Thing financial education content program to credit unions in New Jersey.

The program provides engaging educational content to young adults on a range of important financial topics such as budgeting, credit scores and identity theft. The program was piloted by Filene Research Institute, which researches and analyzes issues vital to the future of credit unions and consumer finance.

Please attend the webinar to learn how your credit union can get involved and benefit from this new program.

10 A.M. WEBINAR
bit.ly/njculweb1

3 P.M. WEBINAR
bit.ly/njculweb2

A portion of all sales from the "It's a Money Thing" program in New Jersey will be donated directly to the New Jersey Credit Union Foundation in support of its financial education efforts.

"This is a terrific opportunity for your credit union to provide a fun and entertaining financial education program that educates young adults while also raising funds for other financial education projects at the same time. It's a real win-win."

Greg Michlig
President & CEO

New Jersey Credit Union League

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TRID Compliance – Getting Down to the Details: Timing Requirements

With less than three months before the August 1 deadline for the TILA/RESPA combined disclosure, your credit union should have a solid plan for where the new disclosures are coming from and how to implement those documents. It's now time to think about policy and procedure changes required by the new rule.

One of the key procedural changes will be the myriad of timing requirements for the new disclosures. The basic timing rules are:

Loan Estimate:

1. Must be delivered or placed in the mail three business days after application.
2. Must be delivered or placed in the mail seven business days before consummation.
3. Must be received before the Closing Disclosure.

Closing Disclosure:

1. Must be received three business days before consummation.

General Timing Rules:

1. Documents placed in the mail are considered to be received three business days after being placed in the mail unless the CU has proof it was received prior to three business days.

2. Because RESPA and TILA use different definitions of "business day" the new rules use two different definitions. The three business day rule for the Loan Estimate considers a business day to be any a day on which the creditor's offices are open for carrying on substantially all of its business functions. All other timing requirements consider "business day" to be all days except Sundays and federal holiday.

84% of credit unions who **increased** their **education budgets** cited **increasing compliance burdens** as the main reason[1]

There will be several impacts to the mortgage lending operations process at your credit union due to these new timing requirements –most immediately –the need to provide the closing settlement information at least three business days before consummation. It's common to scramble the day before (or even the day of) closing to finalize these documents. This challenge is compounded by the fact that the disclosures are no longer simply delivered at closing. If your credit union is delivering the disclosures by mail, the disclosures must be placed in the mail six business days before closing.

The first line of defense in combating any new regulatory requirements is adequate policies and a training regimen for credit union staff. Once the mortgage processing staff has the rules and policies that make sense for your products and members, day-to-day transactions will fall into place. The question then becomes what to do when extraordinary transactions come through the branch door.

For instance, what happens when the member wants to change loan products but wants to keep that closing date only seven days out? Can your credit union deliver the loan estimate on the spot to meet the seven day rule? Can you get the closing disclosure out the next day? Or will you use electronic signature technology to demonstrate actual receipt of the disclosures three days before closing instead of sending through the mail?

With fewer than 100 days until the mandatory compliance date, it's time to think through these scenarios, determine how to handle extraordinary situations and decide what technology or processes are going to help us when we're in a timing pinch after August 1.

LOANLINER® users with access to Lending Resource Center can sign up now for two new TILA/RESPA educational webinars and our bi-weekly TRID talks. We created these sessions to provide a forum for you to learn details and ask questions.

Visit www.loanliner.com/realestate to sign up and access more tools.

CUNA MUTUAL GROUP

Don't Punish CUs for Bank Mistakes, Nussle Op-Ed

PHILADELPHIA – Regulations not aimed at credit unions are nonetheless bringing burdens to credit unions and higher costs to consumers, wrote CUNA President/CEO Jim Nussle in an op-ed expressing dismay that regulations aimed at reining in Wall Street are instead "walloping" credit unions.

"Credit unions and community banks have been caught in the cross fire as regulators target the predatory and profit-driven practices of Wall Street's mega-banks," Nussle wrote. "Since the beginning of the financial crisis, 15 different federal agencies have subjected financial institutions to more than 190 regulatory changes totaling nearly 6,000 pages of rules."

