



CU Policy Pro Newsletter January 2020



Dear CU PolicyPro Client

Wow, it's 2020! Hard to believe how fast 2019 flew by!

Well, let's make sure we start the new year in compliance! There were a few regulations issued last year that have an effective date this month. Even though we have already touched base on a few of them in previous newsletters, we wanted to summarize them all for ease of reference.

Note: there was a [special edition of the CU PolicyPro newsletter](#) that was released on January 9, 2020, which covered the policy content updates related to these new regulations. This information is also available in the "Content Updates Reminder" section below.

What you need to know for your policy updates:

1. **Policy 2232 – Member Expulsion/Limitation of Services** was updated to include the revised information within the updated FCU Bylaws related to limitation of services for abuse, and the expanded definition of a member in good standing. Credit unions should consider adopting this policy if their board supports.
2. **Policy 1300 – Audits** was updated to reflect the changes associated with the supervisory committee audit requirements.
3. **Policy 5200 – Liquidity Risk Management** will be updated in the next round of policy updates. As a result of the updates to NCUA rules related to non-member shares and public units, the threshold under the "Sources of Contingency Funds" will need to be updated for non-member share certificates. The policy will be updated to include the below under Section 13(D)(i)(7):
 - a. ***Non-member share certificates (limited to 50% of net amount of paid-in and unimpaired capital and surplus, less any public unit and non-member shares or \$3 million, whichever is greater);***



Monthly OPS Notes Release: January 2020 Effective Dates

Below are a few regulations that become effective this month. We previously discussed the *Federal Credit Union Bylaws* and *Public Unit and Nonmember Shares* regulation changes in our [November 2019 newsletter](#). We recommend reviewing the November 2019 newsletter if you haven't already done so.

NCUA Regulations

Federal Credit Union Bylaws ([NCUA Part 701 – Appendix A](#))

As of January 2, 2020, Federal Credit Unions have access to amended bylaws which they can use (through the regular bylaw amendment process). NCUA updated the bylaws to include legal opinions that have been issued by the NCUA's Office of General Counsel to provide credit unions with more flexibility and access to those interpretations directly within the regulation.

The amended bylaws provide for the ability to offer different par value classes of members, such as minors, students or non-natural persons, provided the action doesn't violate any federal, state or local antidiscrimination laws.

Also amended was for the ability of the FCU to have hybrid in-person and virtual annual meetings.

Last, but not least, the NCUA provided some clarity on members who are no longer in "good standing" and provided some qualifying examples. The revised bylaws talk about the ability for the Board to adopt a policy to limit credit union services to certain members who are no longer in good standing.

All new federally chartered credit unions after January 2, 2020 will be required to use these newly amended bylaws, but existing FCUs are free to adopt the new bylaws, retain their current bylaws, or adopt some combination of the revised bylaws and their current bylaws. Bylaw changes need to be approved in accordance with NCUA rules.

These new bylaws were available on January 2, 2020.

Second Chance IRPS (Interpretive Ruling and Policy Statement) 19-1

Federally insured credit unions are prohibited from allowing any person who has been convicted of any criminal offense involving dishonesty or breach of trust, or

who has agreed to enter into a pretrial diversion or similar program in connection with a prosecution for such offense to participate, directly or indirectly, in the conduct of the affairs of the credit union without prior approval from the NCUA Board.

As part of the [new IRPS](#), the NCUA has provided some exceptions to the prior written consent of the NCUA Board requirement for certain de minimus offenses. A few of these offenses include convictions involving insufficient funds checks of aggregate moderate value, small dollar simple theft, false identification, simple drug possession, and isolated minor offenses committed by covered persons as young adults.

The new IRPS has also updated the application that credit unions would use to obtain NCUA Board approval.

The IRPS took effect on January 2, 2020.

