

NCCO

NAFCU CERTIFIED
COMPLIANCE OFFICER

Exam Study Guide - 2018



NAFCU Certified Compliance Officer (NCCO) Examinations

NAFCU's Certified Compliance Officer (NCCO) program is designed for any person interested in obtaining a solid foundation of the compliance issues facing credit unions. There is no requirement to be affiliated with NAFCU in order to become an NCCO.

To become certified, an individual must pass a series of four examinations. These examinations cover a wide range of compliance subjects, as detailed below. Attendees of [NAFCU's Regulatory Compliance School](#) (School) will have the opportunity to take all four exams at School. Alternatively, you can purchase the [NCCO exam package](#) and take the exams at your credit union's offices with a proctor (the "Self Study" option).

Exam Structure. Each exam contains 50 multiple-choice questions. The exams contain a mix of True/False, Yes/No and complex multiple-choice questions. **A Passing Score is 76% correct (38/50)** in each exam.

The questions on the NCCO exams are drawn from material contained in [NAFCU's Credit Union Compliance GPS](#). A breakdown of the exam topics and the number of questions per topic is listed below, as well as study tips for all four of the exams.

If you take an exam and do not obtain a passing score, it is possible to retake the exam. Individuals only need to pass each exam one time. If you have already passed three exams, you would only need to pass the fourth exam before becoming a NCCO. In short – pass all four exams and you become a NCCO.

Pricing. The cost of the [NCCO exam package](#) is \$149 for NAFCU members and \$219 for non-members. Please note that separate exam packages must be purchased for each individual test taker at your credit union or organization.

For individuals who need to retake a particular NCCO exam, there is a fee for each exam retake which must be paid before the exam will be graded. The retake fee is \$49 for NAFCU members and \$69 for non-members.

Note: [NAFCU's Regulatory Compliance School](#) attendees have the opportunity to take the exams at School. However, the [fees for the exams](#) are not included in the conference registration fee. Attendees will receive an invoice after the conference for any exams taken during the conference.

Timeframe. The timeframe for passing all four exams depends on whether the individual has attended NAFCU's Regulatory Compliance School or if the individual is taking the "Self-Study" approach. School attendees have until one calendar year from the date they attended School to pass all four exams. For example, if you attended School in April 10-14, 2017, you would have until April 14, 2018 to pass all four exams. Individuals who

take the Self-Study course (purchase of [NAFCU's Credit Union Compliance GPS manual](#) recommended) also have **one calendar year** from the date of the exam package purchase to pass all four exams.

Notification of Results. You will be notified of your results within three weeks. We'll do our best to get the results to you sooner.

Retakes. If you do not pass an exam, you can retake the exam at your credit union with a proctor. The exam retakes are available for [download on NAFCU's website](#). Keep in mind that there is a fee for each retake and payment must be provided with the returned exam for grading.

Remember: Pass all 4 Exams and you become a NAFCU Certified Compliance Officer (NCCO)!

Recertification. NCCOs need to recertify every two years to retain their certification. Recertification can be done by earning 24 Continuing Education Units (preferred!) or by retaking the tests.

For new NCCOs, your accumulation period for recertification begins on the first of January of the year after you passed the exams. For example, if you passed your exams in April 2017, your accumulation period would be January 1, 2018, through December 31, 2019. Each time you recertify, your NCCO designation is valid for another two-year period during which you would need to obtain 24 Continuing Education Units in order to maintain your NCCO status.

Continuing Education Units. NCCOs can earn CEUs by attending [NAFCU's Regulatory Compliance Seminar](#) (24 CEUs); by attending [NAFCU's Regulatory Compliance School](#) (24 CEUs); by viewing NAFCU's compliance webcasts (1.5 CEUs for 1.5 hour webcasts); for compliance sessions at other [NAFCU conferences](#); or other compliance-related training. Note: [non-NAFCU Program CEUs](#) may be accepted at a fee of \$5 per 0.5 CEU earned. You can submit a request for credit for Non-NAFCU Program CEUs [here](#). If you have a question on CEUs, please email ncco@nafcu.org.

Additional information is available at NAFCU's [NCCO webpage](#), which includes the [NCCO Program Frequently Asked Questions \(FAQs\)](#). If you have a specific question that is not addressed there, please send an email to ncco@nafcu.org and we'll do our best to assist you.

NCCO Exam Study Guide

The questions on the NCCO exams are drawn from material contained in [NAFCU's Credit Union Compliance GPS](#). Purchase of the Compliance GPS is not required in order to take the NCCO Exams; however, it is highly recommended. The Compliance GPS serves as the primary textbook for the NCCO exams. Additionally, this study guide contains study tips for your convenience (see below).

