

Inside EasCorp



INSIDE

Vertifi Prepares for Regulation CC Changes.....1

Enhancements for Efficiency: Vertifi's Branch Capture Solution....2

EU Introduces Data Protections Fit for the Digital Era.....2

New FOMC Chair Powell Opens Door for More Rate Hikes3

2017 Audited Financial Statements and SOC Reports3

Changes to Check Adjustment Minimum Dollar Threshold3

The "Sole" of the CU Kids at Heart® Team: Its Credit Unions4

Considering an MBL Program?.....5

Online Now.....6

DeposZip® Tips.....6

Upcoming Events.....6

Vertifi Prepares for Regulation CC Changes

Vertifi Software is readying its DeposZip® technology to help its credit union customers prepare for the forthcoming Federal Reserve Regulation CC amendments regarding duplicate deposits, effective July 1, 2018. This change to Regulation CC, the regulatory framework for the Expedited Funds Availability and Check 21 Acts, will shift the assignment of liability to a financial institution which accepts a check after it has been submitted via remote deposit capture (RDC) if the original check contains a restrictive endorsement such as "for mobile deposit."

To protect themselves against this form of risk, credit unions may want to consider requiring, if they do not already do so, a restrictive endorsement on each RDC item. Credit unions should also reconsider their policies around enforcement in the absence of such a proper endorsement. To that end, both their member-facing end user agreements and back-office policies around remote deposit capture (RDC) should be reviewed and revised as needed. To the extent those policies, or the level of enforcement of those policies, will change, a credit union's RDC users should be notified.

Vertifi is working on new computer vision tools for detecting and validating endorsements on RDC items, with plans on deploying technology updates to licensed mobile app integrators in the Spring. Administrative tools will allow the credit union to define acceptable restrictive endorsements as well as set thresholds for acceptance or rejection of improperly endorsed RDC items.

As always, Vertifi's solutions consider both the user experience and the needs of credit union members. In the coming months, Vertifi will share more information about these enhancements as well as our recommendations for deployment.

For more information about DeposZip® or Vertifi's other innovative banking solutions, please contact Kathryn Carty at 800.428.1144, Ext. 3303 (kcarty@vertifi.com), or Corey Roy at Ext. 3305 (croy@vertifi.com).

A reminder: *Daylight Savings Time* begins March 11, 2018.



Enhancements for Efficiency: Vertifi's Branch Capture Solution

Vertifi's Branch Capture solution enables credit unions to scan and archive checks received at branches, through the mail, or from an ATM. This spring, Vertifi will release three important enhancements designed to improve the product's on-board tools and broaden its compatibility with today's high-performance scanners.

Two of the three enhancements will reduce the number of items requiring MICR repair. The technology now has better handling for U.S. Postal money orders, Western Union money orders, and savings bonds with an atypical MICR line, reducing the need to manually key a zero ("0") to satisfy the check number requirement. Similarly reducing manual MICR line repair for the administrator, the technology also now recognizes the validity of additional External Processing Code (EPC) numbers on remotely created checks. Finally, Branch Capture will now support the next generation of Canon high-volume scanners.

If you have questions about compatible devices or systems requirements, or would like to learn more about Branch Capture solutions, please contact Dalton Bettencourt at 800.428.1144, Ext. 3523 (dbettencourt@vertifi.com), or Jillian Zink at Ext. 3521 (jzink@vertifi.com).

EU Introduces Data Protections Fit for the Digital Era

The European Union's (EU) new and comprehensive data protection regulation, the General Data Protection Regulation (GDPR), goes into effect on May 25, 2018. Designed to standardize data protection for the citizens of all 28 EU countries and in response to the exponential growth in data dependence across many industries, this binding legislation replaces the previous directive, the EU 1995 Data Protection Act.

The GDPR introduces new, strict controls on how personally identifiable information is stored and processed. Not only are data subjects granted expanded rights—the right to know, for example, where their personal information is in use, how it will be accessed, and when it will be “forgotten”—but the law also demands transparency and efficiency in providing this, and other, information to the data subject. Heavy penalties for non-compliance may be imposed for serious infringements or other regulatory violations, or even for those companies that do not effectively design their products or services from the onset with these new data privacy controls in place (a concept known as “Privacy by Design”).