Supervisory Committee Audit

Supervisory committee audit – [NCUA Part 715](#) was amended by the NCUA. Some of these changes include:

- Supervisory Committee Guide is being replaced by an Appendix within Part 715 of NCUA Regulation, along with adding the requirement to review board minutes and test for unrecorded liabilities.
- Eliminating the Report on Examination of Internal Controls Over Call Reporting (as an option to a financial statement audit for credit unions less than \$500 million in assets).
- Eliminating the Balance Sheet Audit option to comply with part 715.
- Removing the 120-day report delivery deadline from the required terms for audit engagement letters with outside, compensated persons.

These changes became effective on January 6, 2020.

Public Unit and Nonmember Shares ([Part 701.32](#) and [Part 714.204](#))

The NCUA made changes to its rules that allow federal credit unions to receive public unit and nonmember shares, up to a certain limit. Prior to the revisions, that limit was **20% of the total shares** of the federal credit union or \$3 million, whichever is greater. However, effective on **January 29, 2020**, **that limit will increase to 50%** of the net amount of paid-in and unimpaired capital and surplus, less any public unit and nonmember shares or \$3 million, whichever is greater.

In addition, changes were also made to subpart B of Part 741 that applies to regulations codified elsewhere and applicable to credit unions that **ALSO** apply to federally insured state-chartered credit unions. Therefore, federally insured state-chartered credit unions are also able to take advantage of this change, provided they have the authority to accept such accounts within their field of membership or through a low-income designation.

These changes will become effective on January 29, 2020.



Content FAQs

Q. Is there a policy related to the second chance IRPS 19-1 revisions?

A. No, there isn't. Generally, CU PolicyPro does not contain human resource-related policies and content. We do have a few model policies in order to provide a resource to our smaller asset size credit unions, however we try to keep those policies limited.

Nevertheless, credit unions should also keep in mind that in addition to having access to CU PolicyPro, almost all Leagues/Associations provide their credit unions with access to the InfoSight platform for free, as a benefit of membership. The InfoSight platform can provide credit unions with more comprehensive information related to applicable federal and state laws and regulations. InfoSight does have an Employment channel where there is specific information, including coverage of the revised IRPS.

If you don't have access, you should! Visit your credit union league's/association's website, typically under their "compliance" offerings. You should see a link for "InfoSight." If you don't have access already, request a log-in. Again, if you are a member of your League/Association, there is no additional cost to have access.

Having troubles or want more information? Please email us at info@leagueinfosight.com.



Content Updates Reminder

Earlier this month we released the first policy content update for this year.

Update 2020.1 included 17 **policy updates and two policies were consolidated and removed from the manual**. A full listing of the updated policies can be found in the "[Update Overview](#)" document.

This update included changes due to the [Taxpayers First Act](#) and the [Setting Every Community Up for Retirement Enhancement Act](#) (SECURE Act) of 2019, and updates related to threshold changes that occur every year.

The tracked changes version of each update can be found in the Resources Area of CU PolicyPro (under the “Updates” tab). It is important to note that when updates are made to the Model Policies Manual, these updates do not automatically go into **your** CU Policies Manual. We do not want to take the chance of overwriting your content, or putting in content that may not apply to your credit union. There is more information below on the next steps necessary to incorporate the updates into your own policies.

Next Steps for your Credit Union

Using the “Overview” document above, and the “Tracked Changes” information found in the Resources Area of CU PolicyPro (under the “Updates” tab), review the changes for each policy, and for each policy decide if you want to:

1. Do nothing and leave your policy as is (usually only if the update does not apply to your credit union, or you are not currently using the policy).
2. Remove the policy from your CU Policies Manual and bring in the updated policy in its entirety (usually if your CU Policies Manual version has little or no customization, or if our updates were very extensive and it would be easier to start with the updated content and re-customize for your credit union).
3. Use the redlined version as a guide and manually incorporate the updates into your CU Policies Manual version (usually if the updates were very minor, or if your CU Policies Manual version is heavily customized and it would be less work to manually add the updates rather than re-customize the policy).

More information, including a video tutorial on how to include these changes into your own policies, can be found on our CU PolicyPro support site. Login to CU PolicyPro and click on the “Training/Support” link in the navigation menu, and choose the “Content Updates” section on the support site.



If this information was forwarded to you, and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, or if you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact polycysupport@cusolutionsgroup.com.