TENNESSEE
Credit Union League

InfoSight Newsletter

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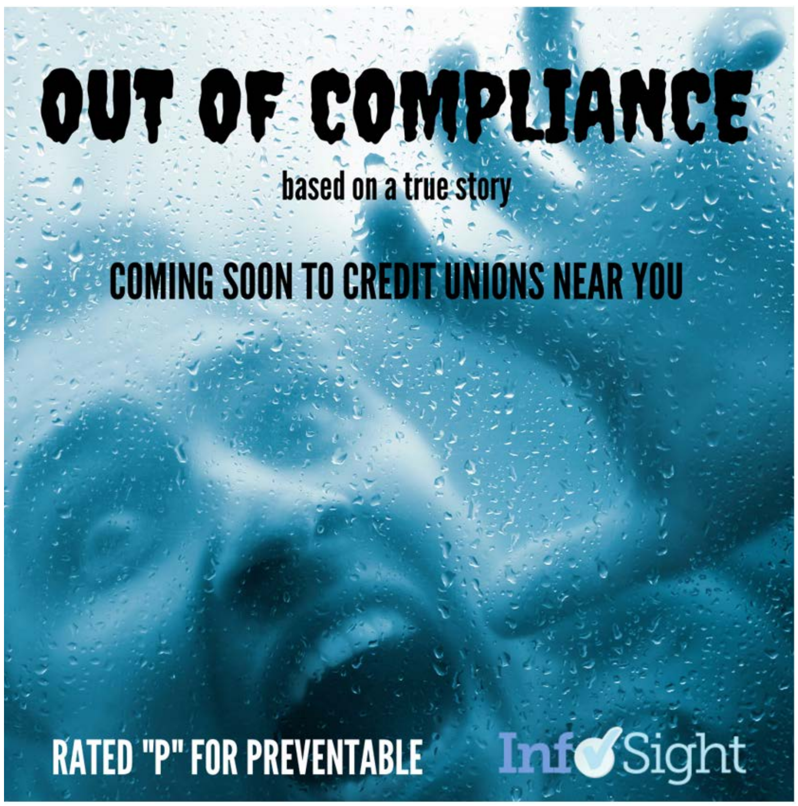
Highlights



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InfoSight Content Updates

New **RISK Alerts** are now available from CUNA Mutual Group and are found on the **Resources** area:

- *Scams Target Victims Via Text or Email Appearing to Be from State Agencies (7/13/2021)*
- *Automated Teller Machine "Smash and Grab" Attacks on the Rise (7/6/2021)*

- *Transaction Reversal Fraud Targets ATMs (7/6/2021)*

Compliance and Advocacy News & Highlights

FAQs From the IRS re: Child Tax Credits and Offsets

Many have asked about the right of offset for the recently deposited Child Tax Credits. The IRS has provided several FAQs, with those below specifying past due funds and garnishments:

Q G2. Will any of my advance Child Tax Credit payments be reduced if I owe taxes from previous years or other federal or state debts? (added June 14, 2021)

A2. No. Advance Child Tax Credit payments will not be reduced (that is, offset) for overdue taxes from previous years or other federal or state debts that you owe.

However, if you receive a refund when you file your 2021 tax return, any remaining Child Tax Credit amounts included in your refund may be subject to offset for tax debts or other federal or state debts you owe.

Q G3. Will my advance Child Tax Credit payments be offset if my spouse or I owe past-due child support? (added June 14, 2021)

A3. No.

Q G4. Is my advance Child Tax Credit payment subject to garnishment? (added June 14, 2021)

A4. Yes. Advance Child Tax Credit payments are not exempt from garnishment by non-federal creditors under federal law. Therefore, to the extent permitted by the laws of your state and local government, your advance Child Tax Credit payments may be subject to garnishment by your state, local government, and private creditors, including pursuant to a court order involving a non-federal party (which can include fines related to a crime, administrative court fees, restitution, and other court-ordered debts).

Some states and financial institutions have chosen to act to protect these payments, however, and these payments are still protected from offset by the federal government. For example, if a taxpayer has a judgment against them obtained by a private party but also owes assessed federal taxes, the IRS will not subject the payment to offset with respect to the federal taxes.

Source: IRS

CFPB Releases More Resources for Military Consumer Month

For 3rd week of Military Consumer Month, the Consumer Financial Protection Bureau's Office of Servicemember Affairs is emphasizing two vital military consumer protection laws—the Military Lending Act (MLA) and the Servicemembers Civil Relief Act (SCRA).

Congress enacted the MLA to protect active-duty members of the military and their covered dependents from risky lending practices. MLA protections for covered loans include (1) limiting the Military Annual Percentage Rate to a maximum of 36%, (2) prohibiting mandatory arbitration clauses, and (3) prohibiting lenders from requiring a military allotment in order to get a loan. The Consumer Financial Protection Bureau (CFPB) recently issued an interpretive rule that explains the basis for their authority to examine supervised financial institutions regarding MLA violations.

This week, the CFPB released an updated flowchart that contains guidance to help servicemembers better understand their rights under the MLA.

