



NAFCU Certified Compliance Officer (NCCO)
Exam Study Guide – 2015



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).**

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 \$100 for NAFCU members and \$180 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 \$30 for NAFCU members and \$50 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. For NAFCU members the cost is \$30 per exam taken (or the full four exam package for \$100), for non-members \$50 per exam taken (or the full four exam package for \$180).

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 the end of the calendar year in which they attended School to pass all four exams. For example, if you attended School in March 2015, you would

have until December 31, 2015 to pass all four exams. Individuals who take the Self-Study course (purchase of [NAFCU's Credit Union Compliance GPS manual](#) recommended) have **one 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. Pass all four exams and you never need to see the exams again. 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 2015 your accumulation period would be January 1, 2016, through December 31, 2017. 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 attending NAFCU 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 guide in studying for the NCCO exams. There are study tips in the back of each GPS Section. These study tips are also contained in this study guide 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.....	6 Questions
Chapter 1, Section 3: The Federal Credit Union Act and the NCUA.....	3 Questions
Chapter 1, Section 4: The Consumer Financial Protection Bureau.....	1 Questions
Chapter 1, Section 5: NCUA Supervision and Examination.....	4 Questions
Chapter 1, Section 6: Special Credit Union Issues.....	13 Questions
Chapter 2, Section 1: Regulation D.....	4 Questions
Chapter 2, Section 3: Share Insurance.....	5 Questions
Chapter 2, Section 7: E-SIGN Act.....	4 Questions

EXAM 2 – 50 Questions

Chapter 2, Section 2: Regulation E.....	11 Questions
Chapter 2, Section 4: Regulation CC.....	7 Questions
Chapter 2, Section 5: Uniform Commercial Code - Articles 3 & 4.....	7 Questions
Chapter 2, Section 6: Truth in Savings.....	10 Questions
Chapter 3, Section 1: NCUA's Lending Requirements.....	10 Questions
Chapter 3, Section 16: Fair Credit Reporting Act.....	5 Questions

EXAM 3 – 50 Questions

Chapter 3, Sections 2 - 5: Regulation Z.....13 Questions
Chapter 3, Section 6: Ability-to-Repay / Qualified Mortgages.....7 Questions
Chapter 3, Section 7: Mortgage Servicing.....4 Questions
Chapter 3, Section 8: Loan Originator Rule.....2 Questions
Chapter 3, Section 9: Regulation B Appraisal Rule.....2 Questions
Chapter 3, Section 10: Special Protections for High-Cost Mortgages.....1 Questions
Chapter 3, Section 11: Higher-Priced Mortgages.....2 Questions
Chapter 3, Section 12: Homeownership Counseling & Disclosure Requirements.....1 Questions
Chapter 3, Section 13: Regulation B.....4 Questions
Chapter 3, Section 14: Fair Lending.....7 Questions
Chapter 3, Section 15: The Real Estate Settlement Procedures Act.....7 Questions

EXAM 4 – 50 Questions

Chapter 4, Section 1: BSA and OFAC.....18 Questions
Chapter 4, Section 2: Privacy of Member Information.....18 Questions
Chapter 4, Section 3: NCUA's Security Regulation.....10 Questions
Chapter 4, Section 4: Vendor Management.....4 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)

NCCO Exam Sample Questions

As noted above, each NCCO exam contains 50 multiple-choice questions. The exams contain a mix of True/False, Yes/No and complex multiple-choice questions. Below are representative examples of the types of questions that you should expect on the NCCO exams.

Q. Local FCU is located in California. California recently passed a law which caps the amount a creditor can charge for a late fee on mortgage loans at \$25. Local FCU currently charges a \$35 late fee if a borrower is late on his mortgage payment. Must Local FCU lower its late fee?

