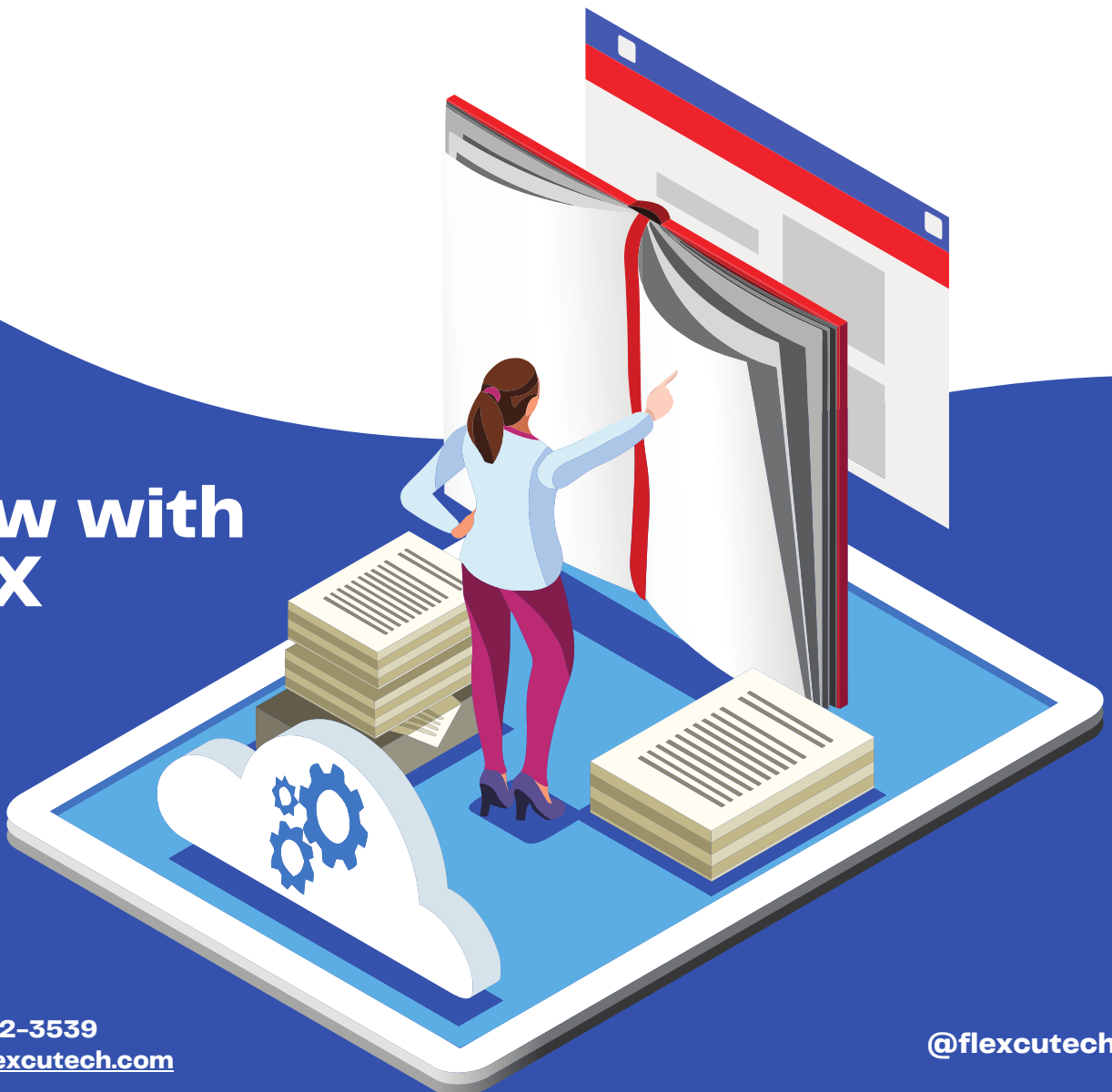




Compliance

To help credit unions of all sizes, FLEX includes a number of resources that provide critical regulatory information in a single, one-stop solution.

