

Johnson testifies on modernization

Chairman JoAnn Johnson testified before the U.S. House Financial Services Committee hearing on “The Need for Credit Union Regulatory Relief” March 6, 2008. The hearing provided a comprehensive examination of needed regulatory relief for credit unions, including a review of current legislative proposals and industry issues.

“The legislation being discussed today gives Congress an opportunity to modernize important aspects of the Federal Credit Union Act, granting greater flexibility to credit unions serving consumers and strengthening NCUA’s ability to maximize the safe and sound operation of federally chartered credit unions,” Chairman Johnson said.

Chairman Johnson highlighted two paramount issues: prompt corrective action (PCA) reform and extending credit union service to consumers in underserved areas.

A new risk-based system would promote more active management of risk by credit unions in relation to their capital levels. The proposed system is robust and durable and would promote a regulatory regime that more accurately portrays credit union activities according to the risk they carry. Proposed changes would:

- Promote more active credit union risk management in relation to capital levels;
- Enable credit unions to better relate their capital to risk assessment;
- Strengthen NCUA oversight by adding tools to identify each credit union’s risk profile based on their activities.

“We believe a risk-based system means consumers would have more dollars available from their credit unions to save,



March 6, 2008, Washington, D.C.—Chairman JoAnn Johnson testifies before the House Financial Services Committee on needed regulatory relief for credit unions.

invest and put to productive use, all in a safe and closely monitored environment,” said Johnson. She also noted proposed H.R. 5519 legislation would establish

new standards when credit unions adopt underserved areas.

“We believe the Federal Credit Union Act should be updated to help all types of credit unions improve their outreach, particularly at a time when so many Americans have turned to predatory lenders and are suffering the unfortunate consequences,” added Chairman Johnson.

Noting the importance of strong, active NCUA supervision, Chairman Johnson stressed the agency’s significant attention to guidance for credit unions in all types of lending, including member business lending. She noted that regardless of statutory limits on member business loans, NCUA continues to be aggressive in supervising these lending activities.

“The NCUA believes modernization represents positive improvements to its

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Hood named Young Global Leader



The World Economic Forum named NCUA Vice Chairman Rodney E. Hood a Young Global Leader 2008. The World

Economic Forum bestows the annual award to recognize and acknowledge the top 200-300 young leaders (age 40 or under) from around the world for their professional accomplishments, commitment to society, and potential to contribute to shaping the future of the world.

The 2008 awardees include 121 business leaders as well as leaders from government, academia, media and society from 65 countries. The new class includes representatives from East Asia (64), Europe (58), Middle East and North Africa (12), North America (45), South Asia (24), sub-Saharan Africa (21) and Latin America (21).

“The World Economic Forum is a true multi-stakeholder community of global decision-makers. We need the Young Global Leaders to be a voice for the future in the global thought process and a

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Johnson to CUNA conference: Transparency is vital

Chairman JoAnn Johnson stressed the importance of member rights and transparency in her remarks to CUNA's Governmental Affairs Conference March 5, 2008.

"I have aspired to make transparency the best vehicle for ensuring credit union members have access to accurate information on which to base their decisions," Chairman Johnson said. "NCUA is not in the business of making decisions for the members, but to provide the opportunity for members to make informed decisions. And NCUA is not in the business of dictating management decisions for credit unions, only to ensure decisions are made with members' best interests at heart."

Johnson told the audience that at her direction, NCUA continues to take steps to ensure members are fully informed when decisions require an open, transparent understanding of what specific actions will mean for their institution. Outlining a regulatory philosophy focused on minimal but effective regulation, Johnson cited NCUA's need to reincorporate the *Federal Credit Union Bylaws* when it became apparent state courts would not enforce their prescriptions.

"I hope that all credit union boards will view transparency as fulfillment of a contract on behalf of their members, members who not only cooperatively own the institution but also place their trust in the board," Johnson said.

NCUA issued an advance notice of a proposed rule (ANPR) in February that Chairman Johnson said may be the most important ANPR issued during her tenure. The ANPR seeks comment on the accuracy of communication to members,

integrity of member voting and the fiduciary obligation of senior executives.

"Please give the ANPR your thoughtful consideration and let us hear from you on this proposal regarding mergers, credit union charter conversions and insurance termination transactions. While the transparency issue can be complex, a member-centric answer is deceptively simple and one the credit union industry should be eager to embrace," Johnson said.