- a. Yes
- b. No

Q. The credit union sent periodic statements on August 3. A member did not open his statement until September 9. The member did not recognize a transaction and called the credit union on September 10 to explain the situation. On September 30th, the credit union completed its investigation and concluded that the transaction was unauthorized. Has the credit union's response followed Regulation E's error resolution procedures? **Choose the best answer.**

- a. Yes, the credit union has properly followed Regulation E's error resolution procedures.
- b. Yes, since the member did not notify the credit union within 30 days after the statement was sent, Regulation E's error resolution procedures do not apply and the credit union need only act in a reasonable manner.
- c. No, the credit union should have required the member to confirm the alleged error in writing before beginning the investigation.
- d. No, the credit union was required to complete its investigation within 10 business days of the member's notification or provisionally credit the member's account until the investigation was complete.

Q. 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 Reg Z disclosures.

- a. True
- b. False

NCCO Exam Study Tips

Each section of the [NAFCU Credit Union Compliance GPS](#) contains study tips at the end of the section designed to help test takers prepare for the NCCO exams. The tips are intended to provide general guidance to test takers as well as pinpoint areas on which test takers should focus. Although the tips are comprehensive, the NCCO exams may contain questions about subject matter not addressed in the study tips.

That being said, the answers to every question can be found in the Compliance GPS. Although the purchase of the GPS is not required to take the NCCO exams, this is why it is highly recommended that the GPS be used in conjunction with your preparation efforts.

Below is a chapter by chapter, section by section listing of the study tips as they appear in the GPS.

Chapter 1 – Fundamental Credit Union Issues

Section 1 – Organization Bylaws and FOM

Organization of a FCU. These questions will focus on the major aspects of a federal credit union's structure and organization. Expect 3 to 4 questions.

- What are the benefits of credit union membership?
- How does the ownership structure of credit unions differ from other financial institutions?
- Study the basic structure of a federal credit union's board of directors.
- What are the main responsibilities of the Supervisory Committee?
- Do members have the right to inspect the board of directors' minutes? What about a copy of the credit union's bylaws and charter?

Federal Credit Union Bylaws. These questions will focus on the broader bylaws issues. There will not be questions on the specific joint account or par value issues. Additionally, the various election procedures will not be tested. You can expect 5 to 6 questions.

- What does the "once a member, always a member" credo mean?
- Are credit unions required to adopt the standard bylaws fully when 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?

- Credit unions must hold annual meetings. Study the annual meeting process – including the advanced notice of the meetings. How many members must be present to have a quorum?
- What are the duties of the board of directors?
- Study the various duties of the board officers. Who presides over board meetings? Who is responsible for posting the credit union’s monthly financial statement?

Field of Membership. These questions will focus more on hypothetical situations rather than memorization of the various types of charters. Expect about 3 questions.

- Where is the best place to look for the credit union’s field of membership?
- How can corporations, partnerships or social clubs become eligible for membership?
- Do not spend time studying the specifics of community charters.
- Do not worry about the low-income credit union designation.
- Which “other persons” can join the credit union?
- What is a TIP charter?

Expect 10 to 12 questions total from this section on the exam.

Section 2 – The Legislative and Regulatory Process

- When a credit union could be affected by a bill, where would credit union witnesses share their expertise to provide more information on the matter?
- How are regulations indexed in the Code of Federal Regulations?
- What is the difference between an Advanced Notice of Proposed Rulemaking and a Proposed Rule?
- What is the purpose of a rule’s preamble? Where is it found?
- Who may comment on NCUA’s proposed rules?
- Why would an interim final rule be issued rather than a final rule?
- What are the phases a bill goes through?
- Where are federal regulations codified?
- Besides the rules and regulations codified in the Code of Federal Regulations, what other kinds of guidance are available?

Expect 6 to 8 questions from this section on the exam.

Section 3 – The Federal Credit Union Act and the National Credit Union Administration

- What are the three major titles of the FCU Act?
- Who does share insurance apply to?
- What are the purposes of the Office of General Counsel and the Office of Inspector General?
- Where does NCUA get its authority from?

Expect 3 to 4 questions from this section on the exam.

Section 4 – The Consumer Financial Protection Bureau

- Study the basics of the CFPB and the difference between the CFPB's regulatory authority and its supervision authority.
- The structure of the CFPB will not be tested. Do not spend time memorizing the CFPB's division and offices.
- Focus on the CFPB's regulatory authority. Which regulations transferred to the CFPB? Which regulations did not transfer to the CFPB?
- Are credit unions subject to the CFPB's Regulation DD?
- The various tests for unfair, deceptive or abusive acts or practices will not be tested.
- In general, try to obtain a solid understanding of the CFPB's authority and how it impacts credit unions.

