



Technology and eBanking Threads from Bankers Online.com

CIP/OFAC software

We are a \$500MM + bank and use Jack Henry (Banker II) software.
Does anyone have a similar situation and if so what software do you use?

We are a JHA Silverlake shop (\$500+ also) and are using their OFAC module. Their adjustments (release 13) to assist with CIP documentation were not helpful to our operations at the present time, but may be implemented later.

We were a Banker II bank. There was nothing offered for OFAC. We used the additional product from ChexSystems that did the OFAC check. Penley Fast Watch, a BOL sponsor, is another possibility as well.

We are going with Bankers System "Patriot Act Connection," which includes their "ID Flag" system. The thing that I like about it is that it is risk based - everyone runs through it, but the first question is "existing customer?" which knocks out about 80%, but we still have documentation for every one.

Record Retention

We are still trying to decide how to retain the mountains of information we are required to collect. One option is to create an electronic image of the driver's license etc. However our Data Processor is insisting that the best way to go is to enter the information on their system - which entails considerable keying time. In addition, I am concerned that if I record new account information and it subsequently changes, I will not have the original account information recorded. If I have the "current" information, must I also keep the historical information that we recorded when the relationship was established?

Thanks,

My read is that the recordkeeping requirements apply to the original documents. When you copy updated IDs you may want to retain those as well, but technically you need only CIP the customer the first time.

Of the information you are required to obtain prior to account opening, the address could change. In some cases, so could the name. The DOB and identifying number are static. In terms of record

retention, I believe the requirement applies to the name and address used to open the account. You are required to have them for five years after the account is closed, even if they change in the interim.

In your example, scanning the image of the ID would assure that the information was retained, but entering it into fields that might be modified in future years would not.

Well, Ken, my DL# DID change. When I first moved to GA, they used my SSN. When it was renewed I was given the choice to change it to something else and I did. What the bank currently has on file for me is not correct. As more and more states move away from SSNs as DL#s this will present a problem for banks. If anyone uses that info stored in the system to compare ID when cashing a check, it could present problems for the tellers and customers. Our only choice at this moment is to retain paper. Our servicer is updating our system to have all the required info and once that's done it will be stored there. For CIP I know we are only supposed to have the info at the time the account was opened, but operationally we need the most current info. We will have multiple ID fields and will probably store both.

Quote:

Of the information you are required to obtain prior to account opening...

The bank is only required to obtain the name, address, DOB and identifying number prior to account opening. If a bank uses a drivers license to verify some of that information, it is expected that the DL number might change - that is why the record retention period on verification methods is shorter. However, in parallel to the information requirements, it is the number of the DL that the institution examined when the account was opened that would be subject to record retention requirements. If a bank chooses to also maintain current DL information that it would not be in an effort to comply with CIP.

CIP Worksheet

Would anyone be willing to share the worksheets they are using for CIP. That is what I intend to work on today and if someone has one that works for them, maybe I won't have to recreate the wheel. My email is dtimberlake@c-f-b.com and fax is 812-738-1807. I am also interested in whether you are already using the form. How did the loan officers accept another piece of paper to complete? Also, are you requiring the 4 required pieces of info on authorized signers of business and other entities. I am leaning toward requiring the info, but not verifying. Your thoughts.

We have decided to make copies and scan the documentary and non-documentary verification. Saves time in writing all that information down.

Does everyone have access to a scanner in every branch at every desk?

If you first make a copy, they could then be forwarded to a central point and scanned/imaged into your system. Getting fronts and backs is the key there.

CIP and CDARS

Anyone out there participating in the CDARS service? This is the "deposit swapping" service that allows a bank to take deposits over \$100,000 and place them with other banks in order to get full FDIC insurance coverage for the deposit.

CDARS is an ABA endorsed product, and there are many ex FDIC and OCC officials that are with the company, Promontary, that offers this product.

However, IMHO they do seem to be dragging their feet in effectively addressing CIP issues between all of the participating banks. At one point, they said these are "brokered" deposits and so banks don't need to worry about CIP. Then we were told that as long as we had a letter from Promontary stating all participating banks are members of FDIC and have a fully functional regulator, we would be fine.

But now, Promontary came out with revised agreements for each bank to certify compliance with every BSA statute EXCEPT Section 103.21 which is the CIP.

AARRGGHH! Anyone out there have better results?

