

## Financial literacy headlines the Chairman's agenda

### Chairman JoAnn Johnson addresses financial education

Chairman JoAnn Johnson spent April, Financial Literacy Month, highlighting the importance of financial education in an effort to raise awareness of personal finances.

**April 4 in Washington, D.C.,** Chairman Johnson joined Treasury Secretary John Snow, the U.S. Treasurer, Members of Congress and other federal agency officials at the U.S. Treasury unveiling release of the Financial Literacy and Education Commission's new financial education strategy—*Taking Ownership of the Future—The National Strategy for Financial Literacy*.

"I appreciate Secretary Snow's contribution to the cause of financial literacy and education and can say without a doubt that credit unions will continue to play a key role in strengthening America

by providing valuable financial education to their members," Chairman Johnson said.

"The National Strategy for Financial Literacy is the right tool for the job. You have my word that the NCUA will continue to serve as a reliable partner in this effort and will apply the National Strategy to enhance the agency's policies, outreach and initiatives in the future," Johnson said.

Chairman Johnson serves on the Financial Literacy and Education Commission headed by the Treasury Department and comprised of 20 federal agencies. The Commission was created by Congress in 2003 to establish a national strategy for financial education. The Commission introduced the website ([www.MyMoney.gov](http://www.MyMoney.gov)) and toll-free hotline

(1-888-My Money) in 2004 to highlight federal resources on a wide range of personal finance topics.

**April 13 in Madison, Wis.,** Chairman Johnson and Treasury Deputy Assistant Secretary for Financial Education Dan Iannicola, Jr. discussed details of the new national financial education strategy, described as a blueprint for improving Americans' understanding of issues like homeownership, credit management and retirement savings, before a group of credit unions and Jumpstart partners.

"This financial education strategy does an excellent job of emphasizing the importance of raising public awareness, developing sound tactics, and proposing prompt action which will equip both public and private sectors to help educate

continued on page 8



**Washington, D.C. April 4, 2006**— Chairman JoAnn Johnson with Treasury Deputy Assistant Secretary Dan Iannicola, Jr. (left) and Federal Reserve Board Governor Mark W. Olson at the unveiling of a new financial education strategy.

## HIGHLIGHTS

Disaster planning risk alert issued	2
Recent letters to credit unions	2
Board actions	3
Hyland visits hurricane-affected credit unions	3
Conversations with America	4
<b>Pull-out:</b> NCUA increases retirement insurance coverage	5-6
Vice Chairman highlights credit unions performance	7
Access Across America Dallas Summit	7
Balance sheet management	8

# Risk alert issued on disaster planning and response

NCUA issued Risk Alert 06-Risk-01 (available at <http://www.ncua.gov/letters/RiskAlert.html>) in April to emphasize the need to prepare for potential disaster. Recent events highlight the importance for credit unions to perform ongoing reviews of their plans for disaster preparedness and response. Disaster plans should align with a credit union's complexity and focus on minimizing member service interruptions and maintaining member confidence during emergencies.

The risk alert identifies disaster "lessons learned" in the past year and includes a resource list to assist credit unions review their disaster preparedness plans.

## Examination questionnaire under development

The risk alert also notifies credit unions that NCUA is developing an examination questionnaire to assist examiners in reviewing the key elements of disaster preparedness and response planning. The questionnaire incorporates recent "lessons learned" as well as long-standing

guidance. Examiners will consider the following elements when reviewing your efforts to **PREPARE**:

- **Planning**—ensuring financial services to members
- **Resources**—allocation of sufficient equipment and facilities
- **Evaluation**—testing contingencies for all critical systems
- **People**—maintaining readiness of staff and officials

- **Alliances**—established relationships with other organizations
- **Review**—updating internal plans for effectiveness
- **Experience**—incorporate lessons learned

After the examination questionnaire is finalized, it will be shared in a letter to credit unions. The questionnaire will also be posted on NCUA's Internet site along with other examination related materials.

## Recent letters to credit unions

### Pandemic and business disruption preparation

Letter to Federally Insured Credit Unions 06-CU-06: Influenza Pandemic Preparedness (available at <http://www.ncua.gov/letters/letters.html>) addresses the threat of a pandemic influenza outbreak and its potential impact on the delivery of critical financial services, and it encourages credit unions and credit union service providers to consider this and similar threats in business continuity and disaster recovery plans.

The letter discusses the National Strategy for Pandemic Influenza released by the White House. The strategy describes the threat and potential impact of a pandemic and identifies the roles and responsibilities of the federal government and private sector, including financial institutions.

Credit unions and their service providers should review the National Strategy to consider what actions may be appropriate for their particular situation and whether such actions should be included in their event response and contingency strategies.

The official federal website <http://www.pandemicflu.gov> contains the complete text of the National Strategy for Pandemic Influenza and other important related details.

For specific information regarding the business continuity and disaster recovery process, please review NCUA's *Letter to Credit Unions 01-CU-21 Disaster Recovery and Business Resumption Contingency Plans*.

