



Centralized Solutions for Good Governance

Top 5 Compliance Pitfalls Credit Unions Should Avoid in 2026

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Meet the Speaker



Crystal Streeper
League Services Compliance Lead



Disclaimer

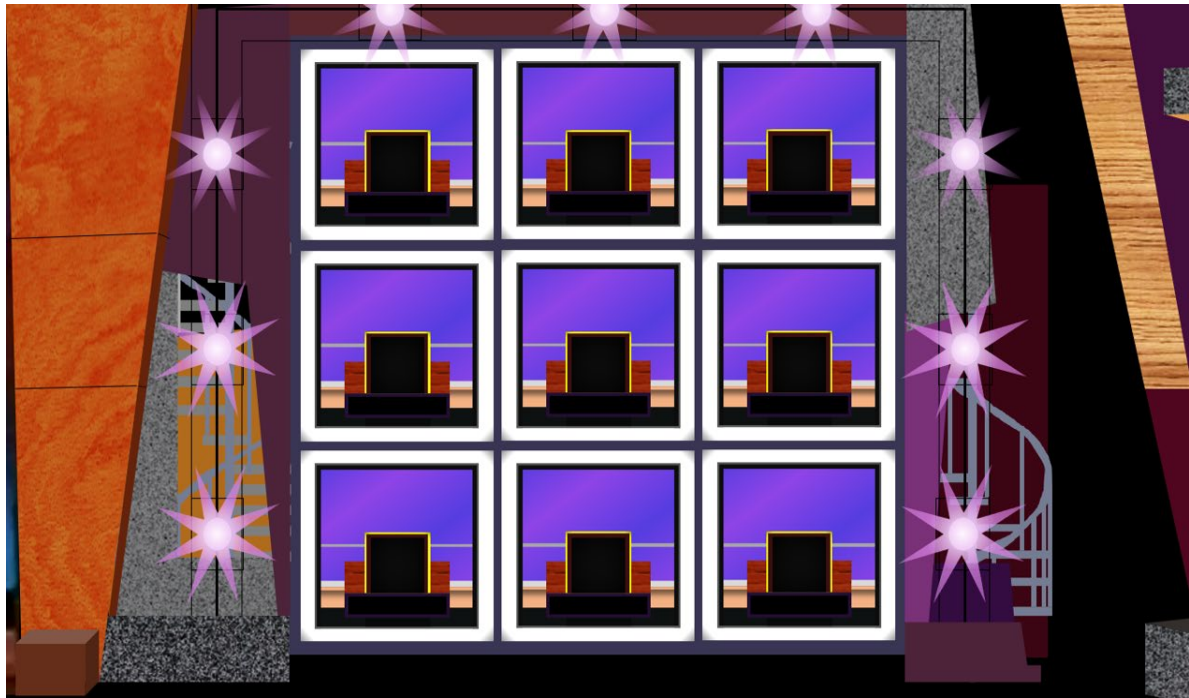
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ViClarity

Centralized Solutions for Good Governance

Not so Hollywood Squares: Compliance Pitfalls Edition



9 squares.

5 pitfalls.

One big compliance
showdown!

Teams

- Policy Patrol

X

- Risky Business

O

How It Works

- Flip a coin to determine who goes first.
- Each question represents a square.
- Question will be read.
- The team must decide: “Myth” or “Fact” using your paddle.
- After the guess, reveal the correct answer + a short explanation + regulation tie-in.
- Mark the square with X or O (if correctly answered).
- First team to get 3 in a row wins!

Pitfall Question #1

Compliance Myth or Fact:

You have 10 business days to complete every Reg E dispute investigation, no exceptions.





You can take up to 45 business days in some cases —but you must provide provisional credit by Day 10 if unresolved.

Pitfall Question #2

Compliance Myth or Fact:

If your third-party vendor mishandles member data, the credit union can't be held liable.





Regulators hold the credit union responsible for oversight of vendors under third-party risk guidance.

Pitfall Question #3

Compliance Myth or Fact:

Credit unions are required to give a written adverse action notice even when denying a business loan.





Under ECOA, business credit denials (especially small business or sole proprietor) often require written notice.

Noteworthy:

- If a natural person applies for credit primarily for personal, family, or household purposes (consumer loan), both ECOA (Reg B) and the Fair Credit Reporting Act (FCRA) adverse action notice requirements apply.
- If the loan is solely for business/ commercial purposes, then Reg B rules still apply, but FCRA does not unless a consumer credit report was used in making the decision.

Pitfall Question #4

Compliance Myth or Fact:

Succession plans are optional if your CEO isn't planning to leave soon.





Under NCUA's new succession planning rule (effective 2026), written succession plans are required for CUs over \$100M—regardless of whether a transition is imminent.

Pitfall Question #5

Compliance Myth or Fact:

The credit union is compliant if they have cybersecurity firewalls.





Cybersecurity includes encryption, intrusion detection, ongoing audits, and robust staff training.

Pitfall Question #6

Compliance Myth or Fact:

A credit union can be cited for fair lending violations even if it had no intent to discriminate.





*Disparate impact
(unintentional discrimination)
can still lead to violations.*

Pitfall Question #7

Compliance Myth or Fact:

Under BSA/AML, even “low-risk” members can trigger suspicious activity report (SAR) requirements.





