

# Member Identification Program



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## Introduction

Hello, and welcome to CUNA's *Member Identification Program Overview* Training on Demand course!

Your credit union is required to have a Member Identification Program under the Bank Secrecy Act (BSA). Compliance with the BSA is crucial for every credit union in the United States, so all credit union employees must be familiar with the BSA requirements for the Member Identification Program.

## Objectives

The fundamental requirement of a credit union's Member Identification Program (MIP) is to establish procedures that enable it to verify the true identity of any customer or member.

Upon completing the course, you should be able to:

- Describe four requirements related to your credit union's Member Identification Program;
- Identify reasonable procedures to verify the identity of potential account-holders;
- Describe guidelines that determine who should be subject to your Member Identification Program; and
- Explain how an effective Member Identification Program enables your credit union to comply with BSA.

## Purpose

The purpose of a credit union's Member Identification Program, or MIP, is to:

- Enable it to form a reasonable belief that it knows the true identity of any customer or member, and
- Help prevent the credit union from being used as an intermediary in currency transactions linked to criminal activities.



## Required Action

A credit union must apply its MIP to each person who establishes a new account relationship with it. This includes not only members, but also joint accountholders, and co-borrowers.

Specific action must be taken whenever a "formal banking relationship" is established between the credit union and a member.



## Who? When?

The credit union needs to determine who it does business with, what kinds of accounts are affected, and when MIP requirements apply.

- **WHO:** A credit union must verify the identity of each person who establishes a new account relationship with it including non-members. A member can be an individual, business, or association applying for credit union membership. A member can also be a legal entity, such as a trust.

In addition to verifying the legal entity, a credit union must also verify the identify of any beneficial owners of that entity. A legal entity is any corporation, LLC, or other company that is created by filing with the Secretary of State or similar office. A beneficial owner is any person that has 25% or more ownership interest in the entity, and one person with significant control

of the day to day functions of that entity. For example, a CEO, COO, President, or similar position.

Credit unions, banks, federal, state, and local governments are not considered “members” under the regulation, making them exempt from MIP verification rules.

- **WHEN:** MIP requirements become applicable when a formal banking relationship is established, such as opening an account or renting a safety deposit box.

## Four Requirements

There are four requirements to an MIP. They are:

1. Provide notice to potential members that certain information will be collected during the verification process.
2. Verify the identity of anyone opening an account, or establishing a relationship (such as joint account holders or co-borrowers).
3. Record the documents used during the verification process.
4. Check government lists to determine if the member’s name appears.

To remember these actions, use the acronym “NIDL” (needle), as in “find the needle in a haystack” The four letters stand for provide **N**otice, verify **I**dentify, record **D**ocuments, and check government **L**ists.

### 1. Provide Notice

The first requirement of a credit union’s Member Identification Program is to provide adequate notice to potential members of the information it needs to verify the member’s identity.

The notice must describe the identification

requirements and provides notice in a manner designed to make sure a potential member views it before opening an account. The notice may appear in

- branch or lobby signage;
- account agreements or applications;
- the credit union's Web page;
- any readily accessible oral or written method.

## 2. Establish Identity

Credit unions must verify the identity of anyone opening an account or establishing account access, such as joint account holders or co-borrowers. They also need to verify the identity of any beneficial owner of a legal entity member that opens a new account.

Types of information to verify:

- person's name
- date of birth
- address
- identification number must all be verified.

A Taxpayer Identification Number is required. This may be a Social Security number for individuals, or an Employer Identification Number for businesses. For non-U.S. individuals, there are several other options, such as a passport or any other form of government-issued identification.



## 2. Verify Identity

Two procedures are acceptable for verifying the identifying information collected: the documentary method and the non-documentary method.

- **Documentary method:** Verify a person's identity using government documents containing a photograph or other safeguard.
- **Non-documentary method:** Verify a person's identity by comparing the information he or she provides against certain documents, such as utility bills, credit bureau reports, rental agreements, or databases.

## 3. Record Documents

The credit unions must document the verification methods:

- Make copies of the actual identification used; and
- Describe the type of identification reviewed.

Check with your supervisor or compliance officer to learn your credit union's specific procedures.

Record all of the documents that were used during the verification process. The records kept must include:

- the type of document;
- any identification number;
- the place and date of issuance; and
- any expiration dates.

#### 4. Check Name Against OFAC List

Credit unions must check the individual's name against OFAC's Specially Designated Nationals and Blocked Persons (SDN) list.

#### Can't Verify Identification?

Under MIP, the credit union must anticipate unusual situations its employees will likely face during account opening and determine the procedures that must be followed.

Specifically, the MIP must address what the credit union will do in the following circumstances:

- If an individual cannot present a government-issued document with a photograph;
- If it is not familiar with the document presented;
- How it will verify member identity for applications that are mailed in or received over the Internet
- How it will handle any other circumstance in which it cannot use documents to verify a person's true identity, which therefore increases the credit union's risk.

#### Frequently Asked Questions

Following are some of the most common questions about MIP:

- ✓ **What documents are acceptable?** Review your credit union's MIP to specify what documents are acceptable for identification. The regulation allows:

- an **unexpired** government-issued identification proving nationality or residence and bearing a photograph, or similar safeguard, such as a driver's license, military ID, U.S. or foreign passport, or other government-issued identification card.
- a non-documentary method of verifying identity, which relies on other items, such as utility bills, credit bureau reports, databases, or rental agreements.



- ✓ **Does MIP apply to lending?** The MIP identity verification rules apply to any extension of credit, so the identities of nonmember co-borrowers will need to be verified.
- ✓ **Does MIP apply to corporate accounts?** Business accounts can pose a higher risk for money laundering and are typically verified using a combination of documentary and non-documentary methods.

## One Size Doesn't Fit All

A Member Identification Program should be tailored according to the credit union's:

- size
- location
- types of accounts offered
- methods of opening accounts, and
- other risk factors it believes affects its MIP procedures.

Procedures for verifying a member's identity should be "reasonable and risk-based." Your job is to know the specific MIP procedures established by your credit union. Make sure you inquire when you complete this course.

## Records and Retention

The records that must be kept include:

1. How the identity of the account-holder was established;
2. A description of the documents used for verification; and
3. A description of any action taken to resolve discrepancies.

Records must be retained for five years. The credit union can use electronic records, as long as they are accurate and accessible.



## Summary

Congratulations on completing CUNA's *Member Identification Program Overview Training on Demand* course! You should now be able to describe four requirements related to your credit union's Member Identification Program:

1. identify reasonable procedures to verify the identity of potential account-holders
2. describe guidelines that determine who should be subject to your MIP; and
3. explain how an effective Member Identification Program enables your credit union to comply with BSA.

## Final Exam

To register for the final exam go to [www.cuna.org/Training-And-Events/](http://www.cuna.org/Training-And-Events/) and click on **CUNA CPDOnline** on the left hand side of the screen.