

Highlights

ANNUAL SURVEY!

It's that time of year again! We are moving into strategic planning and budget time! Every year, we use the feedback that you provide in our annual survey to determine our next steps in product development. We want to hear what you think are the critical elements for InfoSight and CU PolicyPro! [Please fill out the survey](#) and let us know so that we can make our products even better!

Privacy

The rules relative to Privacy include several components, including disclosure rules created by the Gramm-Leach-Bliley Act and the Right to Financial Privacy Act as well as the reimbursement to financial institutions for providing records. You will want to review the items in the [Privacy](#) topic today, to ensure you are compliant!

Compliance News

FinCEN Issues Guidance Related to Opioid Crisis

Recently, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and Treasury's Financial Crimes Enforcement Network (FinCEN) [announced coordinated actions](#) to bring additional financial pressure upon those who manufacture, sell, or distribute synthetic opioids or their precursor chemicals.

OFAC identified Chinese national Fujing Zheng (Zheng) and the Zheng Drug Trafficking Organization (DTO) as significant foreign narcotics traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act). OFAC also designated one additional Chinese national, Guanghua Zheng, for his support to the Zheng DTO's drug trafficking activities, as well as one Chinese entity, Qinsheng Pharmaceutical Co. Ltd., for being owned or controlled by Fujing Zheng. OFAC is also identifying Xiaobing Yan (Yan) as a significant foreign narcotics trafficker pursuant to the Kingpin Act.

[FinCEN published an Advisory](#) to alert financial institutions to illicit financial schemes and mechanisms related to the trafficking of fentanyl, fentanyl analogues, and other synthetic opioids.^{2 2} The chemical names of synthetic opioids often sold online include: Acetylfentanyl, Butyrfentanyl, Carfentanil, FUF Fentanyl HCL, Furanylfentanyl, Isobutyrfentanyl, Lofentanil, 4'-methyl Acetyl fentanylHCL,

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Compliance Connection Videos

Our [Compliance Connection channel](#) help keep you up to date on trends and topics happening in the Compliance Space! It's also a great resource to provide training on compliance issues to your non-compliance staff, executive management and Board of Directors.

Compliance Calendar

September, 2019

- September 2nd, 2019: Labor Day - Federal Holiday

Valeryl fentanyl, and the U series, including U-47700. According to the Drug Enforcement Administration (DEA), informal slang terms for these variants include: 30s, Blues, Dragon's Breath, Fent, Fentanyl, Fenty, M-30s, etc. Additional slang words for fentanyl and other synthetic opioids can be found in the: DEA Intelligence Report on Drug Slang CodeWords. and to assist them in detecting and reporting related activity.

Source: OFAC and FinCEN

What Does FHFA's Validation and Approval Of Credit Score Models Final Rule Mean For CUs?

The Federal Housing Finance Agency (FHFA) [published a final rule](#) on August 16, 2019 that presents the standards and criteria, and outlines a four-phase process, that Fannie Mae and Freddie Mac (the Enterprises) will use to validate and approve third-party credit score models. The final rule implements Section 310 of the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (the Act), which amended the Enterprise charter acts and the Federal Housing Enterprises Financial Safety and Soundness Act (Safety and Soundness Act).

Although the final rule is effective October 15, 2019, the FHFA anticipates the process of approving an alternative credit score model will take up to 26 months. That timeframe doesn't include the implementation of any approved model for use by the Enterprises and that process will likely take as much as two more years beyond that. "FHFA believes, based on years of related credit score work, that it will take the industry approximately 18-24 months to adopt a new credit score model after a model has been approved by an Enterprise," the FHFA said. So, the entire timeframe from approving an alternative credit score model to implementation of a different credit scoring model by the Enterprises will likely be at least four more years.

Currently, Fannie Mae and Freddie Mac require lenders to provide credit scores derived from the Classic FICO credit score model for each loan delivered to the Enterprises. The FHFA noted that it expects Classic FICO to meet the criteria for approval based on its history of use while continuing to state that it expects the Enterprises to submit other credit score models to it for approval, acknowledging that "approving a credit score model in use for the past decade would not satisfy the intent of section 310 that the Enterprises consider credit score models developed after Classic FICO."

If an Enterprise conditions its purchase of a mortgage loan on the provision of a borrower's credit score, the score must be produced by a model that has been validated and approved by the Enterprises using the following four-phase process:

- September 20th, 2019: [Providing Faster Funds Availability \(Effective Date\)](#)

October, 2019

- October 14th, 2019: Columbus Day - Federal Holiday
- October 22nd, 2019: [Fidelity Bonds \(NCUA\)](#)
- October 22nd, 2019: [Appraisals \(NCUA\)](#)

November, 2019

- November 11th, 2019: Veterans Day (observed) - Federal Holiday
- November 24th, 2019: [SAFE Act. – MLO Registration](#)
- November 28th, 2019: Thanksgiving Day - Federal Holiday

December, 2019

- December 25th, 2019: Christmas Day - Federal Holiday

January, 2020

- January 1st, 2020: [HMDA Thresholds/Regulation C \(CFPB\)](#)

Training

[Click Here for upcoming League Training Sessions](#)