Risk level doesn't exempt reporting; unusual activity must be flagged regardless.

Pitfall Question #8

Compliance Myth or Fact:

NCUA expects credit risk and interest-rate risk to be monitored together regularly.





Rising interest rates can create compliance issues if a credit union hasn't stress-tested loan portfolios for member impact.

Pitfall Question #9

Compliance Myth or Fact:

Fair lending issues are rare for credit unions —only big banks have been cited thus far.





NCUA uncovered compliance violations in nearly 15% of federal credit unions examined in the past few years. Issues included inadequate adverse action notices, HMDA LAR misfilings, and vendor-related fair lending gaps.

Pitfall Question #10

Compliance Myth or Fact:

Having a compliance management system (CMS) in writing is enough to satisfy examiners.





The CMS platform should not be weak. Examiners look for effectiveness, not just documentation.

Pitfall Question #11

Compliance Myth or Fact:

Member complaints are now considered a key source of compliance risk by regulators.





Complaint management is part of exam focus because it highlights gaps in controls and member treatment.

Pitfall Question #12

Compliance Myth or Fact:

AI-based tools are being used for lending decisions, and the credit union must still comply with regulatory requirements.





*The use of AI does not reduce
compliance responsibility.*

Pitfall Question #13

Compliance Myth or Fact:

Elevated delinquencies in credit cards and auto loans are a credit risk priority in 2026.





*Examiners will prioritize these
in the upcoming year.*

Pitfall Question #14

Compliance Myth or Fact:

CFPB regulatory changes can impact credit unions even though NCUA is their primary regulator.





*CFPB rules apply broadly
across financial institutions.*

Pitfall Question #15

Compliance Myth or Fact:

Small credit unions receive reduced scrutiny during NCUA exams.





All CUs, regardless of size, are held to compliance standards.

We have a
WINNER!

Final Thoughts

Cybersecurity & Data Protection

- *Credit unions remain prime targets for sophisticated cyber threats —like ransomware, phishing, and account takeovers —and must maintain compliance with GLBA and evolving state and federal privacy laws.*

BSA/ AML & Fair Lending Compliance

- *Anti-Money Laundering and Bank Secrecy Act requirements (including customer due diligence, SARs, and CTRs) remain stringent. Meanwhile, fair lending risks —such as missing adverse action details or mismanaging HMDA data —are persistent pitfalls.*

Credit, Interest-Rate & Vendor Risk Management

- *Elevated delinquency rates in credit cards and used vehicle loans put credit risk squarely on the radar. At the same time, interest-rate sensitivity and vendor oversight are increasingly under scrutiny by regulators.*

Final Thoughts

Regulatory Uncertainty & Emerging Tech

- *Disruptions such as weakened CFPB guidance, combined with accelerating adoption of AI, create compliance gray zones that require proactive monitoring.*

Audit, Complaint & Examination Management

- *Small credit unions, in particular, struggle with managing consumer complaints, audits, and tracking corrective action —without strong systems in place, these can easily spiral into compliance failures.*

Solution Options

Pitfall 1: Rising cyber threats, ransomware, phishing, vendor breaches.

- *Implement multi-layered defense (MFA, encryption, intrusion detection).*
- *Run regular phishing tests and staff training.*
- *Maintain and test an incident response plan.*
- *Conduct third-party vendor security reviews annually.*

SAR/ CTR filings, inaccurate lending data.

- *Automate transaction monitoring and refresh risk scoring tools.*
- *Provide annual staff BSA/ AML and fair lending training.*
- *Double-check adverse action notices for accuracy and timeliness.*
- *Audit HMDA/ CRA reporting for completeness.*

Pitfall 2: Weak monitoring, incomplete

Solution Options

Pitfall 3: Rising delinquency rates, rate sensitivity, poor vendor oversight.

- *Perform portfolio stress testing for interest rate shifts.*
- *Enhance loan monitoring dashboards to catch delinquency spikes early.*
- *Require vendor due diligence checklists (cybersecurity, compliance, financial health).*
- *Keep a vendor management policy that includes contract reviews and performance metrics.*

Solution Options

Pitfall 4: Shifting rules, AI bias risks, patchwork privacy requirements.

- *Assign a compliance officer or committee to monitor regulatory updates monthly.*
- *Document AI model governance (inputs, decision logic, bias testing).*
- *Update privacy notices and data retention policies to align with new state laws.*
- *Join industry associations for early alerts on rulemaking trends.*

Pitfall 5: Inconsistent complaint handling, weak audit follow-up, poor exam prep.

- *Centralize complaint intake and resolution tracking.*
- *Create an audit issue tracker with assigned owners and deadlines.*
- *Perform mock NCUA exams to prepare staff and systems.*
- *Use a compliance management system (CMS) that ties together policies, monitoring, and corrective actions.*

Questions?



League Services & Benefits



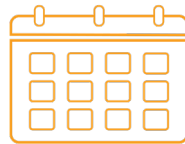
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Contact Us!



Crystal Streeper

- crystal.streeper@viclarityus.com
- 515.224.8962



Compliance Hotline Contact Info:

- ccua@viclarityus.com
- 800.842.1242 Ext. 4

THANK YOU