

## Compliance Program

### OVERVIEW

#### *General*

[CREDIT UNION]'s Board of Directors and Senior Management are committed to serving [CREDIT UNION]'s members on a fair and nondiscriminatory basis. Additionally, it is necessary for [CREDIT UNION] to be compliant with all applicable laws, rules, regulations, and regulatory guidance (collectively, the "Regulatory Requirements"). The Compliance Program (the "Program") is the method by which [CREDIT UNION] manages its compliance and ensures it is treating its members fairly and on a nondiscriminatory basis.

[CREDIT UNION] is committed to a sound compliance program. The Board and Management understand that [CREDIT UNION] operates in a highly regulated industry and that compliance is an important aspect of achieving successful operations.

#### *Oversight*

The Board and Senior Management recognize the scope and implications that Regulatory Requirements apply to [CREDIT UNION] and have established a compliance management system that not only protects [CREDIT UNION], but also uses resources effectively and minimizes disruptions in daily activities.

The Board and Senior Management will periodically review the effectiveness of the Program through a comprehensive reporting process that will alert the Board to any compliance risks, issues, projects, and other compliance matters that may arise from time to time, as well as management's response.

#### *The Program*

[CREDIT UNION] has carefully devised a compliance program based upon its size, resources, diversity and complexity of operations, and organizational structure. The Program's implementation and monitoring will provide a solid foundation for compliance at [CREDIT UNION].

The Program sets out the roles, responsibilities, authority, and accountability of all individuals responsible for compliance. It includes the appointment of a Compliance Officer with specific responsibilities and authority necessary to ensure compliance.

In order to be effective, the Program includes compliance policies and procedures. The compliance policies communicate the Board and Senior Management's principles that will guide [CREDIT UNION]'s compliance. The compliance procedures implement [CREDIT UNION]'s compliance policies.

In order to maintain a sound compliance program, training is essential. The Compliance Training Program will ensure that all personnel are generally familiar with the consumer protection laws and that they receive comprehensive training on Regulatory Requirements directly affecting their areas of responsibility. Personnel will also be trained on policies and procedures adopted by [CREDIT UNION] to ensure compliance. The training program also contains standards for frequency and methods of training, including periodic training to ensure adherence to changes in policies, procedures, and Regulatory Requirements.

### **Resource Allocation**

Senior Management will ensure that sufficient resources are allocated to the compliance function commensurate with the size and complexity of [Credit Union]’s operations and processes and the Regulatory Requirements to which [Credit Union] is subject.

### **ROLES AND RESPONSIBILITIES**

#### **Senior Management**

Senior management is an important part of the compliance system. It is their responsibility to promote the integration of compliance within their business units, to provide adequate resources to their units for training employees and officers on compliance issues, and to establish and enforce internal controls regarding compliance.

#### **Chief Compliance Officer**

The Board appoints the [insert title of responsible person, such as Senior Vice President of Operations] as Chief Compliance Officer (“CCO”). The CCO will be responsible for coordinating [Credit Union]’s management of the compliance program and will have the requisite authority and accountability to accomplish such responsibilities. The CCO will report to the Board on the compliance program, including material compliance risks, issues and resolutions, on at least a quarterly basis.

#### **Compliance Committee**

A Compliance Committee, chaired by the [insert title of person who will be chair], has been established and is composed of [insert titles of individuals who will be on committee] and other officers as appropriate. The committee will provide compliance oversight on the implementation of all new Regulatory Requirements; product, service, process and system changes; policies and procedures; forms; monitoring; and corrective actions taken. The committee will meet at least monthly to review and discuss compliance matters.

#### **Compliance Officers**

Management will designate one or more compliance officers. The term “Compliance Officers” will include all individuals employed under such title and will also include the CCO and [any other individuals such as individuals in business units who have compliance responsibilities].

Compliance Officers will have access to all business units and documentation that may be necessary to carry out their compliance responsibilities.

Compliance Officers will have the authority to recommend corrective action on discovering actual or possible violations. These recommendations will be presented to [CCO or other individual ultimately responsible for compliance] and the Vice President of the affected business unit.

#### **Management**

Each officer, business unit manager, and supervisor (Manager) will ensure compliance on a day-to-day basis within his or her own area of responsibility. Each Manager will report suspected compliance issues and concerns to a Compliance Officer promptly upon discovery. Managers will ensure that their employees have received the necessary training to comply with Regulatory Requirements applicable to their specific units or areas of responsibility.

**Commented [TS1]:** Optional: but may be a helpful body for dealing with the compliance piece associated with ensuring new products and services are compliant and for implementing new and changing regulations into your processes, procedures, forms, disclosures, etc.

**Employees**

It will be the affirmative duty of all [Credit Union] employees to understand and carry out their compliance responsibilities.