Expect 1 to 2 questions from this section on the exam.

Section 5 – NCUA Supervision and Examination

Focus on the categories of risk, the required components of an examination and the administrative tools.

- How does NCUA's examination program differ from an audit?
- What are the seven types of risk that NCUA examines for?
- Understand the various administrative tools available to NCUA and the severity of each.
- Who examines credit unions *under* \$10 billion for compliance with consumer regulations?
- Who examines credit unions *above* \$10 billion for safety and soundness?

Expect 3 to 5 questions from this section on the exam.

Section 6 – Special Credit Union Issues

Statutory Liens.

- Expect 2 to 3 questions.
- Study the process to impress a credit union's statutory lien.
- Study how a credit union can enforce the statutory lien.
- Remember that special protections that apply to credit card accounts.

Expulsion and Limitation of Services.

- Expect 2 to 3 questions.
- Study the process of a special meeting to expel a member, including the vote process.
- What are the two fundamental rights for credit union members?
- Understand the difference between a nonparticipation policy and a limitation of services policy. Which one can be used against a member who has caused the credit union a loss?

Board of Directors and Compensation.

- Expect 2 questions.
- Study the general prohibition on compensating credit union directors.
- Which reasonable expenses can be reimbursed?
- Credit unions can provide health insurance to directors during their time on the Board.

Service to Nonmembers.

- Expect 2 to 3 questions.
- Review whether a nonmember can be a co-borrower.
- Can a nonmember be a guarantor or cosigner?
- When can credit unions cash checks for nonmembers?
- Must a joint owner on a share account be a member?

Credit Union Powers.

- Expect 1 to 2 questions.
- Credit unions have both express powers and incidental powers.
- Don't memorize the incidental powers but have a general understanding of which type of activity would fall under which approved power.

Services to Businesses and Organizations.

- Expect 1 to 2 questions.
- Understand how a business or organization could qualify for membership.
- 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 Issues.

- Expect 2 questions.
- NCUA preempts certain state laws for federal credit unions. Usually these are related to terms or conditions on a loan or related to fees or rates on an account.
- Would NCUA preempt a state law that capped late fees at \$20?
- Could a state force a federal credit union to pay a minimum amount of dividends on accounts?

Expect 13 to 15 questions from this section on the exam.

Chapter 2 – Member Accounts

Section 1 – Regulation D

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

Expect 4 to 5 questions from this section on the exam.

Section 2 – Regulation E

- Regulation E does not cover all types of accounts offered by credit unions. Study which accounts are covered and which are not using the definition of “account” as your guide.
- Review which transactions are included in the term “electronic funds transfer” and rather than memorizing the list – think of the reasons why certain transactions are covered and why others are not.

- Understand the timing requirement for sending periodic statements – specifically the difference in timing depending on whether an EFT occurred or not.
- Think about the rationale behind the Special Situations and the reason for the outcomes in the member’s liability for the transactions.
- Review the different timelines for member notification of an unauthorized transaction. Rather than memorize the sections, be prepared to look at a fact pattern and determine which timeline (and level of liability) is most appropriate.
- Understand the member notice requirement to start the credit union’s error resolution process. Review the two options the credit union has for a timeline and the requirements accompanying each timeline.
- Understand the credit union’s requirement to provide notification to the member after it completes its investigation.
- Credit unions cannot require a member to repay a loan electronically in order to be approved for credit. They can offer lower APRs or lower fees, but remember the general prohibition.
- Understand which transactions are covered by the Reg E opt-in rule for overdrafts. Similarly, realize which transactions are not covered and which types of “overdraft” programs are not included (e.g., lines of credit or transfers from share accounts).
- Study the 4-part opt-in process, how long an opt-in is valid and the process for revocation.
- Credit unions need to offer the same account terms to members who do not opt-in. The credit union cannot condition other overdraft programs on the member’s decision to opt-in.
- Know the safe harbor requirements for the remittance transfer rule.
- Understand the error resolution procedures for remittance transfers, and the limited exception from those procedures for funds sent to a wrong account.