Note: All Compliance School attendees will receive a copy of the most recent GPS.

Below is a breakdown of the exam questions per GPS Section.

EXAM 1 – 50 Questions

Chapter 1, Section 1: Organization, Bylaws and Field of Membership	10 Questions
Chapter 1, Section 2: The Legislative and Regulatory Process	4 Questions
Chapter 1, Section 3: The Federal Credit Union Act and the NCUA.....	4 Questions
Chapter 1, Section 4: The Consumer Financial Protection Bureau	2 Questions
Chapter 1, Section 5: NCUA Supervision and Examination	6 Questions
Chapter 1, Section 6: Special Credit Union Issues	10 Questions
Chapter 2, Section 3: Share Insurance	6 Questions
Chapter 3, Section 1: NCUA Lending Requirements.....	8 Questions

EXAM 2 – 50 Questions

Chapter 2, Section 1: Regulation D	4 Questions
Chapter 2, Section 2: Regulation E.....	10 Questions
Chapter 2, Section 4: Regulation CC.....	7 Questions
Chapter 2, Section 6: Truth in Savings	10 Questions
Chapter 2, Section 7: E-SIGN Act.....	4 Questions
Chapter 4, Section 2: Privacy of Member Information.....	15 Questions

EXAM 3 – 50 Questions

Chapter 3, Sections 2 – 3, 5: CFPB’s Regulation Z.....9 Questions
Chapter 3, Section 4: Special Credit Card Rules5 Questions
Chapter 3, Section 6: TILA/RESPA Integrated Disclosures6 Questions
Chapter 3, Section 7: ATR/Qualified Mortgage4 Questions
Chapter 3, Sections 9 - 13: Special Mortgage Rules7 Questions
Chapter 3 Section 14: Lending to Servicemembers - MLA & SCRA.....7 Questions
Chapter 3, Section 15: Regulation B.....4 Questions
Chapter 3, Section 16: Fair Lending.....4 Questions
Chapter 3, Section 18: Fair Credit Reporting Act.....4 Questions

EXAM 4 – 50 Questions

Chapter 3, Section 8: Mortgage Servicing.....12 Questions
Chapter 3, Section 17: The Real Estate Settlement Procedures Act.....4 Questions
Chapter 4, Section 1: BSA and OFAC.....17 Questions
Chapter 4, Section 3: Information and Data Security12 Questions
Chapter 4, Section 4: Vendor Management.....5 Questions

Note: The Material from the Appendix of the GPS Is Not Tested

Remember, a Passing Score for an Exam is 76% Correct (38/50)

Exam 1 – Basics

Chapter 1, Section 1 – Organization, Bylaws and FOM

Organization of a FCU

1. What are the benefits of credit union membership?
2. How does the ownership structure of credit unions differ from other financial institutions?
3. What is the basic structure of a federal credit union's board of directors? How often must they meet? Who may be compensated?
4. What are the main responsibilities of the Supervisory Committee?
5. Do members have the right to inspect the board of directors' meeting minutes? What about a copy of the credit union's bylaws and charter?

Federal Credit Union Bylaws

6. What does the "once a member, always a member" credo mean?
7. Are credit unions required to fully adopt the standard bylaws each time NCUA provides updates? Can credit unions keep their own version? Can they adopt some of the new parts and keep some of their existing bylaws?

8. What is the annual meeting process, including the notice requirements? How many members must be present to have a quorum?

9. What are the eligibility requirements to run for the board?

10. What are the duties of the board of directors?

11. Study the various duties of the board officers. Who elects them? Who presides over board meetings? Who is responsible for posting the credit union's monthly financial statement?

12. What is the special meeting process, including who may call a special meeting and notice and quorum requirements?

Field of Membership

13. Where is the best place to look for the credit union's field of membership?

14. How can corporations, partnerships or social clubs become eligible for membership?

15. Which “other persons” can join the credit union?

16. Can credit unions use advertisements that indicate membership in a federal credit union is “open to anyone”?

Chapter 1, Section 2 – The Legislative and Regulatory Process

1. What is the difference between an advanced notice of proposed rulemaking and a proposed rule?

2. What is the purpose of a rule’s preamble? Where is it found?

3. Who may comment on NCUA’s proposed rules?

4. Why would an interim final rule be issued rather than a final rule?

5. Where are federal regulations codified?

6. Besides the rules and regulations, what other kinds of guidance are available?

Chapter 1, Section 3 – The Federal Credit Union Act and the NCUA

1. What are the three major titles of the FCU Act?
2. What are the express powers granted to federal credit unions by the FCU Act?
3. What is the purpose of the Office of General Counsel? The Office of Inspector General? The Office of Consumer Financial Protection and Access?
4. Where does NCUA get its authority from?

