

How to Use This Manual

Credit unions face challenges each day. Among these challenges is the need to comply with numerous regulations and mandates from Congress — or pay the penalties. Credit unions are required to inform members of their rights and the credit union's responsibilities. As a result, complying with federal consumer credit-related regulations is increasingly important.

Regulatory legislation began in the late 1960s with the passage of the Fair Housing Act and the Truth-in-Lending Act — results of consumer and civil rights movements. The Fair Housing Act was designed to prevent discrimination in the housing market on the basis of race, color, religion, sex, or national origin. The Truth-in-Lending Act was designed to inform consumers of the costs and terms of obtaining credit.

Since that time, other consumer regulations have been passed that govern everything from loans to teller operations to electronic fund transfer operations. New regulations continue to be proposed and passed, and credit unions must constantly be aware of the changes surrounding them. But where do you start? How can a credit union possibly comply?

NAFCU's Compliance Guide for Credit Unions is a tool designed to help you establish an effective and efficient compliance management system. Analyzing the basic elements of a compliance program and then putting this information into practice will help ensure that your credit union is in compliance with the various federal laws and regulations. The *Compliance Guide* also provides an important source of answers to compliance questions.

This manual provides important how-to information for all of the credit union staff involved in the compliance function:

- Executive management
- Legal counsel
- Internal audit personnel
- Lending officers
- Lending secretaries
- Tellers
- Member service personnel
- Marketing personnel
- Other credit union personnel

The manual has two volumes that cover management of your compliance program and the consumer regulations. The first part of the manual, *Managing Your Compliance Program*, provides an overview of the entire compliance function in seven chapters. It covers in detail the following elements of a credit union's compliance program:

- Chapter 1: The Compliance Officer
- Chapter 2: Other Key Members of the Compliance Team
- Chapter 3: Formulating the Compliance Policy Statement and Implementing the Compliance Policy
- Chapter 4: Developing a Compliance Audit Program
- Chapter 5: Starting and Maintaining a Compliance Training Program
- Chapter 6: Responses to Compliance Issues
- Chapter 6A: Regulatory Structure

This part also includes a description of each employee's responsibilities for any aspect of compliance.

These seven chapters also include exhibits that show you examples of compliance-related items, including:

- Job descriptions for compliance personnel
- Compliance audit procedures
- Compliance training guidelines
- Sample audit report
- Other items necessary to maintain compliance operations

These examples can easily be tailored to meet your specific credit union's compliance needs.

The remaining chapters in the manual examine each of the consumer regulations and put them in a practical, usable form. A typical overview includes the regulation's (1) purpose, (2) coverage, (3) any exemptions, (4) disclosure and reporting requirements, and (5) liabilities for noncompliance.

Whenever appropriate, we have inserted regulatory forms or forms to use as models that relate to a variety of requirements, including reporting and disclosure requirements. There also are plain, straightforward examples throughout the book to help illustrate the often complex material found in the regulations.

A checklist of most of the areas covered by the regulation and the accompanying compliance issues appears at the front of each chapter, so if you must quickly familiarize yourself with the issues in general, you have them at your fingertips.

Compliance management requires knowledge of the issues, practice of the necessary skills, and a willingness to play according to the rules. This can be difficult, and at times it may be beneficial or necessary to consult with your credit union's attorney. Compliance is a challenge that demands careful analysis and comprehensive start-up procedures if it is to be handled effectively.