Perhaps the greatest change in this data privacy regulation, however, is its jurisdiction; the GDPR applies to all companies that process the personal data of data subjects that reside in the EU, regardless of the company's location. This increased territorial scope and applicability of the GDPR beyond the EU promises to immediately impact the cross-border transfer of data for government and commercial entities. Credit unions with members that are EU citizens may be affected. In fact, policy makers recommend that businesses in the United States that touch EU customers in any capacity speak to their legal counsel about the potential impact of and expectation of compliance with this regulation. Compliance with the GDPR, as with other data protection regulations, will demand a multi-faceted approach to policy, procedures, and data controls.

On March 20, 2018, Simon Hill, legal counsel of Certes Network, will present *The GDPR, 23 NYCRR 500, and the Future of Cybersecurity Regulations* at the Association of Credit Union Senior Officers (ACUSO) Members' Meeting. This meeting is open to ACUSO members and their guests. Join ACUSO now to participate in this and other upcoming professional development programs and networking opportunities. To learn more or to inquire about membership eligibility, please contact Robin DeBlosi (rdeblosi@vertifi.com) at 800.428.1144, Ext. 3315, or Deirdre Zaccagnini (dzaccagnini@eascorp.org) at Ext. 3347.

New FOMC Chair Powell Opens Door for More Rate Hikes

by Kevin Peters, CFA, Assistant Vice President, Investment Services

In his first public speech to Congress, new Fed Chair Jay Powell seemed to propose a faster path to rate normalization than has been expected the past few years under outgoing Chair Janet Yellen. Powell told the House Financial Services Committee this past week that his personal outlook towards the economy has strengthened since the last hike in December, and that "inflation is moving up to target." His answers during the question and answer section showed him to be optimistic on growth even given the recent market volatility of the last few weeks. A transcript of Powell's prepared remarks and link to a full recording is available online at www.federalreserve.gov.

"We've seen continuing strength in the labor market," Powell told the House Financial Services Committee. "We've seen some data that will in any case add some confidence to my view that inflation is moving up to target."

Bond traders had already expected the Federal Open Market Committee (FOMC) to raise rates three times this year, and after Powell's prepared remarks the probability of a fourth hike in 2018 rose to over 50 percent. Powell did reiterate the commentary from the January statement that hikes would be "gradual" and that monetary policy would continue to try to strike a balance between bringing inflation back up to a consistent level of around 2.00% and "avoiding an overheated economy."

Fed watchers also may have gotten some hints that Powell plans to be more forthcoming than his predecessor on political issues. One of his answers on growth expectations stated that the committee has seen "fiscal policy become more stimulative", an allusion to the recently passed U.S. tax reform package. He did however warn that in the long-term the current level of deficit spending is unsustainable.

2017 Audited Financial Statements and SOC Reports

EasCorp's 2017 Audited Financial Statements are now available in the Due Diligence section of the company's website by anyone with an EasCorp- or Vertifi-issued digital certificate. Independent auditing firm, CliftonLarsonAllen LLP, performed the audit and provided the Independent Auditor's Report.

Authorized agents of EasCorp member credit unions and Vertifi clients are invited to join the *SSAE and SOC Reports Review and Educational Seminar* online on March 8, 2018. These reports will be available online on March 8, 2018.

For more information, please contact Diane Johnstone-DeRosa (djohnstone@vertifi.com) at 800.428.1144, Ext. 3342, or Deirdre Zaccagnini (dzaccagnini@eascorp.org) at Ext. 3347.

Changes to Check Adjustment Minimum Dollar Threshold

Effective April 30, 2018, the Federal Reserve Bank's minimum dollar threshold for several check adjustment types will change from \$25.01 to \$0.01. These types include, but are not limited to, duplicate entry, encoding error, missing cash or return letter, and non-cash item. The minimum threshold will remain \$100.00 for both late return claims and late return disclaimers.