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REGULATORY COMPLIANCE



Given the ongoing increase of regulations and audits, staying up-to-date on the latest compliance rules and regulations is no simple task. In a survey by CU Service Network of over 60 credit union executives, it was uncovered that the overwhelming majority identified compliance as a top critical issue facing credit unions. In fact, 98% of the executives surveyed, from credit unions ranging in size from \$30M to \$1.6B in total assets, ranked compliance as the number one issue on their mind.

CUNA conducted a study and reported the financial impact of regulation and compliance burdens on credit unions spiked to \$6.6 billion. This is equivalent to 20% of total credit union industry operating expenses and 40% of staff expenses. For smaller credit unions who are operating with limited staffing, the impact can be detrimental. Much needed Member Service Representatives are being tasked with projects to address regulations. Tellers are being taken off the line to assist with reporting needs for examinations and audits. C-Level executives are spending more time and budgeting dollars on issues such as cybersecurity than on setting strategic initiatives and goals for the organization.

Most credit unions' first response to new or changing regulation is to look outward for help and then ask 'at what cost?' While it is each credit unions' responsibility to meet regulatory requirements, FLEX is one of the few core processors that has built-in tools to help credit unions stay compliant, at no extra cost.

BANK SECURITY ACT

The screenshot shows a web-based form titled "Address Maintenance" for a customer named NAOMI A DE FRANCE. The form includes fields for account type (Individual), first name (NAOMI), middle name (A), last name (DE FRANCE), and address (999 ANYWHERE AVE, SALT LAKE CITY, UT 84444). A "Potential OFAC Match" warning dialog box is overlaid on the form, asking "Name matches: DE FRANCE, Naomi A. Do you wish to continue?" with "Yes" and "No" buttons. The form also includes fields for SSN (444-00-5555), birth date (4/1/1966), gender (Female), and other personal information.

OFAC

The Office of Foreign Assets Control (OFAC) is responsible for administering a series of laws that impose sanctions against select foreign countries and persons to further United States foreign policy and national security objectives. Any transactions, such as the transfer of funds, to or from these countries or to blocked persons are prohibited. OFAC rules require certain transactions to be “blocked” or “frozen” while others merely need to be rejected.

What has FLEX done for OFAC?

The FLEX new account processing workflow has been designed to cross-check the new account information against the files that have been downloaded from the US Treasury website. FLEX compares the name of the primary individual or business against the US Treasury files. If no match is found, new account processing will move the user on to the next step in the workflow without generating a notification. However, if a potential match is found, a warning will appear requiring action before continuing the process.

BSA CONTINUED

FinCEN 314a

Financial Crimes Enforcement Network (FinCEN) is a bureau of the United States Department of the Treasury dedicated to safeguarding financial systems from abuse.

Under the regulations of the Bank Secrecy Act (BSA), FinCEN requires financial institutions to record and report suspicious activity that might signify money laundering and fraud. FinCEN also acts as an intelligence liaison for law enforcement by coordinating information reported under the BSA with information from a variety of other public and governmental sources.

FinCEN requires the financial institutions to search all records to look for potential matches on the FinCEN list. The following steps in these instructions will help the credit unions to be in compliance by searching their database for any possible matches from the FinCEN list, and then printing out a report of the matches that can be used to report back to FinCEN.

What has FLEX done for FinCEN 314a?

A file from FinCEN can be downloaded directly from the US Department of the Treasury and imported into FLEX. Within FLEX, credit unions can run a cross-check for any possible name matches against their current member database. Reports can be generated of the matches and sent back to FinCEN.

BSA CONTINUED

The screenshot displays a member profile for ADAM T PRICE. At the top, there is a table of transactions with columns for Description, Type, Balance, Pledge/Share, Available, Prev Amt, Maturity/Due Date, Prev Off Amt, Delq Amt, and Delq Due. Below the table, a dropdown menu is open, showing options: Cash Transactions, Suspicious Activity, FBI/CFR Reporting, and CaSta. The bottom of the screen shows sections for Employment Info and Member Additional Information.