Experts discuss financial education

Director Tawana James and Adrienne Munroe of NCUA's Office of Small Credit Union Initiatives (OSCU) joined federal agency representatives March 4, 2008, discussing financial education needs in African-American communities at the U.S. Treasury in Washington, D.C.

Deputy Assistant Secretary for Financial Education Dan Iannicola, Jr. moderated expert panels discussing the best ways to provide financial education to African-American communities. The roundtable was the third in a series of four discussions being held as part of the Financial Literacy and Education Commission's implementation of the National Strategy for Financial Literacy.

"I am pleased that Ms. Munroe was able to update those attending this important discussion on NCUA and credit union's significant efforts to enhance financial education throughout the country, including many outreach efforts in African-American communities," said NCUA Chairman JoAnn Johnson.

Munroe summarized NCUA's Financial Literacy and Education programs stressing that both NCUA and credit unions have

historically been devoted to bringing financial services to those with limited access to the financial mainstream, and she echoed NCUA's commitment to fostering economic empowerment for all communities.

Monroe described how NCUA's Access Across America Initiative provides a forum for credit unions to network and receive training on financial education initiatives, and she provided examples illustrating credit unions' extensive efforts to provide financial education and homeownership training.

Touching on programs crucial to economic empowerment, she described OSCUI programs offering credit unions assistance, partnerships and workshops. She also described grants and loans available through OSCUI financial assistance programs, and how they enable credit unions to fund financial education initiatives in their communities.

For more information about the Financial Literacy and Education Commission, visit www.mymoney.gov led by NCUA Chairman Johnson.

NCUA News

National Credit Union Administration

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures most credit unions.

JoAnn Johnson, *Chairman*
Rodney E. Hood, *Vice Chairman*
Christiane Gigi Hyland, *Board Member*

Information about NCUA and its services may be secured by contacting 703-518-6330.

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Key examination issues webinar and FAQs available

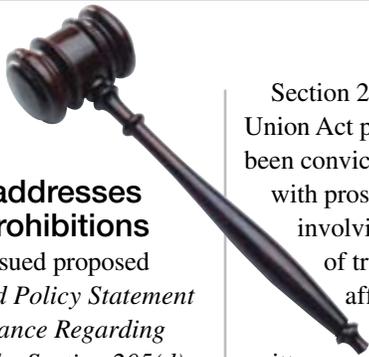
The frequently asked questions (FAQs) raised by participants during Board Member Gigi Hyland's Key Examination Issues for 2008: Evaluation of 3rd Party Relationships and Strategic Planning webinar held in January are available online. View the webinar and FAQs via the launch presentation button at: <http://w.on24.com/r.htm?e=100211&s=1&k=B96F96401AC97DBE35194F75BB92B747>

Board actions March 20, 2008

Proposed IRPS addresses affiliated party prohibitions

The NCUA Board issued proposed *Interpretive Ruling and Policy Statement (IRPS) No. 08-1, Guidance Regarding Prohibitions Imposed by Section 205(d) of the Federal Credit Union Act.*

The proposed IRPS does not add regulatory burden; rather, it is being issued to clarify and provide guidance to credit unions and affected individuals concerning an existing statutory prohibition within the Federal Credit Union Act.



Section 205(d) of the Federal Credit Union Act prohibits a person who has been convicted or legally connected with prosecution of a criminal offense involving dishonesty or breach of trust from working or being affiliated with an insured credit union, except with prior written consent from the NCUA Board. NCUA has not previously published policies or regulations concerning Section 205(d) and recently became aware of several employees working at credit unions in violation of this prohibition.

Board votes are unanimous unless otherwise indicated.

Larry Fazio named NCUA deputy executive director



NCUA Executive Director J. Leonard Skiles has selected Office of Examination and Insurance (E&I) Deputy Director Larry Fazio to serve as deputy executive

director assisting Skiles manage daily agency operations.

“During Larry’s over 17 years of experience at NCUA, he has played a crucial role in helping ensure the safety and soundness of the credit union system,” said NCUA Executive Director Leonard Skiles. “His tireless work on a variety of issues ranging from examinations to capital reform has placed him at the pinnacle of his profession, and I am pleased that he will continue to contribute to the Agency in this new capacity.”