Chapter 1, Section 4 – The Consumer Financial Protection Bureau

1. What are the CFPB's objectives?
2. What is the difference between the CFPB's regulatory authority and its supervision authority?

3. Which regulations transferred to the CFPB? Which regulations did not transfer to the CFPB?

4. Are credit unions subject to the CFPB's Regulation DD?

5. How does the CFPB's authority and objectives impact credit unions?

Chapter 1, Section 5 – NCUA Supervision and Examination

1. How does NCUA's examination program differ from an audit?

2. What are the seven types of risk that NCUA examines for?

3. What are the various administrative tools available to NCUA and the severity of each?

4. Which financial institutions are eligible for NCUA's Small Credit Union Examination Program?

5. Understand the CAMEL system and the components that make up that system.
6. How do credit unions file quarterly call reports and profile data with NCUA?

Chapter 1, Section 6 – Special Credit Union Issues

Statutory Liens

1. How does a credit union impress its statutory lien?
2. How does a credit union enforce its statutory lien?
3. Can a credit union enforce its statutory lien for credit card accounts?

Expulsion and Limitation of Services

4. What is the process for expelling a member, including the special meeting and voting processes?
5. What are the two fundamental rights for credit union members?

6. What is the difference between a nonparticipation policy and a limitation of services policy? What are the requirements of each? Which one can be used against a member who has caused the credit union a loss?

Board of Directors and Compensation

7. Can board members be compensated for their duties? If so, how many directors can be compensated?

8. Which reasonable expenses can be reimbursed?

9. Can credit unions provide health insurance to directors during their time on the Board?

Service to Nonmembers

10. Can a nonmember be a co-borrower? Guarantor? Cosigner?

11. When can credit unions cash checks for nonmembers?

12. Must a joint owner on a share account be a member?

13. When may a credit union accept nonmember deposits?

Credit Union Powers

14. Review the express and incidental powers credit unions have. Be prepared to know what types of activities fall under each preapproved incidental power.

15. What is the three-prong test for incidental powers?

Services to Businesses and Organizations

16. How can a business or organization qualify for membership?

17. What does the phrase “organization of such persons” mean? Do all the individuals need to be within the field of membership or only a majority?

Preemption

18. What types of state laws are preempted?

19. State laws that cap which types of fees would be preempted?

Chapter 2, Section 3 – Share Insurance

1. What is the current SMSIA level?
2. What are the different types of accounts for share insurance coverage purposes? Can an account be more than one type of account?
3. When is an account considered a revocable trust?
4. What are the main aspects of a joint account and how does each joint owner receive share insurance coverage?
5. How long does share insurance coverage apply after the death of a member?
6. How is insurance coverage determined for a revocable trust? A joint revocable trust? Complex revocable trusts will not be tested.
7. If a member has an IRA and a Roth IRA at your credit union, is the member's insurance coverage a combined \$250,000 or \$250,000 for each account (\$500,000 total)?

8. What are the share insurance coverage rules for business accounts?

9. How is share insurance coverage determined in the event of a merger? How long is the grace period?

Chapter 3, Section 1 – NCUA Lending Requirements

1. What are the various maturity limitations found in NCUA's lending regulations?

2. Do NCUA's lending regulations address loan incentive programs? If so, what are the limitations of such programs?

3. Must credit union officials, management and officials receive the same loan rates, terms and conditions as all other members? Can some parties receive more favorable terms?

4. Describe how credit unions may interact with non-members in the lending context.

5. What is a member business loan? Are there exceptions to the definition?

6. How do NCUA's lending regulations interact with state law?

7. What are the "concentration limits" in NCUA's lending rules?

8. How do the NCUA lending regulations limit loans and loan-related compensation to a credit union's board of directors and other officials?

Exam 2 – Accounts

Chapter 2, Section 1 – Regulation D

1. Which types of transactions must be restricted in order for an account to be classified as a savings account?
2. Which transactions are unrestricted on a savings account?
3. How are credit unions expected to ensure members abide by the 6 transaction limitation in compliance with Regulation D?
4. How does Regulation D define a time deposit?

Chapter 2, Section 2 – Regulation E

1. Regulation E does not cover all types of accounts offered by credit unions. What types of accounts are covered (Hint: review the definition of “account”)?
2. What types of transactions are included in the term “electronic funds transfer” (EFT)? Rather than memorizing the list, think of the reasons why certain transactions are covered and why others are not.