I believe the contract states that the relationship bank has the responsibility for CIP. Other banks are shielded and the customer has no contact with them.

Well I finally saw a legal position that CDARS will be issuing on the subject of CIP. The difficulty I saw is that, in theory everyone agrees that each bank should take care of its own customers - BUT when you've got a BSA-sensitized exam team going through the regulatory requirements with a very fine-tooth black-and-white comb, those "understandings" seem to evaporate.

I don't understand how CDARS works exactly, but I have gotten the idea that it's really a deposit brokerage or something substantially similar? If it is, then CIP requires that you ID the broker, but it is the broker's responsibility to ID the customer.

Bonnie, I agree that the problem then becomes explaining the regulation to the examiner.

CIP Service Provider

Has anyone had any experience with a company called Penley (sic) whose service provides OFAC checking, identity verification, deposit history and a report that meets the record retention requirements for ID, all in one?

You might want to check out TFP's 326 non documentary verification solution. I heard it was fraction of what Penley or Lexis Nexis charges.

Penley / Check Velocity FAST WATCH product is probably what you are referring to. We have reviewed it and find it impressive. Haven't made any decision yet.

Penley in fact is a vendor listed right here on BOL. I recall a mailer ad from the company denoting this as well.

Negative/Positive/Logical Verification

Is anyone including a description of negative, positive and logical verification in their CIP procedures? I was looking at Kirchman's sample P&P and it states that if positive verification (obtaining a credit report or using a bank reference) produces no record of the customer, the account shall not be opened, even if negative and logical verification show no problems. I'm not so sure we would be so strict. Is anyone making statements such as this in their procedures?

We started out including a listing, but we decided that we would try to be as broad (read: vague) as possible so we could make minor procedural changes as needed, without having to jump through all the hoops of getting board re-approval. That way, if something new develops, we can just start using it.

I'm leaning to the additive approach. If documents /negative don't accumulate to confidence then proceed to credit bureau/references etc. You already do credit bureaus for loans anyway. After a certain point, you might have to give up on some people.

But everyone doesn't have credit. The very young and some of the very old don't. I'd imagine the very poor don't, and certainly some disabled persons living on SSI fit that category. It seems impossible to me to make such an absolute rule. Around here a lot of the banks don't necessarily report loans in good standing to credit bureaus - it's possible for some one to have had several bank loans and have no evidence of that on their credit report.

I can't see rejecting an 86 year old who lives in a rest home and wants to set up a direct deposit account for her social security because she doesn't have credit. She probably doesn't have an unexpired DL, and won't have a utility bill either. At that point I'd take whatever ID she does have, call the rest home, verify that she's a resident, make a notation that her residence was investigated, and consider the SS deposit government verification of her identity. The same would be true of a young retarded adult living in a group home and working at the local grocery store. What about those in religious life? They also may live in a group home and may have very low incomes. Not everyone's life circumstances are the same.

I'm saving Ken's letter on copying ID and the Treasury report on the impossibility of verifying foreign identities (which includes commentary about the conflict between Treasury's policy of trying to get the "unbanked" into banks and the US Patriot Act) to prepare for the first examiner who wants to make an issue of it. The final rule doesn't say that non-documentary verification has to be a credit report.

That's just my opinion. I surely see the wisdom of Andy's not wanting to get too detailed in the CIP approved by the board.

ID Verification

Anyone signed up with a company for ID Verification? I have it narrowed down to 2 different providers that we are looking at, but wondering what everyone else is using and what you like about them and why you chose them.

We are considering the Penley/Check Velocity product but cost is a consideration. If we choose to add the Chex Systems and credit report to the verification we are estimating a cost in excess of \$6 on each account (not including the initial \$3,000). We are looking at it not just as a verification tool but also as a marketing tool (with the credit report included) as well to offer other products. The recordkeeping it can do for us is very attractive.

I'm curious as to where the \$3,000 came from to use ChexSystems. Do you not use them for a negative database now on new deposit accounts? Is this the initial set-up fee? They told us that it would only be 48 cents per account up to 15,000 for ID Verification.

The \$3000 is the set up fee for Penley's Fast Watch System. I visited with them for over an hour this morning and they were able to satisfy all of the questions I had regarding how their system works. They also took the time to walk me through how their systems check for OFAC and 314(a) matches. It was really cool and should be a huge time saver. They will have a connection to ChexSystems, so all you have to do is push one button to get that report, in addition to the ID Verification, versus entering the customer's info. more than once. They also have a 90 day money back guaranty on the \$3000 set up fee, as long as you sign up by next Monday.