This minimum threshold change is applicable to items processed on or after the April 30 effective date only.

For more information about this change, please contact Nancy Wladkowski (nwladkowski@vertifi.com) at 800.428.1144, Ext. 3537, or Sandy Tague (stague@vertifi.com), Ext. 3526.

The "Sole" of the CU Kids at Heart® Team: Its Credit Unions

The Credit Unions Kids at Heart® runners and racers know that a good sneaker—one that provides support and stability—is only as good as its sole. A good sneaker is tailored to your body's needs; it responds to your gait, and adapts to your pace. It's the sneaker you wear on your first training day, and the one you sport on marathon day.

The sole, and *soul*, of the CU Kids at Heart Team are its credit union Corporate Sponsors and its Participating Credit Unions. The shared philanthropic spirit of the Team's Corporate Sponsors and Participating Credit Unions provides the Team unwavering support and enduring stability; their commitment is in line with the collaborative principles at the foundation of the industry itself. Corporate Sponsors and Participating Credit Unions not only support the Team's mission to help children lead happy and healthy lives by funding research on pediatric neurological disorders, but also enable the charitable organization to stage several team-building and celebratory events throughout the year.

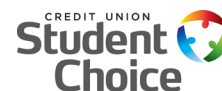
This year, a select number of the Team's Participating Credit Unions provided additional funds, which enabled CU Kids at Heart to embrace the Share the Magic Foundation's *Read with Malcolm* initiative, a youth literacy program started by New England Patriots wide receiver Malcolm Mitchell. The Foundation's mission is to inspire young people to read by bringing book ownership to students in Title I schools and under-resourced communities. Thousands of copies of Mitchell's book, *The Magician's Hat*, have been delivered to deserving children in eligible schools along the East Coast. Representatives of Participating Credit Unions have enjoyed visiting these schools to read the book to the students and hand them each a copy to take home.

The CU Kids at Heart Team is grateful for its credit union teammates, truly the "sole" of the team. If your credit union would like to join the Team as a Participating Credit Union, please contact Tracey Dickey (tdickey@eascorp.org) at 800.428.1144, Ext. 3320, or Eleanor Melchionda (emelchionda@eascorp.org), Ext. 3323.

2018 CORPORATE SPONSORS



The Kelliher Corbett Group
at Morgan Stanley



2018 PARTICIPATING CREDIT UNIONS

600 Atlantic FCU • Acushnet FCU • Boston Firefighters CU • Cambridge Firefighters FCU • Cambridge Teachers FCU
Chelsea Employees FCU • City of Boston CU • Commonwealth Utilities Employees CU • Digital FCU • Direct FCU
EasCorp • Energy CU • Granite State CU • Hanscom FCU • Harvard University Employees CU • Holyoke CU
HTM CU • Jeanne D'Arc CU • Liberty Bay CU • Lynn Firemen's FCU • Lynn Municipal Employees CU
Marblehead Municipal FCU • Massachusetts Family CU Members Plus CU • Merrimack Valley FCU • Methuen FCU
Middlesex-Essex Postal Employees FCU • Mills42 FCU • MIT FCU • Money One FCU • NASA FCU
New England Teamsters FCU • New Hampshire FCU Northeastern University FCU • Pawtucket CU • PSECU
Plymouth County Teachers FCU • Quincy CU • Randolph-Brooks FCU • Reading Mass. Town Employees FCU
Revere Municipal Employees FCU • Rockland FCU • RTN FCU • Saco Valley CU • Santo Christo FCU
St. Anne's CU of Fall River • St. Dominic's FCU St. Jean's CU • St. Vincent Hospital CU • Stewart's FCU
Tewksbury FCU • Tremont CU • USALLIANCE Financial • Webster First FCU
Wellesley Municipal Employees FCU • Western Connecticut FCU • Woburn Municipal FCU

Considering an MBL Program?

by Quentin Lewis, SVP Client Services, Octant Business Services, LLC

In November 2017, the National Credit Union Administration (NCUA) published “Member Business Lending: What to Consider When Exploring a Program for Your Credit Union.” As the title suggests, this white paper identifies key considerations for a credit union when it contemplates the introduction of a safe and sound member business lending (MBL) program. Three primary considerations within the paper are program implementation, policies, and risk mitigation.