### IT Security Compliance Guide

NCUA's *IT Security Compliance Guide for Credit Unions* offers information to assist credit unions comply with NCUA Rule Part 748, Appendix A; *Guidelines for Safeguarding Member Information*, and Appendix B; *Guidance on Response Programs for Unauthorized Access to Member Information and Member Notice*.

Each section relates to specific parts of Appendixes A and B of Part 748. Section III provides additional guidance on the risk-assessment process necessary to identify reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration or destruction of member information or member information systems.

The guide's appendix lists resources intended to assist credit unions comply with the Part 748, Appendixes A and B. The organizations listed provide information on computer security with a focus on risk assessment methodologies and the design and implementation of computer security programs.

# 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*

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## Board actions April 20, 2006

### NCUSIF first quarter financial highlights

NCUA Chief Financial Officer Dennis Winans reported to the Board that independent auditor Deloitte & Touche LLP has issued a clean opinion on 2005 financial statements of NCUA's four individual funds—NCUA Operating Fund, National Credit Union Share Insurance Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund.

Reporting on first quarter 2006 activity, Mr. Winans said that year-to-date National Credit Union Share Insurance Fund gross income was \$56.8 million, operating expense was \$18.8 million, insurance loss was \$315,000, and net income was \$37.7 million.

NCUSIF investments in government securities decreased by \$50.7 million in March primarily due to a refund of \$77.7 million paid to credit unions with declining insured shares between January 1 and December 31, 2005. The refund is offset by 1 percent deposit adjustments being submitted by credit unions with insured share increases in 2005.

During March, the NCUSIF equity ratio increased to 1.30 percent due to an increase in contributed capital. The equity ratio is based on insured shares of \$514.9 billion.

The number of problem code credit unions declined from 280 at year-end 2005 to 269 at March 31, 2006. Through March, four credit unions failed in 2006—two were merged with assistance and two were involuntary liquidations. One involuntary liquidation was a purchase and assumption. The provision for loss reserve account is currently \$71.8 million.

### Overdraft disclosure rule finalized

The NCUA Board approved final rule Part 707 requiring credit unions that offer “bounced-check protection” or “courtesy overdraft protection” to disclose fees associated with overdraft protection

when an account is opened, on periodic statements and in advertisements that promote the service.

Credit unions that promote overdraft payment protection must disclose fees imposed on periodic statements for both the statement period and calendar year to date.

Final rule Part 707 is required by the Truth in Savings Act to ensure that adequate, uniform information is provided when members overdraw share accounts. While the rule became effective as an interim final rule December 8, 2005, the mandatory compliance date is amended to October 1, 2006, to allow necessary time for system modifications.

### Federal Credit Union Bylaws updated

The NCUA Board approved final revisions that update, clarify and simplify

the *Federal Credit Union (FCU) Bylaws*. Changes eliminate unnecessary provisions and increase the readability of the bylaws by adding staff commentary on frequently-asked questions, new section headings and increased use of plain English. FCUs that previously adopted bylaws may adopt the new bylaws in whole or in part, or may retain their current bylaws.

The new FCU Bylaws provide maximum flexibility for federal credit unions and their boards of directors and preserve the rights of credit union members to be informed of and participate in the governance of their credit union. As standard procedure guidance, the FCU Bylaws ensure that all federal credit unions essentially use the same rules to govern themselves.

### Board votes are unanimous unless indicated

## Hyland visits hurricane-affected CUs

NCUA Board Member Gigi Hyland toured the hurricane ravaged Lower 9th Ward, St. Bernard and Orleans Parishes, as well as neighborhoods near the 17th Street levee breach in New Orleans in early April.

“You can’t fathom the needs of the communities until you see it with your own eyes. The pictures on the news reports don’t even come close. Neighborhood after neighborhood, mile after mile, all you see are empty, gutted houses and businesses devoid of life and human activity,” noted Hyland.

During a luncheon organized by the Louisiana Credit Union League President and CEO Anne Cochran, Board Member Hyland met with credit union officials and staff affected by the devastation of Hurricanes Katrina and Rita. She had an opportunity to commend them for their dedication and service, and also discussed operational and regulatory hurdles which may impede recovery efforts.

“It was reassuring to receive confirmation from credit unions that



*New Orleans, La. April 11, 2006—Board Member Gigi Hyland listens as ASI Federal Credit Union's CEO Audrey Cerise describes hurricane-related issues.*

NCUA staff did an admirable job responding quickly and efficiently to this crisis,” stated Hyland. “However, after seeing the destruction, it is very clear to me that there are still significant challenges and issues. I will share with my fellow board members my impressions and concerns in an effort to assure continued agency attention to rebuilding affected credit unions in New Orleans and across the Gulf Coast.”





## My Government Listens

**Who and What:** Vice Chairman Rodney E. Hood will meet with NASCUS leaders.

**When:** Friday, May 12, 2006

**Where:** Chicago, Ill.

**Why:** To discuss NCUA's regulatory agenda and legislative updates.

**Contact:** Sally Ridgely at 703-518-6307 or [sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Who and What:** Board Member Gigi Hyland will address the NACUSO Annual Meeting.