You can expect 7 to 9 questions from this section on the exam.

Section 3 – Share Insurance

- Understand the distinction that an account can only be one type of account (i.e., individual account or joint account or revocable trust account).
- Know the current SMSIA level.

- Review the different types of accounts a member's share insurance coverage could fall under.
- Understand the main aspects of a joint account and how each joint owner receives share insurance coverage.
- Review how the insurance coverage for a revocable trust flows from the beneficiary.
- Understand how in a joint revocable trust account both owners receive share insurance coverage for a beneficiary.
- Do not study and fret about the special rule for complex revocable trust accounts. It will not be tested on.
- 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)?
- Review the rule for share insurance coverage for business accounts. Notice how it is not easy for a business to obtain additional share insurance coverage.
- Review the credit union merger and member death situations – understand how a grace period works and how it allows members time to restructure their accounts.
- Study the requirements for the official sign. Where must the sign be placed?
- Understand the credit union's options for the official advertising statement.
- Is the official advertising statement required for loan advertisements? Must it be included on the credit union's periodic statement?

Expect 5 to 7 questions from this section on the exam.

Section 4 – Regulation CC

- Know the funds availability rules. Expect to apply the rules to different fact pattern situations.
- Study the rules for determining when funds are considered deposited, including the permissible cutoff times for the receipt of deposits.
- Understand the general relationship between Regulation CC and state law funds availability policies.
- Study the exception holds that may be invoked to extend the hold period for deposits that carry a higher risk.
- Study the funds availability disclosure requirements.
- You will not be tested on the Collection of Checks or Substitute Checks.

Expect 6 to 8 questions from this section on the exam.

Section 5 – Uniform Commercial Code Articles 3 and 4

- Do not get lost in the complex and difficult UCC terminology. Focus on common issues that arise during the credit union's operations and how the UCC handles those issues.
- Do you know the difference between a checks that is "payable to bearer" and one that is "payable to order"?
- Review the rules for checks made payable to multiple parties. Be ready to make a determination about whether both parties on the check must indorse the check.
- If a check has contradictory terms, do you know which term prevails?
- Understand the rules for paying post-dated checks and stale-dated checks.
- Know the circumstances under which the credit union can pay checks drawn on a deceased member's account.
- Review the stop payment requirements – including the timeframe for oral and written orders. Can they be renewed?
- Do you know how the UCC's midnight deadline rule applies to a counterfeit check presented for payment against a member's account?

Expect 6 to 8 questions from this section on the exam.

Section 6 – Truth in Savings

- NCUA's Truth in Savings Regulation does not apply to every account. Try to understand what accounts it applies to, and review the examples of accounts that are not subject to its rules.
- Become familiar with terminology requirements. You can call share accounts and checking accounts by certain names, but there are some terms and names that are not allowed.
- What is an advertisement? What thing in an advertisement would trigger additional disclosures? Can you name certain advertisements that are exempt from some of the advertising rules? What about the use of the word "free"?
- Does Truth in Savings require a periodic statement? What regulation might?
- What kind of fees must be disclosed per Truth in Savings? All fees? Are some fees outside of the regulation's control?
- What triggers a change in terms notification? If you must send one, what is the timing requirement?
- Generally, familiarize yourself with the recordkeeping requirements.
- NCUA overlaps with Regulation E in some instances. Is that addressed? If so, how?

- You have to disclose overdraft protection fees on periodic statements. How? Are some fees exempt from this requirement? Are overdraft programs subject to enhanced advertising requirements?
- If you read a part of NCUA's regulation that confuses you, where might you go to obtain additional information?

Expect 9 to 11 questions from this section on the exam.