I was just a little confused as to the extra \$6 per account if they add ChexSystems. Jules, is Penley what you are using?

There is a \$3,000 up-front charge and then \$2.50 or so per account, however, if you want a credit report you will "click" on a button and for an additional charge.....probably estimated at \$2.50 or so you can get a credit report. Also, they will have another button you can "click" and get your ChexSystems for the regular charge that ChexSystems charges.....Penley just makes if all one step and you don't have to do the credit request and the ChexSystems request separately. If you don't want the credit report or the ChexSystems report.....or both.....then you can just do the \$2.50 verification.

It looks like the Experian credit bureau also offers ID verification services (they have a CIP workpaper if anyone is interested in viewing). Just wondering if anyone has checked pricing with them or know if they integrate credit reporting with their services?

We've seen presentations from Experian, Equifax, and eFunds. So far, they all seem pretty comparable. I think we have one more demo coming next week...

We currently use eFunds for ChexSystems and FraudFinder, and adding their Qualifile (for ID verification) would bring the inquiries to somewhere around \$4.85 per. I think Experian's was around \$3 per but didn't include ChexSystems. (Sorry, can't remember what Equifax was quoting.)

Sales is willing to pick up some of the cost because they could use the credit scoring part of it to target products and possibly even on-the-spot approvals.

Quote:

I was just a little confused as to the extra \$6 per account if they add ChexSystems. Jules, is Penley what you are using?

We just signed up with them last Friday. I have not implemented the system yet - too much else to do before going on vacation later this week.

We haven't officially signed up yet - but we are looking at InstantID from Lexis/Nexis. No set up fee, \$2.50 a look up. Nothing fancy but it does verify customer identity and provide a risk meter. This is the product that has been endorsed by the ABA. Hope this helps.

Quote:

We are considering the Penley/Check Velocity product but cost is a consideration. If we choose to add the ChexSystems and credit report to the verification we are estimating a cost in excess of \$6 on each account (not including the initial \$3,000). We are looking at it not just as a verification tool but also as a marketing tool (with the credit report included) as well to offer other products. The recordkeeping it can do for us is very attractive.

Could someone please explain to me what is meant by a "negative database"? In many CIP policies I have seen reference to this, but I have not been able to find out what it is.

The term is descriptive rather than legal. My understanding of it is that it is derived from the fact some consumer reporting agencies only report "negative" information; i.e. if you submit my name and identifying information to Chex Systems, you only get a response if they have negative information. If I have never run afoul of one of their member banks or merchants, they do not have anything to say about me.

Other consumer reporting agencies; e.g. credit bureaus, would report both positive and negative information.

Jules - what size is your bank? I'm trying to find out if smaller sized banks (i.e. under \$350 million) are purchasing these various products that are available. THANKS!

Our institution is just under \$250MM and we chose to go with the Bankers System ID Flag product. They have partnered with RiskWise who also is associated with Lexis-Nexis and the InstantID product. I have not seen very many other products but I'm sure they are each fairly similar. If you haven't seen how these products work, some vendors do have a web demo.

So do I really need to employ a "positive" search function if I already have ChexSystems in place for deposit accounts and eFunds in place for loans? I don't think my risk level would require it, but am I missing something?

We aren't buying anything. We will be verifying through photo id, chex systems, credit bureau, etc.

That is going to be our approach, unless someone persuades me otherwise.

So, for those banks that are relying on ChexSystems and ID from the customer (which is what we're doing as a small bank) do you have any procedures in place for verifying the address and phone number, and if so, what about if the information provided by the customer cannot be verified (i.e. unlisted number/address).

Call the number given to you. If you reach the customer and they appear to know about the account, sounds good. Send a letter to the address given with return service requested. If the letter comes back, check into it further. If not, you have verified the information given to the best of your knowledge.

I think you are a little too deep on verification. Obviously we want to have all good info, but per my read of the reg, all we MUST verify is the name, address, SS#, and DOB. These can all be done via ChexSystems, drivers license, other ids. Does someone else have another read?

Sorry, I did not mean to insinuate that I would be doing such things. I was simply offering a suggestion on how one could go about verifying that information.

We generally will expect to have very few accounts that we would consider to be high risk. (Community Bank) Most of the time we will verify the photo id and do a run on Chex Systems and/or a credit bureau report. That is what we already do, so it will not be a major change.