Description	Type	Balance	Pledge/Share	Available	Prev Amt	Maturity/Due Date	Prev Off Amt	Delq Amt	Delq Due
BANKING	BE	1,183.56	0.00	1,183.56					
GOLDEN EAGLE CHG	GC	5,979.40	0.00	3,979.40					
UNIFY BANK	MB	81,024.71	0.00	81,024.71					
TRIA CLASSIC	VF	0.00	0.00	3,000.00					
HOME EQUITY (DELINQUENT)	HE	10,000.00	0.00	0.00	188.07	4/27/2011	11,411.72	3.00	8/31/2014

Currency Transaction Report (CTR) & Suspicious Activity Report (SAR)

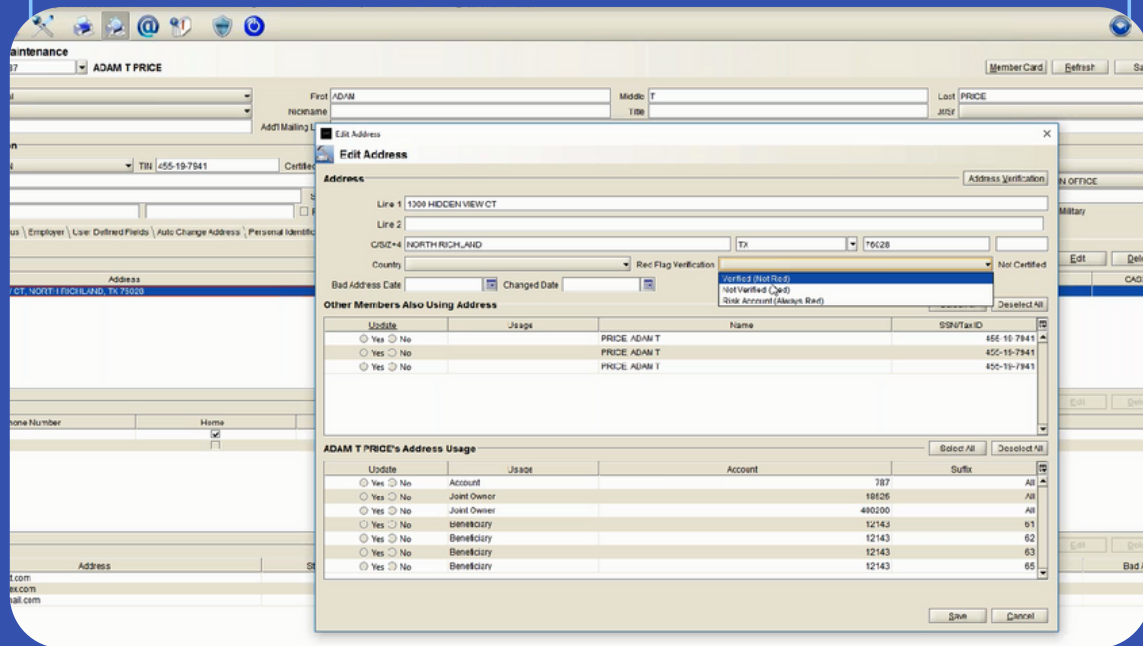
The Currency Transaction Report (CTR) and Suspicious Activity Report (SAR) are required reports under the Bank Secrecy Act regulation. Credit unions must file a CTR for each currency transaction over \$10,000. Multiple currency transactions are treated as a single transaction if the credit union has knowledge that the transactions are by, or on behalf of, any single person and result in either cash in or cash out totaling more than \$10,000 during any one business day.

Credit unions must file an SAR to report identified or suspected illicit or unusual activities. The SAR must report any cash transaction where the member seems to be trying to avoid BSA reporting requirements by not filing a CTR, for example. An SAR must also be filed if the member's actions suggest that he or she is laundering money or otherwise violating federal criminal laws and committing wire transfer fraud or check fraud. Credit unions should not let the member know that an SAR is being filed.

What has FLEX done for CTR's & SAR's?

FLEX provides access to CTR and SAR forms within the member screen allowing credit union staff to quickly navigate to and submit BSA reports.