- **Solicitation of applications from credit score model developers** – during this phase, the Enterprise will describe what information must be submitted with the application, what are the timeframes for submitting applications, what criteria will the Enterprise use to conduct the validation and approval of a credit score model, how will the Enterprise obtain data for testing, and any additional approved information.
- **Submission and initial review of applications**– during this phase, the Enterprise will determine whether each application is complete and includes all required fees, and if not, will notify the applicant of any additional information that is required.
- **Credit score assessment** – during this phase, each credit score model will be assessed for accuracy, integrity and reliability independent of the use of the credit score in the Enterprise’s system.
- **Enterprise business assessment** – during this phase, the Enterprise will assess the credit score model in conjunction with the Enterprise’s business systems and processes. This phase will include assessing the accuracy and reliability of the credit score when used within the Enterprise’s system, assessing possible impacts on fair lending and on the Enterprise’s operations and risk management, and consideration of the impact on the mortgage finance industry, and other evaluations as established by the Enterprise as part of this assessment phase.

For a credit score model to be approved for use, the model must pass both a credit score assessment and an Enterprise business assessment. FHFA then reviews a proposed determination by an Enterprise for use of the credit score model and will either approve or disapprove the proposed determination. If an application is approved by FHFA, the Enterprise must follow through with a final determination to approve the credit score model for use in its systems.

The final rule did not adopt a proposed conflict-of-interest certification requirement. The proposed rule would have required each applicant to provide a certification regarding any conflict-of-interest as part of its application. This reflected concerns that the consumer reporting agencies lacked an incentive to support new entrants because of their ownership of VantageScore Solutions, LLC. Therefore, the independence requirement of the proposed rule was intended to encourage additional credit score developers to enter the mortgage marketplace. The final rule does not adopt this requirement and instead permits credit score model developers to submit applications to the Enterprise in response to a credit score solicitation, regardless of the ownership structure of the credit score model developer. However, the final rule does permit consideration of any conflict-of-interest as part of a comprehensive Enterprise business assessment to determine whether use of a credit score model could have an impact on competition in the industry. The Enterprise must consider whether such impact is due to any ownership or other business relationship between the credit score model developer and any other institution.

[FHFA’s Fact Sheet on the final rule.](#)

Source: CUNA Compliance Blog

Articles of Interest:

[FFIEC Encourages Standardized Approach to Assessing Cybersecurity Preparedness](#)

[California Consumer Privacy Act \(CCPA\)](#)

[6 Things to Know About the California Consumer Privacy Act \(CUNA Blog\)](#)

Advocacy Highlight

FASB Seeks Comment on Delay of CECL Effective Date

The FASB Board issued an [exposure draft](#) for public comment regarding the effective dates of several different standards as they apply to each type of reporting entity. Under the proposal, as it applies to credit unions, the plan would:

- Delay CECL until 1/2023
- Delay leasing until 1/2021
- Delay hedging until 1/2021

In addition, the proposal would change the current three bucket effective date structure of CECL to a two bucket structure. Currently, the standard differentiates between public business entities that are SEC filers, public business entities that are not SEC filers, and non-public business entities (which includes credit unions).

CFPB Appoints Student Loan Ombudsman

The CFPB announced the appointment of Robert Cameron to serve as the Bureau's private education loan ombudsman. He fills a role that has been vacant since August 2018.

The Dodd-Frank Act created a private education loan ombudsman position within the Bureau. The ombudsman is responsible for investigating and resolving complaints from private student loan borrowers, compiling and analyzing complaint data on private education loans, and making appropriate recommendations to policy makers.

Mr. Cameron is a Colonel and Staff Judge Advocate for the Pennsylvania Army National Guard. He joins the Bureau from the Pennsylvania Higher Education Assistance Agency where he was responsible for litigation, compliance, and risk mitigation.

[CUNA's 2019 Advocacy Agenda](#)

Keeping up with CUNA Advocacy

To stay abreast of the issues on which CUNA has provided input to lawmakers and regulators, [here is a list of those topics](#).

CUNA Advocacy Update

The CUNA Advocacy Update is published at the beginning of every week and keeps you on top of the most important changes in Washington for credit unions--and what CUNA is doing to monitor, analyze, and influence government agencies and federal law. To receive this update, click on "Get CUNA Updates" on the [CUNA Advocacy page](#). Additional Advocacy efforts may also be found under [CUNA's Removing Barriers blog](#). With the recent updates to CUNA's website, Advocacy information has also changed. To view recent advocacy issues and see ways your credit union can become involved, visit the [Priorities](#) or [Actions](#) pages.

ComplySight – Custom Reports are Here!

We have recently released a big enhancement which allows our clients to view the exact information they want to see! Custom reports can be saved, copied and shared with other staff members! Specific instructions will be communicated soon, but the ability to create custom reports is available now!

Free Trial Offer!

If you already know about ComplySight and you're interested in a "trial run" of ComplySight, League InfoSight is offering a free, 30-day trial so you can see the benefits first-hand. It's easy to get started. [Just visit us online and click on Free Trial Offer](#).

If this newsletter was forwarded to you and you'd like to be on the distribution list to the League Update going forward, [please email a request to be added!](#)