We're doing all of that... I guess my real question is: what do you do if everything's unlisted, can't get a hold of the customer at work or at home, etc., etc. We're toying with the idea of putting a hold on the account, but I don't see how we can really justify doing that.

I'm going to add my own two cents to my posting above:

I think that our CIP proposal is way over the top of what actually needs to be done. Next thing you know we'll be subjecting our new customer's to drive-by's and houses inspections.

We are allowed to implement account restrictions within the CIP to be in effect while verification is pending. Suggestions can include placing restrictions on the dollar value or number of transactions. You can also always wait to open the account until verification can take place.

I am a large FI well over 3 billion in assets,, We most likely will be going with banker's system ID flag which is basically LexusNexis data, it will be around 1.75 per record. We are already (for about 2 years) using Qualifile on the deposit side, but do not feel it is a verification system, we use the basic system but the primary purpose is for a cross-sell tool because of the credit report. I just can't get comfortable that pulling a credit report or ChexSystems is enough for a bank of our size. We are planning on using a nightly batch process.

glad to hear that there are some others that are not purchasing anything at this point. We are around \$700 million with 22 branches. I'm not convinced yet it is necessary. (May be convinced after our 1st CIP exam !)

If you have a large churn on new accounts, which we don't want but it happens, these external programs can be REAL costly. I don't think you can just weigh these risks against BSA and say it is cost effective. Not if you can get by without it. Initially this would cost hundreds of thousands of dollars annually. And we are not a big bank with this extra money just waiting to be spent.

We contracted with InstantID, part of the LexisNexis RiskWise suite. No setup, and \$2.50 per verification. UserID and password are issued for web site access to InstantID web-based application system. The important thing that everyone must pay attention to is that some vendors do not actually "verify" the social security number -- as InstantID does -- but, instead, these vendors merely validate that the social security number is a real number and that it probably fits the customer, based on the state where it was issued. InstantID, employing the LexisNexis link to Equifax, actually validates that the social security number, date of birth, and customer's name have been successful at receiving credit over time (an indicator of validity);and that the customer has been successful using the SS# shown. This is an important factor to consider. You don't want a "verification" solution which does not actually verify that the customer and the SS# truly are a match.

Quote:

The important thing that everyone must pay attention to is that some vendors do not actually "verify" the social security number -- as InstantID does --

How do you they "verify" the SSN? Do they have access to the Social Security Administration? I didn't think anybody could do that.

We're not a bank, so we're not using any of these verification systems, but I've been checking them out to recommend to our clients. The one I've been the most impressed with is Bridger's. They are the same one that have the OFAC Compliance page. Their Tracker product has no setup charge, starts at 48¢ and can decrease with volume.

In the vendor demo I sat through, they said they couldn't tell you who a SSAN belonged to, but they could tell you if the name and SSAN matched up.

Somehow this has to tie to the SSA d-base. Another question is how often is it updated.

OK, dumb question here:

By using these vendors, are they relieving the bank of the verification responsibility, for instance what if the data is inaccurate and there is an issue with the government questioning the validity of the verification?

I am just curious...

The bank still has ultimate responsibility but the vendor risks being sued and losing business if their data is faulty.

If a vendor was known to be in error, the regulators would likely criticize you just as if you used a flood vendor who became known because they used a dart board to respond as to what zone the property was in. (That is purely hypothetical.)

So Andy...what is your bank doing to verify social security numbers? I am really struggling with this one because if the potential customer does not have a SS Card, what else can you really rely upon? How else can you verify?

I may be wrong here, but I don't think that anywhere in the reg says that we have to verify the TIN of a customer to make sure that the name matches. We have to have a program to identify the customer. To do this we can have them give us a gov't issued photo ID, run them through ChexSystems, run a credit report, send a thank you to the address, or anything else we see appropriate according to our risk assessment. We are not in the mindset that we need to purchase anything beyond ChexSystems (which we do anyway) or our existing credit report products to perform our non-documentary verification. We do have a contract with a third party vendor that we use on a limited basis for case by case verification if we suspect fraud, but that is completely separate from CIP. What makes me leery of these companies that offer these "solutions" is that they were selling these before the rule was finalized and they try to convince you that you need to purchase something to comply with the reg. which I don't think you do.