Fazio’s career began with NCUA as an examiner in 1991. He became a Region IV supervision analyst in 1999, was promoted to supervisory examiner and then Supervision director. In 2002, Fazio was selected to be E&I director of Risk Management in Alexandria and was promoted to his current position as E&I deputy director in 2006.

Deputy Executive Director Fazio holds an accounting degree from Lewis University and a masters degree in organizational management from George Washington University. In addition, he is a certified management accountant (CMA).



March 7, 2008. El Paso, Texas—Board Member Gigi Hyland with Harriet May, CEO of El Paso’s GECU Credit Union, attending an El Paso Affordable Housing CUSO meeting held in an appropriately titled room.

Business continuity guidance updated

The Federal Financial Institutions Examination Council issued updated guidance in March for examiners, financial institutions, and technology service

providers to identify business continuity risks and evaluate controls and risk management practices for effective business continuity planning. The guidance updates the Business Continuity Planning Booklet issued in March 2003.

The revised booklet enhances business impact analysis and testing discussions and addresses emerging threats and lessons learned in recent years. The booklet also stresses the responsibilities of each institution’s board and management to address business continuity planning with an enterprise-wide perspective considering technology, business operations, and communications, and testing strategies for the entire institution.

An appendix addressing pandemic planning has been added. A pandemic outbreak would present unique business continuity challenges. All financial institutions should have plans that address how the institution would manage during a pandemic event. The booklet provides a framework for financial institutions to develop and update their pandemic plans.

Other changes highlight the importance of business continuity planning for all financial institutions, regardless of whether their systems are provided in-house or through third-party service providers, as well as lessons learned from financial institutions that suffered damage from hurricanes Katrina and Rita. The *Business Continuity Planning Booklet* and other *IT Examination Handbook* booklets are available online at www.ffeic.gov/guides.htm.