3. What is the timing requirement for sending periodic statements? Is there a difference in timing depending on whether an EFT occurred or not? If so, what is the difference?

4. How does Regulation E define an EFT error? Which transactions are not considered unauthorized transfers?

5. Review the Special Situations and the reasons for the outcomes in the member's liability for the transactions.

6. What are the different timeframes for member notification of an unauthorized transaction? What is the member's liability for each timeframe?

7. What are the member notice requirements for the error resolution process? What are the two options the credit union has for a timeline and the requirements accompanying each timeline? Is the credit union required to provide notification to the member after it completes its investigation?

8. Can credit unions require members to repay a loan electronically in order to be approved for credit? What can the credit union offer to incentivize its members that agree to repay using EFTs?

9. What types of transactions are covered by the Regulation E opt-in rule for overdrafts? What types of “overdraft” programs are not included?

10. What is the 4-part opt-in process? How long is an opt-in valid for? What is the process for revocation?

11. Can credit unions offer different account terms to members who do not opt-in to overdraft protection? Can credit unions condition other overdraft programs on the member’s decision to opt-in?

12. What is the definition of a remittance transfer? What types of transfers are covered by the remittance transfer rule?

13. What are the safe harbor requirements for the remittance transfer rule?

14. What is the definition of an error for remittance transfers? Are there any exceptions to the definition? If so, what are they?

Chapter 2, Section 4 – Regulation CC

1. Know the funds availability rules. Expect to apply the rules to different fact pattern situations.
2. When are funds considered deposited?
3. What are the permissible cutoff times for the receipt of deposits?
4. Understand the general relationship between Regulation CC and state law funds availability policies.
5. What are the various exception holds?
6. What are the funds availability disclosure requirements?

Chapter 2, Section 6 – Truth in Savings

1. What types of accounts are covered by NCUA's Truth in Savings rule?

2. Credit unions can call accounts by certain names. What are the permissible names? What are the prohibited names?

3. What is an advertisement? What types of advertisements are exempt from some of the advertising rules?

4. What terms in an advertisement would trigger additional disclosures? What are the additional disclosures that must be included in the advertisement?

5. Does Truth in Savings require a periodic statement? If not, what regulation might?

6. Which fees must be disclosed? Are some fees outside of the regulation's control?

7. What triggers a change in terms notification? If you must send one, what is the timing requirement? What are some of the ways a credit union may provide this notice?

8. How must overdraft protection fees be disclosed on periodic statements? Are any fees exempt from this requirement? If so, which fees?

9. What terms must be disclosed in the account opening disclosures?

10. Are overdraft programs subject to enhanced advertising requirements? If so, what are the requirements?

11. Under which circumstances must a credit union provide account disclosures?

12. When can credit unions advertise that an account is “free”?

Chapter 2, Section 7 – E-SIGN Act

1. Do electronic documents and disclosures carry the same legal weight as paper documents in most situations?

2. Credit unions can retain records in electronic format if what conditions are met?

3. What are the various requirements of the consent process?

4. Does consent apply to one category of transactions or to all transactions?

5. Does consent have to be provided electronically?

6. What are some potential consequences of improper E-Sign consent?

Chapter 4, Section 2 – Privacy of Member Information

Privacy

1. Which law is implemented by Regulation P? What federal agency has rulemaking authority regarding Regulation P?

2. What information is protected by Regulation P?

3. What is the difference between customers and consumers? Which group receives notices and an opportunity to opt out under Regulation P?

4. When is an initial privacy notice required?

5. When is an annual notice not required?

6. When are revised notices required?

7. How can a credit union give notices under the privacy rule?

8. What are the exceptions for sharing information without following the notice and opt-out rule?
To take advantage of the service provider and joint marketing exception, does the credit union have to do anything regarding third parties?

9. When is the credit union required to provide an opt-out notice?

Affiliate Marketing

10. What sharing is governed by the affiliate marketing rule?

11. What is required for a credit union to do the sharing covered by the rule?

12. What is an affiliate?

13. What is market sharing?

14. What are the rules surrounding a member's ability to opt out? Can it expire? Can it be revoked?

CAN-SPAM

15. What is SPAM?

16. What is the difference between commercial content and transactional or relationship content?

17. If an email falls into the commercial content category, what are the restrictions on the message?

Right to Financial Privacy Act

18. Does the Right to Financial Privacy Act address federal and state requests?

19. What does the Right to Financial Privacy Act require the government to have and do to required financial records?

20. What is the importance of receiving a certificate of compliance?

21. When is the government not required to provide a certificate of compliance?

Exam 3 – Lending

Chapter 3, Sections 2, 3 and 5 – Regulation Z Basics

Remember Regulation Z covers numerous areas. If it is not discussed in a section it will not be on the test.