BSA CONTINUED



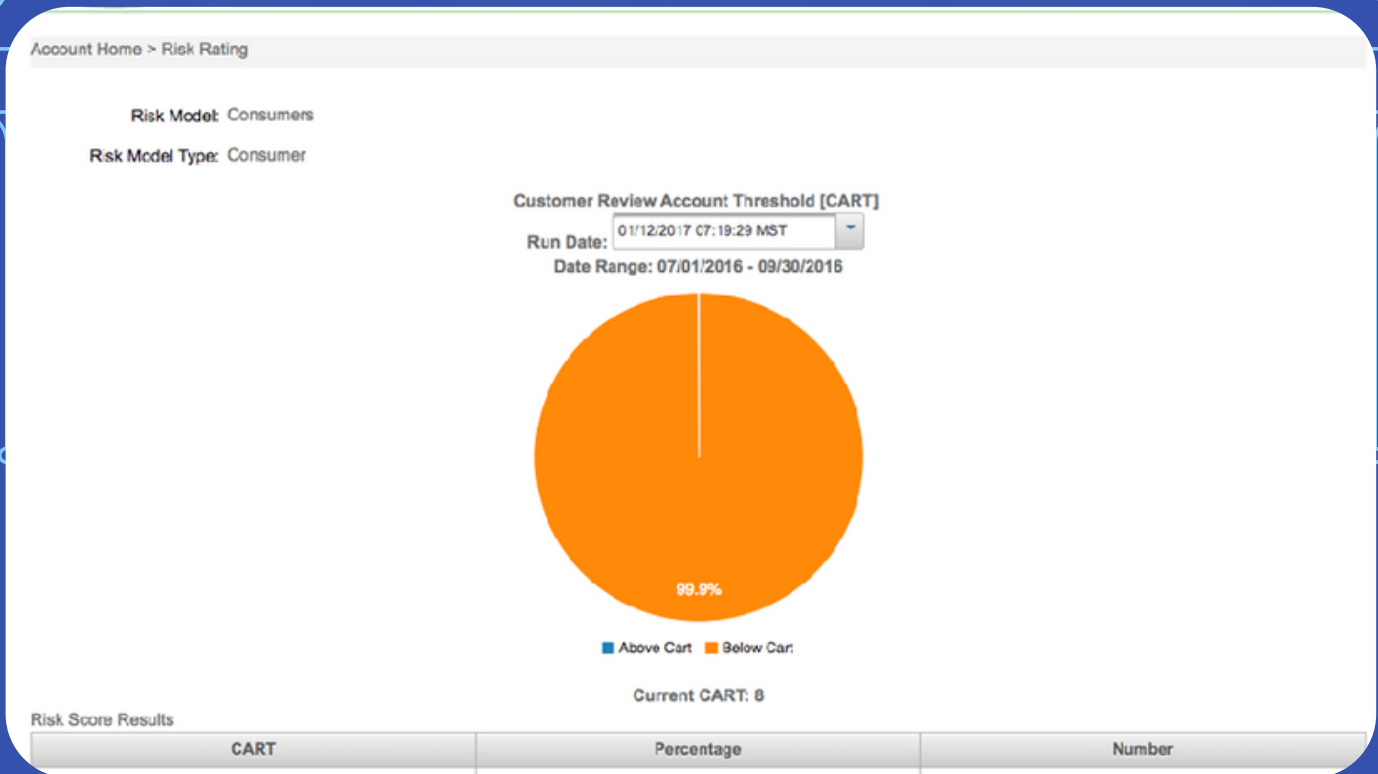
Red Flags Rule

The Red Flags Rule was created by the Federal Trade Commission, (FTC), along with other government agencies, including the National Credit Union Administration (NCUA) to help prevent identity theft. The rule outlines how financial institutions must develop, implement, and administer their Identity Theft Prevention Programs. It also provides the opportunity to design and implement a program that is appropriate to their size, complexity and nature of their operations.

What has FLEX done for the Red Flags Rule?