Credit unions, which are mostly community-based, consistently rank higher than banks "on nearly every aspect of the customer experience," according to the latest American Customer Satisfaction Index survey.

Yet, as Nussle pointed out, the regulations designed for big banks are saddling those community-based, not-for-profit credit unions with huge compliance costs.

"To keep up with the rules, credit unions have had to add staff, change internal policies and controls, design and print new forms, update computer systems, and help their members understand all these changes," Nussle wrote.

He cited several examples of credit unions that have had to add full-time staff not to serve members better, but to keep up with regulatory costs.

Regulatory relief is one of CUNA's top advocacy priorities, and as Nussle wrote, those efforts might be paying off soon. Leaders of the banking and finance committees of both chambers of the U.S. Congress have pledged to seek meaningful regulatory relief for smaller financial institutions in the coming months.

"At the top of their agenda should be reform of the Federal Credit Union Act to allow credit unions to make more loans, especially to small businesses," Nussle wrote. "Credit unions have been subject to arbitrary lending caps since 1998. Those caps need to go. That would create hundreds of thousands of jobs."

Nussle's piece was written for the Philadelphia Media Network, which owns The Philadelphia Inquirer, *Philadelphia Daily News* and the Web portal *Philly.com*.

CUNA, Bank Letter Urges Bipartisan Reg Relief Action

WASHINGTON – Credit unions and bankers have come together to strongly urge the U.S. Senate Banking Committee to find bipartisan agreement and congressional action to provide regulatory relief for financial institutions

"Regulatory relief is critical for America's credit unions," said CUNA President/CEO Jim Nussle commenting on the joint letter. "Bipartisan cooperation will be essential toward passage of these important reforms."

CUNA, NAFCU, the American Bankers Association and the Independent Community Bankers of America underscored:

- Nearly 14,000 financial institutions of all charter types are struggling with an onerous and growing regulatory burden.
- It is suffocating their true potential to spur economic growth, create jobs, help consumers purchase a home and benefit consumers by helping to meet their financial goals.
- The U.S. Congress must act in a bipartisan manner to address the "real-word" issues faced by credit unions and banks.

The letter notes that a regulatory relief package unveiled by Sens. Richard Shelby (R-Ala.), chair of the banking panel, and Sherrod Brown (D-Ohio), its ranking member, "is an important step" to addressing the regulatory barriers that stymie credit unions and banks from "more fully serving the diverse financial needs of the American consumer."

NJ DNA Meeting Tackles Two Key Topics

HIGHTSTOWN, N.J. – On May 13th, NJ DNA members gathered for the second quarterly meeting of the year to tackle two very important topics: Board Succession Planning and CEO Compensation.

The meeting was held at Credit Union of New Jersey in Ewing, N.J. and began with a short tour of their facility by CEO Andy Jaeger.

After a delicious meal, the groups went to work in their discussion groups. We were fortunate to have Michael Downey from CUNA Mutual Group on hand to answer questions and provide input on industry best practices. Downey floated between both discussion groups and provided additional thoughts on the topics during the recap. Highlights from the discussions are below.

NJ DNA
NJ Director and Volunteer Networking Alliance

The next NJ DNA Meeting is scheduled for August 13, 2015 with Atlantic Health FCU in Summit, N.J. hosting.

NJ DNA Meeting Discussion Topic Summaries

Topic #1: Succession Planning

- Most board vacancies are filled from the supervisory committee.
    - o Some issues: demands of supervisory committee and especially dual position of board and committee member.
    - o The idea of term limits followed. While term limits for board members are not really used, some do have limits for their executive board members.
- Credit Unions with SEGs should implement onboarding activities that include information about becoming a volunteer at the credit union.
- Create SEG ambassadors and discuss board position opportunities and benefits.
- Board Members may be brought on directly:
    - o Walk in volunteers
    - o Know other board members
    - o Through newsletters
    - o Acquired through mergers
- Some have considered “Associate” members but worry about the length of time the “Associate” may have to wait for an opening.
- Recruit using a company such as ExecRank: https://www.execrank.com/
- Create incentives for younger members (millennials) to join the board (have a voice)
- Attend local networking events, tell the credit union story and focus on causes to attract volunteers
- It’s important to keep in mind the ‘investment’ made in Board members, i.e. training.
- Discussed whether nominations from the floor are accepted at the annual meeting
    - o Noted than none are usually offered
    - o Downside is no time to vet a nominee

