



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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Sept 11, 2013

No. B-13-15

Consumer Compliance Examinations

Effective September 11, 2013, the Division of Credit Unions is enhancing its compliance examination program for those credit unions with assets over \$500 million. For credit unions with less than \$500 million in total assets, we will continue to do compliance as part of the safety and soundness examination. The enhanced program will be as follows:

- focused solely on consumer and regulatory compliance,
- conducted at a different time than the annual safety and soundness exams, and
- completed with a compliance rating and report issued to the credit union.

For the enhanced compliance program, we plan to complete the separate compliance examinations of those credit unions with assets over \$500 million over the next 20 months and continue separate compliance examinations of the largest credit unions in the future on an approximately 20 month cycle. This new program should result in a more effective consumer compliance examination process.

A pre-examination letter will be sent to the credit union approximately eight weeks in advance of the examination. This letter will describe the examination scope in detail and will have a list of information/documentation to be prepared in advance of the examination. The examination scope will cover operational functional areas such as “deposits”, “consumer lending”, “mortgage lending”, “mortgage servicing”, “privacy and consumer information”, and/or cover several regulations selected from the following list:

1. Reg CC: Availability of Funds and Collection of Checks (Expedited Funds Act and Check Clearing for the 21st Century, aka Check 21) – 12 C.F.R. 229

2. BSA: Bank Secrecy Act 12 C.F.R. Part 748
3. COPPA: Children's Online Privacy Protection – 16 C.F.R. 312
4. Reg. M: Consumer Leasing Act - 12 C.F.R. 1013
5. Reg. E: Electronic Fund Transfer – 12 C.F.R. 1005
6. Reg. B: Equal Credit Opportunity – 12 C.F.R. 1002
7. FCPR: Fair Credit Practice Rule – 12 C.F.R. 706
8. Reg. V: Fair Credit Reporting Act – 12 C.F.R. 1022
9. Reg. F: Fair Debt Collection Practices Act – 12 C.F.R. 1006
10. FHA: Fair Housing Act – 12 C.F.R. 701.31
11. FDPA: Flood Disaster Protection Act – 12 C.F.R. 760
12. Reg. C: Home Mortgage Disclosure – 12 C.F.R. 1003
13. Home Ownership and Equity Protection Act of 1994 – Section 32 of Reg. Z
14. HOPA: Homeowners Protection Act - 12 U.S.C. 49
15. Reg. P: Privacy of Consumer Financial Information – 12 C.F.R. 716
16. Reg. X: Real Estate Settlement Procedures Act - 12 C.F.R. 1024
17. RFPA: Right to Financial Privacy – 31 C.F.R. 14
18. Reg. H: Secure and Fair Enforcement for Mortgage Licensing Act – State Compliance and Bureau Registration System - 12 C.F.R. 761
19. SMCR: Service Members' Civil Relief – 32 C.F.R. Part 232
20. Reg. Z: Truth in Lending Act – 12 C.F.R. 1026
21. Reg. DD: Truth in Saving – 12 C.F.R. 707
22. Unfair, Deceptive or Abusive Acts or Practices - under the Dodd-Frank Wall Street Reform and Consumer Protection Act
23. Reg. GG: Unlawful Internet Gambling Enforcement Act – 12 C.F.R. 233
24. Washington Foreclosure Fairness Act – RCW 61.24.160 to .166

Note: The above list may change due to new or revised regulations applicable to credit unions.

The examiner-in-charge (EIC) for the compliance examination will contact a credit union representative to make arrangements for obtaining the pre-exam information. During the examination, the EIC may meet with the manager and staff, the Board Chair and the Supervisory Committee. The EIC will arrange a date and time with management for the exit conference. If possible, the Board of Directors and Supervisory Committee should attend this exit conference. Efforts will be made to make the date, time, and location of this meeting as convenient as possible for all attendees. A separate examination report will be issued approximately 30 days after the exit conference.

Significant concerns found during the consumer compliance examination will be followed-up by examiners during safety and soundness exams or a special limited scope compliance exam.

The Division of Credit Unions adopted the Federal Financial Institutions Examination Council's (FFIEC) Uniform Consumer Compliance Rating System for its compliance exams. Under this rating system, a credit union is assigned a confidential compliance rating based upon an evaluation of its present compliance with the applicable consumer protection laws and the

adequacy of its systems designed to ensure compliance with these laws on a continuing basis. The rating system is based upon a scale of 1 through 5, in which “1” represents the lowest level of supervisory concern, while “5” represents a critically deficient level of performance and therefore the highest degree of supervisory concern. The FDIC uses the FFIEC compliance rating system. For a full description of the ratings visit:
<http://www.fdic.gov/regulations/laws/rules/5000-1700.html> .

We are currently in process of developing a Compliance Examination Manual, which will describe the scope, objectives, and examination procedures for the separate compliance exam. It will also contain a pre-exam letter template. In the future, we will be posting the pre-exam letter template and sections of the Compliance Examination Manual, as they are completed, to a new Division of Credit Unions’ web page titled “Compliance Examinations.”

If you have any questions about the compliance program or the Compliance Examination Manual, please contact Jane Johnson at Jane.Johnson@dfi.wa.gov or 360-902-0508.