FLEX has the ability set up Red Flag notifications through the management of address verifications. If a member has a change of address and the address has not been verified within the system, FLEX will automatically display a notification to the user citing that the member address is unverified.

BSA CONTINUED



Risk Rating & Transaction Monitoring with SimpliRisk

According to the NCUA Supervisory Priorities letter, (17-CU-01), examiners will be conducting risk-focused examinations which concentrate on BSA, internal controls, and fraud prevention. A primary finding from examiners for credit unions with over \$50 million in assets is inadequate controls for compliance automation to support the credit union's risk assessment, AML and BSA requirements.

What has FLEX done for Risk Rating and Transaction Monitoring?

FLEX has partnered with SimpliRisk, an efficient, effective and affordable compliance automation solution for transaction monitoring, risk rating and customer due diligence to support credit union AML and BSA requirements.

Credit unions have the ability to risk rate each member with an individual score to be above or below your predefined risk threshold. Create as many risk models as needed for different account types, member types, geographical areas or services.

MILITARY LENDING ACT

The image displays two overlapping screenshots of a loan processing software interface. The top screenshot, titled "Loan Maintenance", shows a loan record for "JANE DOE" with a current balance of 5,585.11 and an interest rate of 8.5000%. A "Military Loan" checkbox is highlighted with a red box. The bottom screenshot, titled "Loan Processing - New Loan Entry", shows a loan entry for "JANE DOE" with a base amount of 16,891.82 and an interest rate of 37.0000%. A "Military APR Warning" dialog box is open, displaying the message: "Military APR (37.0000%) exceeds 36%. Continue?". The dialog box has "OK" and "Cancel" buttons. The background interface includes various fields for loan details, dates, and fees.

Military Lending Act

The Military Lending Act (MLA) applies to active-duty service members (including those on active Guard or active Reserve duty) and covered dependents. The MLA says that you can't be charged an interest rate higher than 36% on most types of consumer loans and provides other significant rights.

What has FLEX done for MLA?

Within all FLEX member screens, there is an option to select if the member or joint owner is "Active Military". This option is also available with loan applications for non-members who are applying for a loan. If the loan exceeds 36% for an active military member, a warning message will appear.

MLA CONTINUED

MLA Information on Credit Bureau Reports

The credit bureau agencies now send MLA information in credit reports. They send two pieces of information.

1. A disclaimer that states the MLA information is from the Department of Defense.
2. Whether the applicant is active military by labeling the applicant, "Military Lending Covered Borrower."

What has FLEX done for MLA information on Credit Bureau Reports?

FLEX allows for accepting the way the credit bureaus are sending the information

MLA for Credit Cards

MLA is mandatory for credit card accounts established on or after October 3, 2017.

This rule applies to credit card accounts established by active military or their dependents. For example, if the consumer is a member of the National Guard who is on active duty at the time the account is established, the rule applies. If their active duty ends, the rule no longer applies to the card. If the member is recalled again, the rule will apply again. And so forth. The rule applies to categories of credit that meet the definition of "consumer credit."

There are two primary requirements under the new rules:

1. Certain new disclosures must be given
2. The Military Annual Percentage Rate (MAPR) cannot exceed 36%.

What has FLEX done for MLA for Credit Cards?

Since credit card interest and interest rates are calculated differently than typical closed-end credit, FLEX allows the credit card billing cycle programs to properly handle and correct credit card loans where the MAPR exceeds 36%.

CREDIT CARD MANDATES



MasterCard along with Visa both have spring and fall enhancement cycles or mandate periods. Many core providers do not work on these mandates for their clients and view the updates as the credit union's responsibility. FLEX is committed to working with card processors to support the implementation of ongoing mandates.

What is FLEX doing for MasterCard Mandates?

FLEX works with mutual card processors to update batch and online programs to support the requirements for current MasterCard mandates and implements the changes during each MasterCard mandate cycle in order to ease the burden on credit unions.

What is FLEX doing for VISA Mandates?

Similar to the MasterCard mandate, FLEX works with card processors to update batch and online programs to support the requirements for the current Visa mandates. FLEX implements the changes during each Visa mandate cycle to better serve our credit unions.