1. What types of credit are covered under Regulation Z? What types of credit are excluded?
2. Regulation Z covers both open-end and closed-end credit. Review the differences in these requirements for each type of credit.
3. What are the disclosure requirements for modifications and refinances of closed-end credit?
4. Review the various disclosures required for HELOCs and how they differ from the regular open-end disclosures.
5. Are the advertising requirements the same for all products? When are additional disclosures required for each product?
6. What are the special protections applicable to HELOCs?

7. Review the disclosure requirements for open-end credit. When are disclosures required?

8. Are periodic statements required for all open-end credit products? If so, what are the timing requirements for providing each statement?

9. What are the disclosure requirements for private education loans? When can a member cancel the loan?

10. What are the change-in-terms requirements for open-end credit? Are the rules the same for all open-end products? If not, know the differences.

Chapter 3, Section 4 – Regulation Z – Special Credit Card Rules

1. What are the limitations on increasing the APR and fees on a credit card account?

2. When must a credit union review an APR increase?

3. Does a credit union have to submit its credit card agreements to the CFPB? If so, when must it do so?

4. When may a credit union increase the APR?

5. What are the special rules for credit cards?

6. What factors should be considered in determining a member's ability to repay?

7. What are the limitations on penalty fees?

Chapter 3, Section 6 – Special Mortgage Rules – TILA/RESPA Integrated Disclosures

1. How is "application" defined? How does this impact the delivery requirements for the Loan Estimate?

2. "Business day" is defined in two different ways. What are the two definitions?

3. What are the timing requirements for delivering the Loan Estimate? The Closing Disclosure? The post-consummation Escrow Cancellation Notice?

4. What are the different tolerance levels? Which costs does each level apply to?

5. What activities does TRID restrict a credit union from doing before the borrower receives the Loan Estimate?

6. What does it mean to provide the disclosures in the Loan Estimate in good faith?

7. When may a credit union use a revised Loan Estimate to determine whether charges are in good faith?

Chapter 3, Section 7 – Special Mortgage Rules – Ability to Repay and Qualified Mortgage

1. What types of mortgage loans are covered under the ATR-QM rule?

2. What is a reasonable source to verify a consumer's ability to repay?

3. What factors must the credit union consider under the ATR rule when underwriting mortgage loans?

4. What are the types of qualified mortgages and what features make each QM different?

5. What are the record retention requirements for the ATR/QM rule?

6. What must be included in the calculation of points and fees for purposes of the QM definitions?

Chapter 3, Section 9 – Special Mortgage Rules – Loan Originator Rule

1. What is the difference between a loan originator organization and an individual loan originator?

2. What are the four main qualification requirements under the loan originator rules?

3. During the screening process, what must a loan originator organization obtain on an individual loan originator before the individual loan originator may originate loans?

4. What disclosures are required under the loan originator rule and on what documents?

Chapter 3, Section 10 – Special Mortgage Rules – Regulation B Appraisal Disclosures and Delivery

1. What is the scope of the appraisal requirements for Regulation B?
2. What is a valuation? How does it differ from an appraisal? What kinds of estimates of a property's value are not valuations?
3. What is the initial appraisal disclosure composed of and what are the timing and delivery requirements?

Chapter 3, Section 11 – Special Protections for High-Cost Mortgages

1. Which loans are offered HOEPA's protections for "high-cost" mortgages?

Chapter 3, Section 12 – Higher-Priced Mortgages

1. What types of loans do the escrow requirements apply to?
2. How long must a credit union maintain the escrow account?

3. What is the applicable timing requirement for delivering the initial appraisal disclosure?

Chapter 3, Section 13 – Homeownership Counseling and Disclosure Requirements

1. Know the scope of each of the homeownership counseling-related requirements covered in this section.

Chapter 3, Section 14 – Lending to Servicemembers: MLA & SCRA

1. What is the SCRA's interest rate cap? When does the credit union have to apply the cap? Can the credit union collect this foregone interest at a later time?
2. Know the SCRA's repossession process and the credit union's legal remedies.
3. What determines covered borrower status? How does the credit union receive the safe harbor?
4. What are the MLA disclosure requirements? Which disclosures must be written? Which disclosures must be given orally?
5. Which charges and fees are included in the MAPR?