Section 7 – E-SIGN Act

- The E-SIGN Act allows electronic documents and disclosures to carry the same legal weight as paper documents in most situations.
- Because of the E-SIGN Act, credit unions can retain records in electronic format.
- The validity of electronic documents and the ability to retain documents and disclosures in electronic form is different from the ability to deliver disclosures and notices in electronic form.
- Study the process of obtaining a member's affirmative consent for electronic disclosures. Focus on the opt-in requirement and the need for this to be done either electronically or confirmed electronically.
- Think about some of the consequences that could arise from improper E-SIGN consent as well as ways credit unions could respond to bounce backs from a member's email address.
- Review the credit union's disclosure requirements prior to accepting a member's E-SIGN consent, particularly the need to disclose the breadth and scope of the member's consent (i.e., whether the consent applies to one transaction, one category of transactions or a list of future transactions).

Expect 4 to 5 questions from this section on the exam.

Chapter 3 – Lending

Section 1 – NCUA Lending Requirements

- Familiarize yourself with the maturity limitations found within NCUA's lending regulations.
- Do NCUA's lending regulations discuss compensation programs? If so, could you describe the limitation of such programs?
- Must all members receive the same loan rates, terms and conditions? Can some receive better terms?
- Describe how credit unions may interact with non-members in the lending context.

- What is a member business loan? Are there exceptions to the definition?
- What is the involvement of the credit union's board of directors in implementing a member business loan program?
- How do NCUA's lending regulations interact with state law?
- NCUA's lending rules contain "concentration limits." Credit unions can only lend so much money, and not a penny more, in certain situations. Could you describe those situations generally if you had to?
- How are the requirements found in NCUA's loan participation regulation different for "originating" credit unions?
- How do the NCUA lending regulations touch upon a credit union's board of directors and other officials?

Expect 8 to 10 questions on the exam about this subject.

Sections 2-5 – Regulation Z

- Remember Regulation Z covers numerous areas. If it is not discussed in a section it will not be on the test. Information contained in the links will also not be tested.
- Do not try to memorize lists of trigger terms or the additional disclosures needed. The test questions will not be this detailed.
- Understand the limitations on Regulation Z's coverage and its inapplicability to certain types of loans.
- Review the role "finance charges" play in Regulation Z and why the determination is important.
- Understand that Regulation Z covers both open-end and closed-end credit and review the differences in these requirements.
- Review the various disclosures required for HELOCs and how they differ from the regular open-end disclosures.
- Recognize the special protections applicable to HELOCs – including the limited ability to change terms on an existing account.
- Review the disclosure requirements for open-end credit – including the additional disclosures required for credit card accounts.
- Understand the role change-in-terms notices play for open-end credit.
- Review the special protections applicable to credit card accounts. Understand the requirement to review a member's ability to repay a credit card before opening a new account or increasing a credit limit. Also, review the restrictions on charging fees on a credit card account.
- Understand the general prohibition on increasing the APR on a credit card account. Review the exceptions to this general rule – as well as the impact on existing balances.

Study when credit unions would be required to review APR increases and when the requirement terminates.

- Understand that different advertising rules apply depending on which type of credit is being advertised and the terms used in the advertisement. Also, study how different aspects of the product can require additional disclosures – such as when advertising a promotional rate or payment.
- Review the “early disclosure” requirement for certain mortgage loans as well as the waiting period prior to consummation.
- Understand the different levels of protections applicable to mortgage loans. Certain loans have additional protections based on the loan’s APR while others are based on the aspects of the loan (such as variable-rate or adjustable-rate).
- Review the disclosure requirements for private education loans and the member’s ability to cancel a loan even after receiving the final disclosures.
- Try to think of the rationale for the Regulation Z protections rather than trying to memorize the requirements. Additional disclosures are required when the rate on a credit union’s mortgage product will increase after the loan is closed. Why? Why are existing balances on credit card accounts not subject to the increased APR? Why is a credit union prohibited from increasing the APR or fees on a credit card account during the first year?

Expect 12 to 14 questions about Regulation Z on the exam.