REGULATION Z

TRUTH IN LENDING

Regulation Z (Reg Z) is issued by the Bureau of Consumer Financial Protection to implement the Federal Truth in Lending Act. The regulation covers topics such as:

- Annual percentage rates
- Credit card disclosures
- Periodic statements
- Mortgage loan disclosures
- Mortgage loan servicing requirements
- Mortgage loan appraisal requirements

What has FLEX doing for REG Z?

- Credit card due dates: Due to Reg Z mandates FLEX requires credit card payments be due on the same date every month rather than being due a number of days after the billing cycle (i.e. the 25th of the month instead of 25 days after the billing cycle).
- Smart statements: Member statements are configured to import specific member information in order to meet Reg Z standards and disclose the correct information to members. Some of the smart fields that can be configured in the statement include:
 - Re-payment disclosures, such as Minimum Payment Warnings
 - Opt-in and Opt-out disclosures for over-limit fees
 - Late payment disclosures
 - Credit counseling disclosures
 - Category and Fee summaries
- Loan Fee Recap: A loan fee recap can be configured to display on statements for open-ended loans. This will appear within the loan section of the statement below loan history. The recap will include loan late fees, insurance premiums, and miscellaneous loan fees for the statement period, and year-to-date totals.
- Credit card over-limit fees: FLEX will not allow a credit card to be charged more than one over-limit fee in a single credit card billing cycle. Members may “opt in” or “opt-out” of over-limit fees. If they opt out, transactions that would cause an account to exceed its credit limit will be declined.



REGULATION Z CONTINUED



- **Credit card payment sequences:** Credit cards have multiple categories such as purchases, cash advance, balance transfers, promotional, and more. FLEX provides multiple options for the allocation of payments. These options include:
 - From the highest interest rate category to the lowest
 - From the lowest interest rate category to the highest
 - User-defined order based on category
- **Rate increase based on delinquency:** The option of automatically raising the interest rate of a credit card due to delinquency conflicts with Reg Z and has consequently been removed from FLEX.

TILA/RESPA

Loan Application Details Spendable Income 0.0 Annual Unsec/Income 0.0
Application # 13547 Requested 0.00 Payment 0.00 Date 1/17/2017

Save and Exit Add Applicant Delete Audit Print App Print Credit Reports Change Log OFAC Search

General Information FLEX AUTO REPAIR, INC.

Loan Info Payment Info Combined Obligations Vehicles Notes HMDA Ratios Closing Costs

Purchase Form

Loan Costs Other Costs Calculating Cash To Close Taxes And Insurance Mortgage Data

A. Origination Charges B. Services Borrower Cannot Shop For C. Services Borrower Can Shop For

Loan Amount Percentages			Edit
Description	Percentage of Loan Amount	Estimated Cost (A1) \$0.00	
Loan Points		(A+B+C) \$0.00	

Origination Charges		Add	Edit	Delete
Description	Estimated Cost (A2) \$0.00			
	(A + B + C) \$0.00			

TILA/RESPA boils down to certain disclosures or forms that consumers receive in connection with applying for and closing on a mortgage loan under the Truth in Lending Act (TILA, Reg Z) and the Real Estate Settlement Procedures Act (RESPA, Reg X). The final rule applies to most closed-end consumer mortgages. It does not apply to home equity lines of credit, reverse mortgages, or mortgages secured by a mobile home or by a dwelling that is not attached to real property (in other words, land). The final rule also does not apply to loans made by a creditor who makes five or fewer mortgages in a year.

What has FLEX done for TILA/RESPA?

Tabs were added to the FLEX loan origination system for real estate loans through the loan application and loan funding process. These tabs assist in the gathering of information and printing of the loan estimate and closing disclosure forms required by the TILA/RESPA disclosure rules.