6. Which types of loans are covered under the MLA?

Chapter 3, Section 15 – Regulation B

1. What is the timeframe for responding to a completed loan application? How does this timeframe change if the credit union makes a counteroffer?
2. What types of actions are considered adverse actions under Regulation B? What actions are not adverse?
3. What are a credit union's options for responding to an incomplete application?
4. What is the timeframe for sending an adverse action notice? If the credit union makes a counteroffer, what options does it have for providing an adverse action notice?
5. Understand how the adverse action and risk-based pricing rules interact with the Fair Credit Reporting Act's requirements.

Chapter 3, Section 16– Fair Lending

1. Review the nondiscrimination in real estate advertising requirements. What are the disclosure requirements for various types of advertisements: print, oral/radio, and video (TV, YouTube, etc.)?
2. During which parts of lending process must credit unions treat all applicants in the same manner?
3. What are the three different types of lending discrimination? In what types of situations could each occur?
4. Who is a debt collector under the FDCPA?
5. What is a "prohibited basis"? Do protected classes differ under different laws? For purposes of NCUA's nondiscrimination in real estate lending rule, what is a prohibited basis for discouraging an application, discriminating in setting the terms or conditions, or denying a real estate-related loan?

Chapter 3, Section 18 – The Fair Credit Reporting Act

1. When is a negative information notice required?

2. Credit unions must have a "permissible purpose" to obtain a consumer report. What are the permissible purposes?

3. When, if at all, can a creditor use medical information?

4. When is a risk-based pricing notice required? What must be included in the notice?

5. What must a credit union do in order to obtain and use a prescreened list? Under what circumstances may a credit union refuse to grant credit to someone on the list?

6. Understand how the adverse action and risk-based pricing rules interact with Regulation B's requirements.

7. What must a credit union do when it receives a direct dispute from a member?

Exam 4 – Operations

Chapter 3, Section 8 – Special Mortgage Rules – Mortgage Servicing

1. How long do mortgage servicers have to make contact with delinquent members?
2. What are the requirements for credit unions to use coupon books instead of periodic statements?
3. What are the notice requirements for force-placed insurance?
4. When is a credit union considered a “small servicer”? What are some of the provisions that would still apply to "small servicers"?
5. What is an error for the purposes of the error resolution rule?
6. What is the difference between an information request and an error notice?
7. What is a periodic payment and how must servicers handle these payments?

8. How are partial payments treated? Can the credit union charge a fee for a partial payment?

9. What types of loans are exempt from the periodic statement requirement?

10. What is dual tracking under the loss mitigation rule? How can credit unions avoid this?

11. How do Regulations X and Z determine which persons might be successors in interest that are covered by some of the mortgage servicing rules?

Chapter 3, Section 17 – The Real Estate Settlement Procedures Act

1. What loans are subject to RESPA?

2. Which loans are generally subject to RESPA, but not the disclosure requirements?

3. When can Regulation Z application disclosures be used instead of the GFE?

4. If an escrow analysis shows a shortage or deficiency, what must the credit union do? Does the answer depend on certain variables?

5. What is RESPA's kickbacks rule?

Chapter 4, Section 1 – The Bank Secrecy Act and OFAC

1. What are the five pillars of a credit union BSA compliance program?

2. What four things must a credit union's BSA risk assessment look at?

3. What is the difference between documentary and nondocumentary verification? Know examples of each method.

4. Know the difference between acceptable identification documents for customers and for beneficial owners.

5. What are the dollar thresholds and timing requirements for CTRs? SARs?

6. What is the general recordkeeping requirement for BSA-related documents?

7. What minimum pieces of identifying information must be collected for CIP purposes?

8. What does it mean to form a reasonable belief as to the identity of a customer?

9. Explain the requirement to notify the board of directors of a SAR filing. Must the credit union provide a copy of the SAR to its board?

10. Can you take advantage of the CTR exemption process for all members/businesses? If not, who would be excluded?

11. What does a risk-based OFAC program look like in general terms? Must it apply to both members and nonmembers?

12. Understand the difference between OFAC regulatory requirements and NCUA expectations.

13. What is the difference between 314(a) and 314(b) information sharing? What are the credit union expectations under each?

Chapter 4, Section 3 – Information and Data Security

1. What must be addressed in the written security program? When must it be updated?
2. What are the three reporting requirements in Part 748?
3. What does NCUA require from credit unions in the event of a catastrophic act? What business continuity planning does NCUA expect credit unions to do?
4. What is expected of a credit union's information security program? When must it be adjusted?
5. What is the role of the credit union's board in the information security program? What is their role with regard to IT oversight?

6. What must be addressed in the response program for unauthorized access to member information? When does the response program apply? Is member notice required? If so, what must be included in the notice?