The SCRA is another important tool for active duty servicemembers. It allows active duty servicemembers to (1) reduce interest rates on their pre-service loans, (2) terminate some residential and auto leases without penalty when transferred or deployed, and (3) special protections against the repossession of property. The CFPB released a consumer advisory on SCRA waiver rights and updates to its lease termination notification options.

The Misadventures in Money Management (MIMM) program has a gamified virtual learning experience dedicated to training future and current servicemembers how to navigate the financial landscape and learn about protections they have. We strongly encourage you to access it to follow MIMM's Angela character through her journey which includes understanding the SCRA.

Source: CFPB

Additional COVID Recovery Options for Homeowners

The Federal Housing Authority on Friday announced additional streamlined COVID-19 recovery options to help homeowners with FHA-insured mortgages who have been financially impacted by the COVID-19 pandemic bring their mortgage current and remain in their homes. The simplified COVID-19 Recovery waterfall allows mortgage servicers to offer eligible homeowners who cannot resume making their mortgage payments a reduction in the principal and interest portion of their monthly payments. The simple two-step waterfall options intended for properties that are occupied as the homeowner's primary residence are:

- **COVID-19 Recovery Standalone Partial Claim:** for homeowners who can resume making their current mortgage payments, the COVID-19 Recovery Standalone Partial Claim allows mortgage payment arrearages to be placed in a zero-interest subordinate lien against the property that is repaid when the mortgage terminates, usually when the homeowner refinances or sells the home.

- **COVID-19 Recovery Modification:** for homeowners who cannot resume making their current monthly mortgage payments, the COVID-19 Recovery Modification extends the term of the mortgage to 360 months at a fixed rate and targets reducing the borrower's monthly principal and interest portion of their monthly mortgage payment. The COVID-19 Recovery Modification must include a Partial Claim if the homeowner has Partial Claim funds available.

The changes announced on Friday work in tandem with the pre-waterfall FHA **COVID-19 Advance Loan Modification** (COVID-19 ALM) announced on June 25, 2021. The COVID-19 ALM requires mortgage servicers to review their FHA mortgage servicing portfolio and offer the COVID-19 ALM to eligible homeowners. Homeowners who choose to accept the COVID-19 ALM need to only review and sign and return the mortgage modification documents sent to them by their mortgage servicer.

Source: FHA

CFPB Amends Mortgage Servicing Requirements for Borrowers Affected by the COVID-19 Emergency

On June 30, 2021, the Consumer Financial Protection Bureau (CFPB) published [Regulatory Alert 21-RA-08] in the Federal Register, a final rule temporarily amending certain mortgage servicing requirements under Regulation X to assist borrowers affected by the COVID-19 emergency. The 2021 Mortgage Servicing COVID-19 final rule only applies to servicers that service mortgages secured by a borrower's principal residence. The rule does not apply to small servicers.

Source: CFPB

Nacha Opt-In Program for Returning Bogus Unemployment Benefits

Nacha has created an opt-in program to better facilitate the return and recovery of potentially fraudulent unemployment benefits originally paid by ACH credits. The program is designed to help improve the recovery of funds that may have been disbursed to inappropriate parties. The Opt-In Program is beginning with two participating originating depository financial institutions (ODFIs), participating on behalf of eight states: Florida, Idaho, Kansas, Minnesota, Montana, Nebraska, Utah and Wisconsin. Receiving Depository Financial Institutions (RDFIs) do not need to opt in to return funds to the participating states.

- An RDFI can return a partial or full amount to a state unemployment agency via a "Program Return."
- Program Returns are treated as an ODFI Request for Return under the Nacha Rules, in which the ODFI indemnifies the RDFI for the return of funds.
- A Program Return may be sent via a new, forward CCD Credit Entry, using a data format specified by the opt-in rules. Such a CCD credit can be for the full amount or for a partial amount of the original ACH credit.
- An RDFI may also send the full amount of the original ACH credit via an R06 return if the participating ODFI has indicated acceptance.
- Program Returns, in accordance with program rules, may be sent for two years after the settlement date of the original ACH credit.

For additional information and program documents, visit Nacha's [Unemployment Benefits Return Opt-In Program] webpage.

Source: NACHA

Articles of Interest

- *NCUA Seeks Comment on Complex Credit Union Leverage Ratio*
- *If You See Something, Say Something Campaign Material*
- *July 23, 2021 NASCUS Report*
- *New Legislation Could End 'Archaic' FOM Restrictions for Credit Unions*
- *Military Lending Act—Applicability Flow Chart*

CUNA's Advocacy Resources:

- *Happenings in Washington*

WOCCU Advocacy Resources:

- *Telegraph – the most recent newsletter on current advocacy issues*
- *Advocate Blog – International advocacy trends and issues*

Compliance Calendar

- *August 31st, 2021: CFPB - RESPA Borrower Protections - COVID-19 Emergency*
- *September 6th, 2021: Labor Day - Federal Holiday*
- *October 11th, 2021: Columbus Day - Federal Holiday (also recognized: Indigenous Peoples' Day)*
- *November 11th, 2021: Veterans Day - Federal Holiday*
- *November 25th, 2021: Thanksgiving Day - Federal Holiday*
- *November 30th, 2021: CFPB – Fair Debt Collections Practices (Regulation F)*