TILA/RESPA CONTINUED



There are two rows of tabs within the closing cost section of the loan process where various costs can be associated to the loan. These tabs will allow you to:

Calculate Loan Costs	Enter taxes and other government fees
Add other costs	Enter Prepays
Calculate each to close	Define the initial escrow payment at closing
Gather mortgage data	Enter other items

In preparation of TILA/RESPA taking effect, FLEX offered multiple webinars to help credit unions navigate the new forms and screens within the lending process. In addition, an eLearning course covering TILA/RESPA configuration is available through FLEX Academy to credit unions and their staff allowing them to learn on their own time, at their own pace.

HMDA

The screenshot displays a software interface for loan processing. The main window is titled 'Loan Application Details' and shows 'Application # 13620' with a 'Requested' amount of 0.00 and a 'Payment' of 0.00. A sidebar on the left contains a menu with options like 'Account Selection', 'Loan Application', 'Loan Selection', 'Type/Suffix Selection', 'New Loan Entry', 'Loan Disclosures', 'UDFs', 'Collateral Selection', 'Distribution Selection', and 'Printing Selection'. An 'Add HMDA Record' dialog box is open in the foreground, divided into several sections: 'Application Info' (Application Number: 13620, Universal Loan Id., Application Date: 3/14/2019, Account, Suffix, Date Loan Opened, Loan Type, Loan Purpose, Loan Amount: 0.00, Preapproval, Year of Report, Reporting Quarter, Reverse Mortgage), 'Property Location' (Street Address, City, State Code, Zip Code, County Code, Census Tract), 'Property Information' (Construction M., Occupancy Type), 'Income Data' (Income(k)), 'Action Taken' (Action Taken, Date of Action), 'Purchaser' (Purchaser Type, Rate Spread), 'Denial Reason' (Denial Reason 1-4, Reason Text), and 'Lien Status' (HOEPA Status). The dialog has 'Save' and 'Cancel' buttons at the bottom.

The Home Mortgage Disclosure Act (HMDA) was enacted by Congress and was implemented by the Federal Reserve Board as a part of Regulation C and requires lending institutions to report public loan data.

HMDA was enacted by congress in 1975 but there have been several recent amendments to the regulation. In 2017 there was a change to the reporting file format going from a fixed format to line delimited. This was a transparent change to most credit unions. The new file went into effect in 2018 when reporting HMDA data for year 2017. Beyond the currently required HMDA information, no new loan data was collected by financial institutions during the year 2017. However, in 2018 credit unions began to collect additional HMDA data. The additional HMDA information collected in 2018 was reported early in 2019 for the year 2018. Starting in 2019 credit unions were given the option of reporting quarterly.

What has FLEX done for HMDA?

Within loan applications, FLEX provides a built-in HMDA tab where loan officers can collect required information. The HMDA data is linked to the loan application record within the database which makes running a yearly reporting file possible. With one click, credit unions can build their annual HMDA report, compiling all applicable data ready to be sent to the appropriate agencies. FLEX prepares for new file formats as needed.



SAME DAY ACH




Credit unions that originate ACH transactions (ODFI) can elect whether or not to participate as an originator. However, credit unions that receive ACH transactions (RDFI) must have the ability to accept additional ACH files each day in order to post any Same Day ACH items to their members' accounts.

The Federal Reserve Bank and NACHA updated the rules for 10:30 a.m. files to be processed by 1:30 p.m. RDFIs local time. This means credit unions that process two ACH files each day will be required to process three each day. (Effective September 20, 2019).

What has FLEX done for ACH?

Credit unions that process ACH files to and from the Federal Reserve Bank through FLEX receive instructions and training from the FLEX Client Services department and are informed of the cut-off schedules for ACH files. Since RDFIs will be receiving multiple files a day FLEX was enhanced to process more than one file per day.

If a credit union wishes to be an ACH originator (optional) for Same Day ACH items, a simple parameter change is enabled and they are trained on the following processing requirements:

1. The appropriate effective date must be inserted into the ACH transaction.
 2. Transactions with stale dates that are submitted prior to the Same Day origination cut-off time will also be considered Same Day transactions.
 3. The ACH Operator will charge \$0.052* for each Same Day ACH transaction. The charges will be assessed once a month.
- 

TIER 2 MULTI-FACTOR AUTHENTICATION

In 2001 the Federal Financial Institution Examination Council (FFIEC) required financial institutions to perform risk assessments of their electronic banking products and services. Institutions were expected to implement stronger authentication procedures for high-risk transactions, but they had considerable leeway regarding the authentication methods they chose to implement. They were expected to comply with the guidance by year-end 2006.