**Internal Audit**

The internal audit department will be responsible for auditing [Credit Union]'s processes and internal control systems regarding compliance. The CCO will review internal audit reports regarding the compliance program.

**REPORTING**

The Compliance Officer will provide periodic and ad-hoc reports to Senior Management, the Supervisory Committee and/or the Board of Directors, as required. The reporting will include:

- An assessment of the level and direction of compliance risk, including prioritizing compliance risks to identify the highest risks and describe plans for mitigation of the high risk issues;
- Conclusions on the effectiveness of the control environment;
- Identification of emerging compliance risk issues and trends;
- Findings from internal and external audits and regulatory examinations; and
- Corrective action to address identified compliance weaknesses, including when corrective action has not been implemented within the agreed upon timeframe or manner or does not meet the stated objectives.

**ESCALATION**

[set out the credit union's escalation process]

**RISK ASSESSMENTS**

The Program includes ongoing risk assessments of [Credit Union]'s compliance risk exposure arising from its operating environment, regulatory landscape, emerging trends, size, complexity, locations, product and service offerings, and the effectiveness of its internal controls. Compliance risk issues and weaknesses will be prioritized to ensure that the highest risk issues are identified and mitigated in a timely and effective manner.

**COMPLIANCE REVIEWS**

The Board of Directors is responsible for maintaining ongoing reviews of the Credit Union's compliance with Regulatory Requirements. The Compliance Officer will develop a schedule of areas to be covered by each review. The Internal Auditor and/or an external consultant or auditor will conduct regular periodic reviews and will provide the results to the Supervisory Committee and/or the Board of Directors, as appropriate.

**OVERSIGHT, MONITORING, AND TESTING**

The Board of Directors is responsible for maintaining ongoing oversight and monitoring to ensure

that compliance weaknesses are identified and mitigated, and that the credit union's systems and controls are appropriate and effective.

The Compliance Officer will develop a monitoring system that considers the Credit Union's operating environment, regulatory landscape, emerging trends, size, complexity, locations, and product and service offerings. Monitoring is conducted by the business units, Internal Audit, and the Compliance Officer, and includes ongoing and ad-hoc testing to evaluate the effectiveness of internal controls, test automated systems, review member transactions, and determine compliance with applicable laws, regulations and rules, and [Credit Union] policies, procedures, and processes.

When monitoring results indicate compliance weaknesses, timely and effective error resolution plans will occur. The Compliance Officer will work with the impacted business unit(s) to develop corrective action.

As needed, the Compliance Officer may engage outside consultants to perform independent reviews of specific areas or regulations. The Compliance Manager will work with the outside consultant to establish review criteria, structure, and reporting for any reviews.

#### **ERROR RESOLUTION (or CORRECTIVE ACTION)**

Identified compliance issues or weaknesses will be managed and mitigated. When necessary, mitigation will include error resolution plans. Error resolution plans may range from training or counseling an employee, to creating or clarifying policies, procedures, and enhancing business processes and systems, to loan level remediation, which may include restitution to a member. The Compliance Officer will collaborate with the impacted business unit(s) to develop and implement timely and effective error resolution plans.

#### **REVIEW OF MEMBER COMPLAINTS**

[Credit Union] will develop and maintain a member complaint monitoring and response process. The process will ensure the Credit Union is responsive and responsible in handling member complaints. Data gathered from the member contact will be organized, retained, and used as a part of the Credit Union's compliance management system.

#### **TRAINING**

The Compliance Officer, in conjunction with business unit managers, will develop a training program on all new regulations and changes to existing regulations necessary to ensure compliance. The Compliance Officer will coordinate the training of appropriate credit union personnel with the appropriate business unit manager to correct violations found as a result of examinations and other reviews.

The Compliance Officer and the employees' immediate supervisors will oversee training of new personnel in the necessary compliance areas.

When training of employees is required, the Compliance Officer will establish procedures necessary for implementation.

#### **AUDIT, EXAMINATION, AND OVERSIGHT TRACKING**

The Credit Union will implement and maintain a Compliance Audit Program that will ensure adequate review of compliance with the requirements of applicable federal and state laws and regulations, and help the credit union detect and report any areas of weakness. The program will be

revised as necessary to conform to actual practice and meet Credit Union objectives. At a minimum, the program will:

- Include a means of ensuring adequate corrective action as part of the credit union's overall commitment to compliance;
- Assign responsibilities for conducting compliance audits and give such individual(s) appropriate access to all record sand personnel required to adequately perform the audit;
- Set the frequency and scope of the audits;
- Identify responsibilities for corrective action;
- Provide adequate procedures;
- Include document retention requirements; and
- Include reporting requirements.