Thank you, Tom. I'm in the same camp. As for any link to the SSA/IRS systems to verify TIN, be wary of anyone who says they are verifying TIN there. It cannot be done. Treasury has promised a facility for direct verification, but has yet to produce.

For time being, the only definitive check with IRS records is the annual 1099 mailing, which may produce B-notices. But this is obviously of no help at new account time.

As suggested in earlier posts in this string, all that LexisNexis and others can verify is that the name/SSN combination can be found in databases such as credit bureau header records, which means it has been used in the past to do some kind of business that caused the name/TIN combination to be "out there." Of course, they also can flag SSNs on the SSAs deceased persons list, as well as those supposedly issued before the applicant's DOB.

Didn't the proposed regs have verbiage to the effect that we'd have to verify the required information, not just the customer's identity? I think that may be where people are getting confused.

I believe the final reg (or preamble and the responses to the comments received) addressed that issue and clarified that we only have to verify the identity of the customer, in whatever risk-based way we see fit.

Don't have to validate every piece of information they give you, just "form a reasonable belief that you know the true identity of the customer."

The preamble clarifies that institutions are not required to take steps to determine whether the document has been validly issued.

This is the way I see it:

Customer fills out signature card and supplies his/her name, address, dob, and identification number. You verify his/her identify by examining a document that contains this information. In a perfect world the information matches what he/she put on the signature card. If the information does not match, then you ask questions to resolve the discrepancy and record your findings. If you are not satisfied with the explanation for the discrepancy, I would suggest not opening the account.

This is a good discussion and the only comment that deserves unyielding disagreement is the idea that any vendor can verify a name/TIN combination. As Thomas and John said, they cannot. Vendors can establish when a TIN was made available, where it was made available and whether that name/TIN combination has been used in previously reported business relationships, but that is it. SSA is the only organization with the control information and only the SSA/IRS service offering will put you in a position to verify the name/TIN combination by nondocumentary means.

Dolly's summary fits. This is only an attempt to provide a parallel, but more detailed explanation:

The regulation requires the financial institution to obtain four pieces of information from an individual customer:

*name,

*address (physical)
*date of birth and
*identifying number.

A financial institution is to use that information to verify the customer's identity by comparing it to documentary or nondocumentary resources. The financial institution is not required to verify all four pieces of information in every instance, but must establish a reasonable belief that it knows the true identity of the customer. Finally, the financial institution is encouraged to require more than one piece of documentation and to use a combination of documentary and nondocumentary means for verification.

The simplest example of what is acceptable is when a customer opening a new account provides a current drivers license and a Social Security card as identification. The bank is not required to authenticate either piece of identification. So, if the combination of documents reflects the name, address, DOB and identifying number provided by the individual, the financial institution may conclude it has reasonably identified the customer. However, it may add some redundant verification by checking a negative data base, mailing a thank you note to the physical address or any one of a number of simple methods. Identity verification software is not required; its cost justification is more dependent on fraud prevention, not CIP compliance.

From this simple hub, CIP runs like the spokes on a wheel to many other considerations. However, in essence, this is all there is to it and most financial institutions already had some, if not all, aspects of this program in place. It would be comforting to believe we were getting to the point where CIP was starting to make more sense rather than less...

Just reading through this thread and am especially interested in approach of community banks. In the two states where we operate, the SS# is not on the driver's license. I attended one of our state's banking association's presentation on USA Patriot and asked the question about using JUST a driver's license for identity verification and NOT asking for a social security card (because we're not certain how many life time residents in this rural community actually know WHERE their social security card is). My question was answered that we did not need to see anything that verified the SS# verbally provided by the applicant. So, we're planning to just ask for and record the driver's license identification. We use ChexSystems on checking accounts, but not savings, CDs, IRAs, etc. And get credit reports on loan applicants.

On the business side, are other community banks asking for certified copies of articles of incorporation/organization, etc.? Again, in this USA Patriot session, I asked if certified copies were required and was told no. When I asked if a simple check against a state's website was sufficient verification, I was told yes.

I'd appreciate feedback on al of the above.

For businesses, we are also going to try to verify what they give us via a database. The link below is for NJ, but there are probably ones for every state:

NJ Accessnet

So you are ONLY going to verify against your state's website...and not ask for certified copies or business license?

Yes, we will get paper copies as well, this is just an added insurance that the info is still current. We only open accounts that are businesses that are registered in the State of NJ. Not very aggressive, I agree, but we have been doing that for years.