What has FLEX done for Tier 2 Multi-Factor Authentication?

To increase the security of high-risk transactions performed within digital banking, FLEX credit unions can customize and define member authentication procedures. This process begins with determining which actions a credit union considers high-risk. This may include the act of changing an address more than once or possibly 2 or more times in a 30 day period. Credit unions must also determine how members will re-authenticate for the high-risk transactions.

The two methods available are:

1. Re-authenticate with the same method used to initially access digital banking.
2. Re-authenticate with a different or additional method than what was used to initially access digital banking.

Both methods allow members to register their devices.

REGULATION B

Reg B protects credit union applicants from discrimination in any aspect of a credit transaction.

The regulation covers topics such as:

- Discrimination
- Discouragement
- Notification of action taken
- Requests for information
- Evaluation of applications
- Signature requirements
- Monitoring information
- Appraisal and other written evaluations

What has FLEX done for Reg B?

FLEX allows for the customization of member letters such as the adverse action letter, and provides options to import specific fields:

- Key factors that affected credit score
- Credit score
- Date of credit score
- Credit bureau used for credit report
- Street address
- City
- State
- Zip
- Additional member information

CURRENT EXPECTED CREDIT LOSS (CECL)

The Financial Accounting Standards Board's Current Expected Credit Loss (CECL) requires "life of loan" estimates of losses to be recorded for unimpaired loans at origination or purchase. Full implementation will go into effect January 1, 2023 for credit union.

Understanding CECL

CECL will cover:

- All financial instruments carried at amortized cost, including:
 - Loans held for investment
 - Net investment in leases
 - Held-to-maturity (HTM) debt securities
 - Trade and reinsurance receivable
 - Receivables that relate to repurchase agreements and securities lending agreements.
- Off-balance-sheet credit exposures not accounted for as insurance, including:
 - Loan commitments
 - Loans held for sale
 - Financial assets for which the fair value option has been elected
 - Loans and receivables between entities under common control

What has FLEX done for CECL?

FLEX has created a CECL committee for the collaboration of credit unions to decide what additional information needs to be collected during loan origination, modification, payoff, etc. FLEX and the CECL Committee have chosen the Vintage model for CECL compliance within FLEX. Vintage is a model that can be used by all credit unions both large and small. FLEX will incorporate economic variables (Trends) into CECL, allowing each credit union to more precisely account for different Trends. This model will utilize the CECL data that has been saved within the FLEX System.




REGULATION CC

Regulation CC implements two laws—the Expedited Funds Availability Act (EFAA), which was enacted in August 1987 and became effective in September 1988, and the Check Clearing for the 21st Century Act (Check 21), which was enacted in October 2003 and became effective on October 28, 2004.

Regulation CC sets forth the requirements that credit unions make funds deposited into transaction accounts available according to specified time schedules and that they disclose their funds availability policies to their members. It also establishes rules designed to speed the collection and return of unpaid checks. The Check 21 section of the regulation describes requirements that affect credit unions that create or receive substitute checks, including requirements related to consumer disclosures and expedited re-credit procedures.

What has FLEX done for Regulation CC Final Rule?

FLEX gives credit union users the ability to manually enter the large-deposit threshold amount. This amount can be defined specifically to each credit union. Additionally, manual adjustments can be made to the minimum amount to make available for withdrawal threshold. This amount can also be defined by the credit union.



TECHNOLOGY INNOVATION

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FLEX has disrupted the credit union core system marketplace by enabling efficient solutions for digital transformation and sustainable growth. FLEX will allow credit unions to launch a full-service digital banking suite with innovative member facing technologies and automated services. Credit unions will buy back lost time by remapping the digital journey and increasing member loyalty.



FLEX

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