## **LAWS AND REGULATIONS**

Abuse of Vulnerable Adults (RCW 74.34)  
Accuracy of Advertising & Notice of Insured Status (12 CFR 740)  
Alternative Mortgage Transaction Parity Act (12 USC 3801 et seq, 12 CFR 704)  
Americans with Disabilities Act (42 USC 12181, 28 CFR 36)  
Automated Clearing House Rules (ACH)  
Automated Teller Machine & Night Deposit Facilities Act (RCW 19.174.020)  
Bank Secrecy Act (31 CFR Chapter X (31 CFR 1010, 31 CFR 1020))  
CAN-SPAM (15 USC 7701 et seq; 16 CFR 316)  
Children's Online Privacy Protection Act (COPPA) (15 USC 6501 et seq; 16 CFR 312)  
Collection of Checks and Funds Transfers through Fedwire (12 CFR 210, Regulation J)  
Consumer Leasing (15 USC 1667, 12 CFR 714)  
Debit Card Interchange Fees and Routing (12 CFR 235, Regulation II)  
Direct Deposits (31 CFR 210)  
Electronic Fund Transfers Act (EFTA) (15 USC 1693 et seq, 12 CFR 205, Regulation E)  
Electronic Signatures and Disclosures - The "E-Sign Act" and Related Regulations (15 USC 96)  
Equal Credit Opportunity Act (ECOA) (15 USC 1691 et seq, 12 CFR 202, Regulation B)  
Expedited Funds Availability Act (12 CFR 229, Regulation CC)  
Fair Credit Billing Act (FCBA) (15 U.S.C. 1666 et seq)  
Fair Credit Practices Rule (FCPR, 16 CFR 444)  
Fair Credit Reporting Act (FCRA) (15 U.S.C. 1681 et seq, 12 CFR 717, RCW 19.182 et seq)  
Fair Debt Collection Practices Act (FDCPA) (15 U.S.C. 1692 et seq)  
Fair Housing Act (FHA) (42 USC 3601 et seq, 24 CFR 100)  
Fairness in Lending (RCW 30.04.500 – 515)  
Federal Credit Union Act (12 USC §1751 et seq)  
Flood Disaster Protection Act (41 USC 4001 et seq; 12 CFR 760)  
Foreclosure Fairness Act (RCW 61.24.163)  
Garnishment of Accounts Containing Federal Benefit Payments (31 CFR 212)  
Gramm-Leach-Bliley Act §501(a)  
Higher Priced Mortgage Loans (HPML) (Regulation Z, 12 CFR 226.35)  
Holder in Due Course (HDIC) (RCW 62A.3-302)  
Home Mortgage Disclosure Act (HMDA) (12 USC 2801 et seq, 12 CFR 203, Regulation C)  
Homeowners Protection Act (HPA) (12 USC 4901 et seq)  
Home Ownership and Equity Protection Act (HOEPA) (15 USC 1601; Regulation Z, 12 CFR 226.32)  
Home Ownership Counseling (12 USC 1701w)  
Management Official Interlocks (12 CFR 711)  
Member Information Security (12 CFR 748)  
Mortgage Acts & Practices – Advertising (16 CFR 321)  
Mortgage Lending and Homeownership (RCW 19.144 et seq)  
Mortgage Loan Servicing (RCW 19.148 et seq)  
National Share Insurance Fund (12 CFR 745)  
Office of Foreign Assets Control (OFAC) (31 CFR 500-598)  
Privacy of Consumer Financial Information (12 CFR 1016)  
Real Estate Appraisals (12 CFR 722)  
Real Estate Settlement Procedures Act (RESPA) (12 USC 2601 et seq, 24 CFR 3500)  
Records Preservation (12 CFR 749)  
Reserve Requirements of Depository Institutions (12 CR 204, Regulation D)

Right to Financial Privacy Act (12 USC 3401 et seq.)  
S.A.F.E. Mortgage Licensing Act (12 USC 5101 et seq)  
Servicemembers Civil Relief Act (50 USC App 501 et seq)  
Telemarketing Sales Rule (16 CFR 310)  
Telephone Consumer Protection Act (47 USC §227)  
Truth in Lending Act (TILA) (15 USC 1601, 12 CFR 226, Regulation Z)  
Truth in Savings Act (TISA) (12 USC 4301 et seq, 12 CFR 707, Regulation DD)  
Unfair Business Practices – Consumer Protection (RCW 19.86 et seq)  
Unfair or Deceptive Acts or Practices (12 CFR 706)  
Unlawful Internet Gambling, Prohibition on Funding (12 CFR 233, Regulation GG)  
Washington State Credit Union Act (RCW 31.12)  
Washington State Unclaimed Property Act (RCW 63.29)