Program implementation considerations include: program feasibility as well as planning, budgeting and allocating resources to ensure sound credit risk management practices are in place. To supplement the new offering, the creation of a suite of business services (checking accounts, business credit cards, etc.) will allow the credit union to further meet the needs of business members.

Policy considerations include the adoption of a written MBL credit policy, establishment of procedures and controls to ensure safety and soundness within the business lending process and ensuring loans are documented properly and retained. Risk mitigation includes the selection of people and technology to support the program especially in the areas of underwriting and credit administration. Underwriting includes an analysis of the five C’s of credit (character, capacity, capital, collateral and conditions) resulting in a comprehensive credit memorandum that includes a risk rating for the loan as well as a decision to approve or decline the request.

Effective credit administration includes managing the borrower relationship through annual credit and risk rating reviews as well as the adherence to covenants established at the outset of the loan. Loan officers must understand their borrowers, anticipate potential problems that could impair repayment and utilize appropriate collection/workout activities should the loan become delinquent.

It is a complex task for a credit union to undertake an MBL initiative. Cooperation between departments is required in both the planning and launch stages. Personnel will need to be hired and technology purchased to support the origination, underwriting and credit administration activities. This is an expensive and time consuming proposition. There is an alternative solution to the expensive upfront option of beginning an in-house program. One regulatory approved and cost-effective approach is to outsource underwriting and/or credit administration to an independent contractor or credit union service organization (CUSO). Octant Business Services, LLC is a CUSO that supports credit unions by providing program implementation support, underwriting and credit administration activities. By relieving the credit union of the aforementioned MBL related activities, credit unions can implement a business lending program more quickly, reduce initial expense and generate revenue by focusing on business development and cross-selling other credit union products.

For more information regarding beginning an MBL program, please contact Quentin Lewis, SVP Client Services, Octant Business services, LLC at qlewis@octant.us or 508.281.3005.

Online Now

Additional content— articles, commentary, and more— is now available online on Ease-Link or the Vertifi Customer Portal for anyone with an EasCorp- or Vertifi-issued digital certificate.

This month's *web-only* features include:

- Voices Worth Hearing: Insights from Guest Speakers Denise Lee Yohn and Paul Michelman
- Help Us Keep Your Records Up to Date
- A Reminder about ACH Network Formatting Rules

A recording of EasCorp's *ACH Service Users' Meeting: A Review of 2018 Rules Changes*, a presentation by Sandy Ortins, AAP, NCP, Vice President, NEACH, is now available online on Ease-Link.



Remote DeposZip® Capture Helpful Tips and Tricks

Did you know that you can use the item disposition table as a risk mitigation tool?

To prevent items from being deposited, simply enter the full or partial payor routing and/or account number and select "blacklist." Items matching the criteria will be held with an item disposition error for you to monitor and then delete.

UPCOMING EVENTS

EasCorp & Vertifi's SSAE and SOC Reports Review and Educational Seminar

March 8, 2018
Online only

ALM Academy

March 12-14, 2018
Babson Executive Conference Center,
Wellesley, MA

Association of Credit Union Senior Officers

March 20, 2018
MHA Conference Center
Burlington, MA

Credit Unions Kids at Heart Hop 21 Fun Run

March 24, 2018
Newton, MA

Credit Unions Kids at Heart The 122nd Annual Boston Marathon

April 16, 2018
Hopkinton, MA to Boston, MA

EasCorp 40th Annual Meeting & Partnership Conference

May 3, 2018
Cafe Escadrille
Burlington, MA

*For more information on or to register for the events above,
please visit the News & Events page on www.eascorp.org.*

EasCorp |
What together we can do.®

Vertifi®

35 Corporate Drive, Suite 300
Burlington, MA 01803
781.933.9950
800.428.1144
www.eascorp.org