Topic #2: CEO Compensation

- Use industry analytics to benchmark current salary
    - o Recommended resource: www.hrperformancesolutions.net
- Use performance drivers for performance evaluation and bonuses
- Many credit unions have compensation committees or use the executive committee
- Goals set by Board and CEO; or by using Strategic Planning criteria
- Reviews should be presented once a year
- CEO generates a report of ‘ends’ and how they were achieved and how to deal with any shortcomings.
- Board handles CEO and CEO manages staff; often using similar process for executive team
- Look at the usual perks offered, i.e. company car, car allowance, internet, laptop, phone, corporate membership to country club, etc.
- Retention was briefly mentioned as another area that credit unions are looking into for CEO and Executive Team

Reflections on Recent Security Breaches & How to Reduce the Risk to Your Credit Union

By: Chris Martincavage

Just because you spend a lot on security does NOT mean you are secure. JPMorgan Chase recently stated that they have over 1,000 security professionals on staff and a $250 million security budget, but even they were not impervious to attack.

In the 2014 JPMorgan data breach, hackers stole an employee's login credentials after their security team neglected to upgrade one of its network servers with dual factor authentication protocol. Hackers gained access to more than 90 bank servers, compromising 83 million customers. That same year, in the Fidelity National Financial breach, an email phishing attack gave hackers access to employee email accounts containing highly sensitive information.

The silver lining of these two breaches affecting the financial services industry is that you can learn from them and reduce your own risk. Let's take a look at the best defenses for your credit union.

First, employee training is a must. Both of these breaches started with unsuspecting employees. Hackers are like robbers – they case the joint before starting a heist. Protect your credit union by educating your employees on things like spotting phishing emails, ignoring suspicious links, and not posting personal information on social media.

To address a hacker who is scanning your network, you should be using Intrusion Detection and Prevention Systems, which analyze complex network traffic in real-time and proactively block malicious internal traffic and sophisticated attacks. If a hacker is disrupted, they're more likely to move to other weaker targets.

Next, you need to look at the attackers' delivery method. Use SilverSky's Anti-Virus/Anti-Spam protection to block 100% of known viruses and 99.99% of unwanted emails. Fidelity would likely not have been impacted if that phishing email had never made it to the end user.

Other email protection like Email Data Loss Prevention will block, quarantine, or automatically encrypt sensitive, inappropriate, and risky messages. Sandboxing solutions like Targeted Attack Protection stop targeted attacks, spear-phishing, and advanced zero-day exploits without relying on anti-virus signatures.

For URLs that deliver malware, a strong Managed Firewall Service will help, especially one that uses Security Event and Information Management (SIEM) technology to prevent sophisticated threats that are difficult for in-house teams to detect. SilverSky incorporated data from the JPMorgan breach with SIEM to detect related activities for their customers and systematically correlates all security events across our massive customer base.

From JPMorgan and Fidelity to a community credit union, financial institutions of all sizes face the same data security threats. Automated security controls can reduce your risk, and analytics and intelligence can empower security experts to make good risk management decisions. SilverSky helps customers secure their infrastructure as well as their critical communications and messaging services. By investing intelligently, you can protect against the threat of costly breaches, reduce your risk of loss or theft of data, and preserve your brand and reputation – all of which can result in a healthier bottom line.

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Chris Martincavage is the Business Solutions Manager of Commercial Services, Americas, at BAE Systems, formerly SilverSky. Possessing 10 years of IT experience, Chris previously worked as the Security Operations Center Manager for SilverSky's Florida SOC since joining StillSecure in 2008. Before that, he was a Senior Analyst at ProtectPoint. Chris has expert-level knowledge of network security services, encompassing Fortinet and NSA, and is a CISSP. He has also personally consulted and continues to work with hundreds of financial institutions, including dozens of credit unions, on technology and network security.