Section 6 – Special Mortgage Rules – Ability to Repay and Qualified Mortgage

- What types of mortgage loans are covered under the ATR-QM rule?
- What are the eight underwriting factors to consider in determining a consumer’s ability-to-repay?
- What is a reasonable source to verify a consumer’s ability to repay?
- What are the types of qualified mortgages?
- What is a higher-priced covered transaction for the purpose of the QM rule?
- What is the definition of QM for purposes of the first category? You should know at least two features that cannot be part of the loan and at least three of the five restrictions (ex: maximum loan term, debt-to-income ratio).
- What is the temporary QM category?
- What is a “small creditor”?
- What must be included in the calculation of points and fees for purposes of the QM definitions?

Expect 7 to 9 questions from this section on the exam.

Section 7 – Special Mortgage Rules – Mortgage Servicing

- How long do mortgage servicers have to make contact with delinquent members?
- What are the requirements for credit unions to use coupon books instead of periodic statements?
- When is a credit union considered a “small servicer”?
- What information must be included in the initial and the ongoing ARM notices?
- What is an error for the purposes of the error resolution rule? What is the difference between an information request and an error notice?
- What is a periodic payment and how must servicers handle these payments?
- When can a servicer impose charges for force-placed insurance?
- Whether or not the premium is considered to be financed hinges on what?
- How can a servicer avoid violating the prohibition against dual tracking under the loss mitigation rule?

Expect 4 to 6 questions from this section on the exam.

Section 8 – Special Mortgage Rules – Loan Originator Rule

It should be noted that due to the complexity of loan originator compensation, those portions of this section will not be tested on. However, the loan originator qualifications, training, disclosures, retention, and policy requirements are all fair game. Also, the prohibitions on mandatory arbitration and financing of single credit premium insurance are also fair game. You may want to focus on the following:

- What is the difference between a loan originator organization and an individual loan originator?
- What are the four main qualification requirements under the loan originator rules?
- During the screening process, what must a loan originator organization obtain on an individual loan originator before the individual loan originator may originate loans?
- How does the loan originator organization determine whether the individual loan originator qualifies as a loan originator?
- Who must receive loan originator training? What should it consist of?
- What disclosures are required under the loan originator rule and on what documents?
- May a credit union include a mandatory arbitration clause in one of its consumer contracts?

- Whether or not the premium is considered to be financed hinges on what?
- Would a creditor violate the Loan Originator rule if it were to allow consumers to pay credit insurance that is calculated on a monthly basis?

Expect 2 to 4 questions from this section on the exam.

Section 9 – Special Mortgage Rules – Regulation B Appraisal Disclosures and Delivery

- What is the scope of the appraisal requirements for Regulation B?
- What can a credit union charge for regarding the appraisal process?
- What is and is not a valuation?
- What a credit union can and cannot alter in the disclosure?
- Generally, what is the initial appraisal disclosure composed of and what are the timing and delivery requirements?

Expect 2 to 3 questions from this section on the exam.

Section 10– Special Mortgage Rules – Special Protections for High-Cost Mortgages

- Study the scope of coverage for HOEPA. Does it apply to a loan secured by a consumer’s dwelling, or the consumer’s *principal* dwelling? Does it apply to HELOCs?
- Study the three tests for HOEPA coverage. You will not be required to calculate the points and fees for a particular transaction – the exam will not be that detailed; however, you should be able to generally describe the three tests.
- Study the additional protections that are required for high-cost mortgages.

Expect 1 to 2 questions from this section on the exam.

Section 11 – Special Mortgage Rules – Higher-Priced Mortgages

- What is the definition of a higher-priced mortgage loan?
- When and to what type(s) of loans does the TILA Escrow Rule apply?
- When must the escrow account be established?
- How can an escrow account be cancelled?
- When is a credit union eligible for the small creditor exemption under the TILA Escrow Rule?
- What is the scope of the TILA HPML Appraisal Rule?

- What are the HPML appraisal requirements?
- Generally, what is the initial appraisal disclosure composed of and what are the timing and delivery requirements?

Expect 2 to 4 questions on the exam on this subject matter.