Conversations with AMERICA



My Government Listens

Date: Monday, April 14, 2008

Who: Chairman JoAnn Johnson

Event: NCUA/NASCUS State Regulators' Conference

Location: Tampa, FL

Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Monday, April 14, 2008

Who: Vice Chairman Rodney E. Hood

Event: NCUA/NASCUS State Regulators' Meeting

Location: Tampa, FL

Contact: Sally Thompson at sridgely@ncua.gov

Date: Monday, April 14, 2008

Who: Board Member Gigi Hyland

Event: NCUA/NASCUS State Regulators' Conference

Location: Tampa, FL

Contact: Jessica Vogel at jvogel@ncua.gov or (703) 518-6318

Date: Friday, April 18, 2008

Who: Vice Chairman Rodney E. Hood

Event: NAFCU Chief Executive Officers Conference

Location: Key West, FL

Contact: Sally Thompson at sridgely@ncua.gov

Date: Monday, April 21, 2008

Who: Vice Chairman Rodney E. Hood

Event: National Council of Postal Credit Union's Annual Conference

Location: Orlando, FL

Contact: Sally Thompson at sridgely@ncua.gov

Date: Wednesday, April 23, 2008

Who: Board Member Gigi Hyland

Event: ACUMA Annual Conference

Location: Nashville, TN

Contact: Jessica Vogel at jvogel@ncua.gov or (703) 518-6318

Date: Thursday, April 24, 2008

Who: Chairman JoAnn Johnson

Event: 36th Annual DCUC Overseas Subcouncil Meeting

Location: Edinburgh, Scotland

Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Thursday, April 25, 2008

Who: Vice Chairman Rodney E. Hood

Event: Hawaii Credit Union League 70th Annual Convention

Location: Waikoloa, HI

Contact: Sally Thompson at sridgely@ncua.gov

Date: Friday, April 25, 2008

Who: Board Member Gigi Hyland

Event: Colorado Credit Union League Annual Meeting

Location: Colorado Springs, CO

Contact: Jessica Vogel at jvogel@ncua.gov or (703) 518-6318

Date: Tuesday, April 29, 2008

Who: Board Member Gigi Hyland

Event: NACUSO Annual Conference

Location: Las Vegas, NV

Contact: Jessica Vogel at jvogel@ncua.gov or (703) 518-6318

Date: Friday, May 2, 2008

Who: Vice Chairman Rodney E. Hood

Event: Alaska Credit Union League Annual Conference

Location: Juneau, AK

Contact: Sally Thompson at sridgely@ncua.gov

Date: Friday, May 2, 2008

Who: Board Member Gigi Hyland

Event: Constitution Corporate FCU Annual Meeting

Location: Mashantucket, CT

Contact: Jessica Vogel at jvogel@ncua.gov or (703) 518-6318

Date: Friday, May 9, 2008

Who: Board Member Gigi Hyland

Event: Mississippi CU Association Annual Meeting

Location: Biloxi, MS

Contact: Jessica Vogel at jvogel@ncua.gov or (703) 518-6318

Date: Friday, May 16, 2008

Who: Board Member Gigi Hyland

Event: Georgia Credit Union Affiliates Annual Convention

Location: Savannah, GA

Contact: Jessica Vogel at jvogel@ncua.gov or (703) 518-6318

Date: Friday, May 20, 2008

Who: Board Member Gigi Hyland

Event: New York Credit Union League Annual Meeting

Location: Albany, NY

Contact: Jessica Vogel at jvogel@ncua.gov or (703) 518-6318

Johnson testifies

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ability to regulate and supervise credit unions. We look forward to working with Congress to seek ways to improve the delivery of financial services to credit union members as well as supporting reasonable methods to determine if credit unions are serving their members in underserved areas," stated Johnson.

Chairman Johnson's testimony is available online at http://www.ncua.gov/news/speeches/speeches_johnson.html.



Visit the NCUA website
<http://www.ncua.gov>
to access the latest
information directly
from NCUA.

Hood underscores homeownership

NCUA Vice Chairman Rodney E. Hood addressed the Flandreau Santee Sioux Tribe's Town Hall Meeting hosted by Mid-America Credit Union Association (MACUA) at the Tribe's reservation north of Sioux Falls, South Dakota. He was briefed on the Tribe's effort to charter a new federal credit union on the reservation that would help tribal members, and he met with credit union leaders from across North and South Dakota.

The Vice Chairman applauded Tony Richards, Doug Thompson, Travis Kasten and the men and women of MACUA for their proactive stance in demonstrating the "People Helping People" philosophy, and he acknowledged the inspirational audience.

"This room is filled with people who have a driving passion to make a difference and improve the lives of all Americans...I share your excitement at the possibilities we have to charter a new credit union; and, as a result, strengthen home ownership and community development here on the Flandreau Santee Sioux Reservation," Vice Chairman Hood said.

"The credit union system's affordable mortgage products and homebuyer education classes have helped make homeownership a reality for more Americans than ever before," Hood said.

However, homeownership among low- to moderate-income families and minorities remains a constant struggle. Homeownership is the cornerstone

of household wealth in America, the wealth gap between owners and renters is enormous. The connection between homeownership and building strong communities is increasingly clear.

"I am passionate about economic empowerment for all Americans, and for all communities. I believe that homeownership—not just buying a home, but staying in the home—is the key to building wealth and creating strong, viable, and sustainable communities," Hood said.

Affirming there are a plethora of products and services designed to create homeownership opportunities, he stressed the importance of remaining vigilant about closing the gap between "traditional" homebuyers and those who live in underserved communities. "We must provide people with the tools and resources necessary to stay in their homes," Mr. Hood said.

"Thank you for who you are; what you do; and what you will continue to do to strengthen communities; promote economic empowerment; and demonstrate the great capacity of America's credit union system to transform lives...one member-owner at a time," Vice Chairman Hood said in closing.

Following his speech in South Dakota, the Vice Chairman traveled to Fargo, North Dakota, where he visited local credit union leaders at a meeting hosted by the Postal Family Federal Credit Union.

Johnson testifies on industry strength

Chairman JoAnn Johnson joined federal and state financial regulators testifying March 4, 2008, before the Senate Banking, Housing, and Urban Affairs Committee on "The State of the Banking Industry."

Chairman Johnson provided NCUA's perspective on the health of federally insured credit unions, their role in the mortgage lending market, and NCUA mortgage lending guidance activities. Johnson also addressed foreclosure mitigation efforts, systemic risk, transparency, and risk management techniques being applied to enhance safety and soundness throughout the credit union industry.

Chairman Johnson noted that federally insured credit unions are well-capitalized with net worth at 11.4 percent, total assets at \$753 billion, and aggregate net worth at \$86 billion, the highest amount in history.

"NCUA data collection and financial trend monitoring, extensive examination procedures, and strong mortgage lending and risk management guidance, in the form of Letters to Credit Unions, have been crucial in ensuring federally insured credit unions remain financially strong in the midst of real mortgage market challenges," stated Chairman Johnson.