7. Are IT audits required? What is necessary for an IT audit to be valid?

8. What is the structure and purpose of the FFIEC Cybersecurity Assessment Tool?

Chapter 4, Section 4 – Vendor Management

1. When does NCUA expect a credit union to perform due diligence on a vendor?

2. Do vendor relationships alleviate a credit union from liability when there is a member complaint or compliance violation? What about when the credit union includes a hold harmless, confidentiality or indemnification agreement?

3. Does the criticality of a third party relationship play a role in vendor management?

4. Should vendor contracts be reviewed by anyone in particular before a credit union enters into a contractual agreement with a third party?

5. When does the vendor management process end?

Exam 1 Sample Questions

1. Which of the following statements is true about the Board of Directors?
 - a. Only the treasurer of the board may be compensated for serving on the board of directors
 - b. Credit unions may not compensate any board of directors unless they also serve on the supervisory committee
 - c. The board must meet at least once a quarter and each meeting must be held in person
 - d. The board is tasked with the general direction and control of the credit union

2. Which statement best describes the type of healthcare insurance a federal credit union may provide to its officials? **Choose the best answer.**
 - a. The credit union may provide healthcare coverage to its officials and does not need to limit it to risks associated with the officials' credit union activities.
 - b. The credit union may provide healthcare coverage to its officials but must limit healthcare coverage to risks associated with the officials' credit union activities.
 - c. The credit union may provide healthcare coverage to its officials and does not need to limit it to risks associated with the officials' credit union activities. However, coverage must cease immediately when an official leaves office.

3. The Consumer Financial Protection Bureau's regulations only apply to credit unions with more than \$10 billion in assets.
 - a. True, credit unions under \$10 billion in assets only have to comply with NCUA rules and regulations.
 - b. True, the Dodd-Frank Act specifies that the CFPB was created to regulate banks only since credit unions are regulated by the NCUA.
 - c. False, credit unions must comply with certain CFPB rules regardless of asset size.
 - d. False, only credit unions over \$1 billion must comply with CFPB regulations.

4. Which of the following statements is not true about NCUA's examination program?
 - a. NCUA's examination program is risk-focused, with attention on areas showing weaknesses and adverse trends.
 - b. NCUA's examination approach is to compare performance against predetermined benchmarks.
 - c. Each examination must include a review of the credit union's compliance with the Bank Secrecy Act.
 - d. NCUA derives its supervisory authority from the Federal Credit Union Act.

5. If a member repays a loan prior to its maturity, can a federal credit union recoup waived fees and costs that were provided to a member when the loan was granted? **Choose the best answer.**
- a. No, the FCU Act prohibits a federal credit union from charging a prepayment penalty on a loan.
 - b. No, the credit union's waiver of fees and costs cannot be conditional.
 - c. Yes, waived fees and costs are exempt from the statutory ban on prepayment penalties.
 - d. Yes, waived fees and costs are a benefit to the member and the credit union's recoupment of those fees and costs means that the member has lost the benefit.

Exam 2 Sample Questions

1. The term “electronic funds transfer” is limited to transactions conducted using an ATM or debit card. The term does not cover ACH transactions.
 - a. True, Regulation E's definition of EFTs explicitly excludes ACH transfers.
 - b. True, ACH transfers are covered by the remittance transfer rule.
 - c. False, ACH transactions are covered by Regulation E.
 - d. False, EFTs cover ACH transfers and debit card transactions but not transactions made by an ATM card as these are not branded network cards.

2. Joan Member instructs XYZ Credit Union that she wants to opt out of any sharing of her nonpublic personal information. Assuming this is information sharing the member can opt-out of under Regulation P, XYZ Credit Union must:
 - a. Stop disclosing that information as soon as reasonably practicable.
 - b. Stop disclosing that information only if Joan Member’s instruction came after XYZ Credit Union provided an opportunity for her to opt out.
 - c. Do nothing; the member agreed to disclosure when he or she opened her account.
 - d. Do nothing; the member can only opt out at account opening.

3. Military Credit Union began offering wire transfers to its members for the first time. The service was so popular that year that the credit union facilitated over 1000 wires for their members from Texas to a US military base in Germany. Which statement is accurate?
 - a. Military Credit Union has exceeded the safe harbor threshold and is now a remittance transfer provider.
 - b. Military Credit Union is not authorized to send wires to military bases without providing the remittance transfer disclosures.
 - c. Military Credit Union is not a remittance transfer provider as these wire transfers are considered to be made from Texas to another US state.
 - d. a and b only

4. Truth in Savings requires credit unions to provide periodic statements?
 - a. True, credit unions must provide a periodic statement for every account covered by Truth in Savings.
 - b. False, credit unions are not required to provide periodic statements but if they do so, then they must follow the disclosure requirements in Truth in Savings.