Section 12 – Homeownership Counseling and Disclosure Requirements

- Know the scope of each of the homeownership counseling-related requirements covered in this section. For example, which requirement applies broadly to federally-related mortgage loans?
- Study the timing and content requirements for the homeownership counseling disclosure requirement for federally-related mortgage loans. How many homeownership counseling organizations must be included on the list?
- Study the pre-loan counseling requirements for high-cost mortgage loans and negative amortization loans to first-time borrowers. For example, what type of documentation must the credit union obtain to verify that the borrower has obtained counseling? Can the credit union process an application while waiting for the counseling to occur?

Expect 1 or 2 questions from this section.

Section 13 – Regulation B

- Review the definition of application and when an application is considered complete.
- Understand the difference between an inquiry and an application – and when an inquiry could turn into an application.
- Study the timeframe for responding to a member’s completed application including the additional response if a member does not accept the credit union’s counteroffer (but also review the option to send the counteroffer combined with an adverse action notice).
- Review the credit union’s options for responding to an incomplete application.
- Rather than memorize which actions are adverse action and which actions are not included in the definition – review the lists and try to think about why each example is considered adverse action (or not).
- Review the interplay between Regulation B’s adverse action requirement and the Fair Credit Reporting Act’s requirement for adverse actions and risk-based pricing notices.
- Review the examples of potential discrimination issues under Regulation B. The specific examples will not be tested but a similar issue where the credit union evaluates applications differently might be.

Expect 4 to 6 questions from this section on the exam.

Section 14– Fair Lending

- Review the nondiscrimination in real estate advertising requirements. Understand the disclosure requirements for various types of advertisements: print, oral/radio, and video (TV, YouTube, etc.)
- Understand the difference between a coborrower and a cosigner.
- Review the prohibition on pyramiding of late fees. Be able to identify when a credit union is prohibited from charging an additional late fee.
- Focus on the requirement for the credit union to treat all applicants in the same manner throughout the loan application and evaluation process.
- Review the three different types of lending discrimination recognized by the courts and think of situations where they could occur.
- Review when the SCRA protections begin and to which transactions they apply.
- Understand which obligations are subject to the 6 percent interest rate cap. Pay special attention to the cap's retroactive nature and the requirement to waive (not defer) any fees or interest above the cap.
- Review the SCRA protections related to a servicemember's auto loan or lease as well as the foreclosure protection afforded servicemembers.
- Understand the three types of credit covered by the DoD consumer lending regulation.
- Review who is a debt collector under the FDCPA.

Expect 7 to 9 questions from this section to be on the exam.

Section 15 – The Real Estate Settlement Procedures Act

- What loans are subject to RESPA's requirements? Which are not?
- Can you describe the GFE's tolerance levels?
- When must a lender provide a GFE and HUD-1 disclosure statement?
- If an escrow analysis shows a shortage, what must the credit union do? Does the answer depend on certain variables?
- Review RESPA's rules concerning illegal kickbacks.
- Review the following concepts:
 - Recordkeeping
 - Changed Circumstances
 - Mortgage Servicing Disclosures

You can expect 6 to 8 questions on the exam about this subject.

Section 16 – The Fair Credit Reporting Act

- What may a firm offer of credit be conditioned on?
- What type of activity requires an adverse action notice?.
- When can a consumer reporting agency provide a credit report to a credit union?
- When, if at all, can a creditor use medical information?
- When does the risk based pricing notice regulation come into play?
- When can the negative information notice be provided to a consumer?
- When must a furnisher conduct a reasonable investigation of a direct dispute?

You can expect 4 to 7 questions on the exam regarding this subject.

Chapter 4 – BSA, Privacy and Security

Section 1 – The Bank Secrecy Act and OFAC

- What are the four pillars of a credit union BSA compliance program?
- A credit union's BSA risk assessment should look at four things. Can you name them?
- What are the dollar thresholds and timing requirements for the CTR and SAR?
- What is the general recordkeeping requirement for BSA-related documents?
- If someone asked you to give a broad overview of each of the general areas of BSA compliance, would you be able to describe, in general terms, the requirements of each section?
- What minimum pieces of identifying information must be collected for CIP purposes?
- Can you explain what it means to form a reasonable belief as to the identity of a customer?
- Be familiar with the difference between documentary and nondocumentary verification.
- What is the difference between 314(a) and 314(b) information sharing?
- Can you explain the importance of privacy in relation to SARs?
- Can you 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?
- Can you take advantage of the CTR exemption process for all members/businesses? If not, who would be excluded?
- What is the SDN list, and how is it used?