While highlighting credit unions' track record for providing responsible lending products to their members, Chairman Johnson stressed that nontraditional loans, usually riskier than traditional loans, are not prevalent in federally insured credit unions. The majority, 58 percent of credit union mortgage loans are fixed rate and only 2.3 percent are interest only or optional payment loans.

"While the financial services industry is facing challenges, federally insured credit unions are well capitalized and show positive financial trends. NCUA will continue monitoring financial trends through diligent regulatory oversight to ensure credit union members have access to prudent financial products," said Chairman Johnson.

Chairman Johnson's testimony is available online at http://www.ncua.gov/news/speeches/speeches_johnson.html.



March 13, 2008, Flandreau, S.D.—Vice Chairman Rodney Hood with members of the Flandreau Santee Sioux Tribe (FSST) at their town hall meeting hosted by Mid-America Credit Union Association (MACUA). From the left are Joshua Weston, FSST president; Tim Brown, CEO of Dakota Plains Credit Union and chair of Mid-America Service Corporation; Garrie Kills-A-Hundred, Trustee II of FSST; Gordon Jones Jr., treasurer of FSST; Ardetta Lovejoy, Trustee IV of FSST; Gina William, Trustee III of FSST; Vice Chairman Hood; Tony Richards, president and CEO of Mid-America Credit Union Association; Eloise Drapeau, secretary of FSST; Travis Kasten, vice president of Credit Union Development for Mid-America Credit Union Association; and Jason Taylor, vice president of FSST.



Young Global Leader

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catalyst for initiatives in the global public interest,” said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

Selected from a pool of 5,000 candidates, the Young Global Leaders 2008 were chosen by a selection committee of 31 eminent international media leaders, including Thomas H. Glocer, CEO, Reuters, United Kingdom; Arthur Sulzberger, chairman and publisher, The New York Times, USA; and Hisashi Hieda, chairman and CEO, Fuji Television Network, Japan. The selection committee is chaired by H.M. Queen Rania Al Abdullah of the Hashemite Kingdom of Jordan.

This community of Young Global Leaders includes the co-founders of Google, USA; Crown Prince of Norway; CEO and managing director of Ranbaxy Laboratories, India; mayor of Yohohama, Japan; deputy CEO of JSE, South Africa; Co-CEO, Banco Compartamos, Mexico; and chairman and CEO, Alibaba Group, People’s Republic of China.

“It is our belief that this community of committed individuals can actually change the status quo. They are not only a preview of what effective collaborative leadership in the 21st century might

NCUA supports HOPE NOW reporting

NCUA encourages credit unions to report loan modifications

NCUA issued *Letter to Federally Insured Credit Unions No. 08-CU-05* in March to encourage credit unions servicing securitized subprime adjustable rate residential mortgages to use HOPE NOW alliance loan modification standards to report foreclosure prevention efforts.

HOPE NOW is an alliance between counselors, loan servicers, investors, and other mortgage market participants formed under the direction of the Department of Treasury and the Department of Housing and Urban Affairs to maximize outreach efforts to help homeowners in distress to stay in their homes.

The reporting structure will assist industry efforts to measure foreclosure prevention activity using standardized data fields to record modifications to subprime adjustable rate residential real estate loans, and it will foster transparency throughout the securitization market.

NCUA supports HOPE NOW alliance data collection and believes prudent workout arrangements are generally in the long-term best interest of both credit union and borrower. Acquire more information or direct questions about loan modification reporting standards to www.HOPENOW.com or tbarnes@mcdash.com.

look like, they are actually putting it into practice today,” said David Aikman, Senior Director and Head of the Forum of Young Global Leaders. “It is our privilege to work with such inspirational leaders and to bring them together in a global network that builds their insights and skills even further, providing them with a global platform to tackle the key challenges of our generation.”

Established in 2004 by Professor Klaus Schwab, The Forum of Young Global Leaders is a unique community

of the world’s most extraordinary young leaders who dedicate a part of their time to jointly address global challenges and who are committed to devote some of their knowledge and energy to collectively work towards a better future. As a part of their engagement, the Young Global Leaders give their time to task forces to initiate, develop and drive innovative solutions on important, globally-oriented issues, including health, the environment, global governance and security, and development and poverty.