5. Jack Member mails his annual bonus check from the City to the credit union for deposit on Monday which arrives in the mailroom on Tuesday but is not sent to the credit union's check processing department until Thursday. The check is considered deposited on:
 - a. Tuesday, the day the credit union received the check.
 - b. Wednesday, the business day after the banking day in which the credit union received the check.
 - c. Thursday, the day the check is received and processed by the credit union's check processing department since it is a local government check.
 - d. Friday, the business day after the banking day in which the credit union's check processing center received the check.

Exam 3 Sample Questions

1. If the credit union modifies a closed-end loan or changes the terms of an open-end loan, it is required to provide the member with a new, complete set of Regulation Z disclosures.
 - a. True, even if the member does not request new disclosures.
 - b. True, new disclosures are always required when making any changes to closed-end and open-end loans.
 - c. False, new disclosures are required for refinances.
 - d. False, new disclosures are only required for changes made to an open-end loan but not to a closed-end loan.

2. Which of the following statements of lending to servicemembers is false? **Choose the best answer.**
 - a. The Servicemembers Civil Relief Act (SCRA) interest rate cap only applies to loans entered into prior to military service
 - b. According to the SCRA, the credit union must reduce a service member's interest rate to 8%
 - c. The Military APR (MAPR) is always disclosed as a numerical value
 - d. a and b only
 - e. b and c only

3. Which of the following types of employment information may not be considered under the ability to repay rule:
 - a. Part-time
 - b. Seasonal
 - c. Irregular (bonus)
 - d. a and b only
 - e. None of the above

4. Which of the following accurately describes the payment allocations for credit card payments in excess of the minimum payment?
 - a. The excess is applied first to any protected balance, then to the balance with the highest APR.
 - b. The excess is applied to the balance with the highest APR.
 - c. The excess is applied to the balance with the lowest APR.
 - d. Credit unions may apply the excess to any balance.

5. If a credit union terminates a member's credit account, the credit union must send the member a written adverse action notice. What information is required in the notice? **Choose the best answer.**
- a. A statement that the adverse action was based on the credit union's internal standards or policies
 - b. A statement explaining how the federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants
 - c. A statement of the action taken
 - d. b and c only
 - e. All of the above

Exam 4 Sample Questions

1. Which of the below requests is actually an “error” under Regulation X’s error resolution rule? **Choose the best answer.**
 - a. Member writes asking why the credit union rejected the member’s payment as missing information when the check has all the information required.
 - b. Member writes asking why the credit union failed to pay the property taxes on the house by the deadline.
 - c. Member writes asking why he was charged a late fee when the payment was tendered during the grace period
 - d. All of the above
 - e. None of the above

2. The customer due diligence pillar of BSA compliance requires that the credit union obtain a copy of a member's government-issued picture ID. **Choose the best answer.**
 - a. True, this is the best way to ensure the credit union knows the identity of the member.
 - b. True, a copy of the ID should be retained for 5 years to demonstrate compliance with the customer due diligence requirements.
 - c. False, the credit union can verify a member's identity through nondocumentary processes.
 - d. False, this is a USA Patriot Act requirement.

3. Which of the following best describes how a credit union’s written security program must be designed?
 - a. Each credit union must design its security program to address a variety of risks based on the credit union’s own unique facts and circumstances.
 - b. NCUA provides a model policy that all credit unions must adopt with few changes.
 - c. Credit unions must hire an independent third-party to design their security program.
 - d. Each credit union must design a security program to address every possible scenario which could occur.

4. Which of these indicates that an escrow balance is negative?
 - a. Shortage
 - b. Deficiency
 - c. Surplus
 - d. a and b only

5. NCUA has indicated that once the credit union writes its BSA risk assessment, it is required to review the risk assessment annually even if there are no changes.
 - a. True, it is a regulatory requirement that the credit union review its BSA risk assessment every 12 months.
 - b. True, it is a best practice that the risk assessment be updated only once every 12 months as changing the risk assessment more frequently is unsafe.
 - c. False, the credit union's BSA risk assessment is good for at least 18 months.
 - d. False, risk assessments should be an ongoing process and updated if changes are made that affect the credit union's risk profile.

Answer Key

Exam 1

1. D
2. C
3. C
4. B
5. D

Exam 2

1. C
2. A
3. C
4. B
5. A

Exam 3

1. C
2. E
3. E
4. B
5. D

Exam 4

1. D
2. C
3. A
4. B
5. D