- What does a risk-based OFAC program look like in general terms?
- If you needed to obtain additional information on BSA or OFAC issues, what are some resources you might reference?

Expect 17 to 19 questions from this section on the exam.

Section 2 – Privacy of Member Information

Privacy

- Can you generally describe what kind of information is protected by Regulation P?
- Can you describe the three exceptions to 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?
- When and how do you give notices under the privacy rule?
- When is the credit union required to provide the right to opt-out?

Affiliate Marketing

- The affiliate marketing rule does not govern the sharing of all information with affiliates. When does the right to opt-out occur?
- What is a marketing purpose?
- Can you describe what an affiliate is?
- What is constructive sharing?

CAN-SPAM

- What is SPAM?
- Can you describe the difference between commercial content and transactional or relationship content?
- If an email falls into the commercial content category, could you generally describe the restrictions on the message?

Right to Financial Privacy Act

- Does this Right to Financial Privacy Act address federal and state requests?
- What are the three general aspects of the Right to Financial Privacy Act?
- What is the importance of receiving a certificate of compliance?

- Submitting a SAR involves disclosing information to the federal government about your member. Is it subject to the notice and certification process?

Expect 17 to 19 questions from this section on the exam.

Section 3 – NCUA’s Security Regulation

- Review the outlines of the credit union’s written security program.
- Study the three reporting requirements in Part 748.
- Review the business continuity planning and catastrophic act preparedness guidance.
- Study the measures the credit union needs to include in its written information security program to manage and control risks to member information.
- Understand the role of the credit union’s Board to review and oversee the development and on-going performance of the program.
- Consider how the credit union’s security program is impacted by its relationships with third parties – including both affiliates and non-affiliates.
- Review the member response requirements, including when member notice is required and the required content for any notifications.

Expect 9 to 11 questions from this section on the exam.

Section 4 – Vendor Management

- When does NCUA expect a credit union to perform due diligence on a vendor?
- Do vendor relationships alleviate a credit union from liability where there is a member complaint or compliance violation?
- Does the criticality of a third party relationship play a role in vendor management?
- Should vendor contracts be reviewed by anyone in particular before a credit union enters into a contractual agreement with a third party?
- When does the vendor management process end?

Expect 3 to 5 questions from this section on the exam.

GOOD LUCK!

NAFCU's Certified Compliance Officer Program

Exam Instructions

You must use a No. 2 pencil to take the exams. **Do not open your exam booklet until instructed to do so by the proctor.** You will have 60 minutes to complete each exam. Below are basic instructions for taking the exams and a sample question.

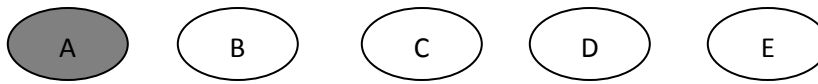
Please read these instructions completely before beginning your exam.

1. Use the scantron sheet to record your answers, **not the test booklet.**
2. For multiple choice questions, darken the letter that represents your selection. Be sure to fill the oval completely. Only one answer will be correct.

Sample Question: Credit unions are not required to provide a new privacy notice when an existing member opens a new account (i.e., adds a checking account). **Choose the best answer.**

- a. True, but only if the most recent privacy notice provided to the member is still accurate.
- b. True, the member should already be familiar with the credit union's privacy policy as they receive the annual notices.
- c. False, a new privacy must be given each time an account is open and this applies even for existing members.

Scantron Answer Sheet



3. For True-or-False or Yes-or-No questions, please indicate your choice by filling in "A" for "True" or "Yes" and "B" for "False" or "No."
4. Do not make any stray marks. If you change an answer, please be sure to make the erasure completely.
5. Do not open the exam booklet until you are instructed to do so.
6. Remove all materials from your table except your No. 2 pencil(s).
7. When you are instructed to begin by the proctor, open the exam booklet and fill out the name and exam number information and begin the exam.