**When:** Tuesday, May 16, 2006

**Where:** Las Vegas, Nev.

**Why:** To share her views and elicit comments on current challenges facing the CU system.

**Contact:** Nina Bullard at 703-518-6318 or [nbullard@ncua.gov](mailto:nbullard@ncua.gov)

**Who and What:** Vice Chairman Rodney E. Hood will address the Michigan Credit Union League's Annual Convention.

**When:** Thursday, May 18, 2006

**Where:** Grand Rapids, Mich.

**Why:** To discuss NCUA's regulatory agenda and legislative updates.

**Contact:** Sally Ridgely at 703-518-6307 or [sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Who and What:** Vice Chairman Rodney E. Hood will address the NAFCU Annual Volunteers Conference.

**When:** Friday, May 19, 2006

**Where:** Beverly Hills, Calif.

**Why:** To discuss NCUA's regulatory agenda and legislative updates.

**Contact:** Sally Ridgely at 703-518-6307 or [sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Who and What:** Chairman JoAnn Johnson will address the Members Service Corporation's "Management Perspective Seminar."

**When:** Sunday, May 21, 2006

**Where:** Munich, Germany

**Why:** To discuss "Turning Challenges to Opportunities."

**Contact:** Linda Queen at 703-518-6309 or [lqueen@ncua.gov](mailto:lqueen@ncua.gov)

**Who and What:** Vice Chairman Rodney E. Hood will address WesCorp's 2006 Annual Meeting and Future Forum.

**When:** Monday, May 22, 2006

**Where:** La Jolla, Calif.

**Why:** To discuss NCUA's regulatory agenda and legislative updates.

**Contact:** Sally Ridgely at 703-518-6307 or [sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Who and What:** Chairman JoAnn Johnson will address the Women's Leadership Symposium.

**When:** Thursday, June 1, 2006

**Where:** Napa, Calif.

**Why:** To address women in leadership networking together.

**Contact:** Linda Queen at 703-518-6309 or [lqueen@ncua.gov](mailto:lqueen@ncua.gov)

**Who and What:** Vice Chairman Rodney E. Hood will visit various financial institutions.

**When:** Friday, June 2, 2006

**Where:** Madison, Wis.

**Why:** To discuss NCUA's regulatory agenda and legislative updates.

**Contact:** Sally Ridgely at 703-518-6307 or [sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Who and What:** Board Member Gigi Hyland will address the Women's Leadership Symposium.

**When:** Friday, June 2, 2006

**Where:** Napa, Calif.

**Why:** To share her views and elicit comments on current challenges facing the CU system.

**Contact:** Nina Bullard at 703-518-6318 or [nbullard@ncua.gov](mailto:nbullard@ncua.gov)

**Who and What:** Board Member Gigi Hyland will address the National Latino CU Conference.

**When:** Wednesday, June 7, 2006

**Where:** Durham, N.C.

**Why:** To share her views and elicit comments on current challenges facing the CU system.

**Contact:** Nina Bullard at 703-518-6318 or [nbullard@ncua.gov](mailto:nbullard@ncua.gov)

**Who and What:** Vice Chairman Rodney E. Hood will address the National Federation of Community Development Credit Unions 32nd Annual Meeting and Latino Credit Union Conference.

**When:** Thursday, June 8, 2006

**Where:** Durham, N.C.

**Why:** To discuss NCUA's regulatory agenda and legislative updates.

**Contact:** Sally Ridgely at 703-518-6307 or [sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Who and What:** Chairman JoAnn Johnson will address the 2006 CUANM Convention & 47th Annual Meeting.

**When:** Friday, June 9, 2006

**Where:** Albuquerque, N.M.

**Why:** To provide regulatory updates.

**Contact:** Linda Queen at 703-518-6309 or [lqueen@ncua.gov](mailto:lqueen@ncua.gov)

**Who and What:** Board Member Gigi Hyland will address the Mid-Atlantic Corporate FCU Annual Meeting.

**When:** Friday, June 9, 2006

**Where:** Gettysburg, Pa.

**Why:** To share her views and elicit comments on current challenges facing the CU system.

**Contact:** Nina Bullard at 703-518-6318 or [nbullard@ncua.gov](mailto:nbullard@ncua.gov)

**Who and What:** Chairman Rodney E. Hood will address the North Carolina Credit Union League's 71st Annual Meeting.

**When:** Monday, June 12, 2006

**Where:** Greensboro, N.C.

**Why:** To discuss NCUA's regulatory agenda and legislative updates.

**Contact:** Sally Ridgely at 703-518-6307 or [sridgely@ncua.gov](mailto:sridgely@ncua.gov)


 NCUA

# NCUA Increases Retirement Insurance Coverage

## What's changed, what hasn't, and how to get more information

You work hard and save money to ensure that one day you will have a comfortable retirement. Today, people live longer and spend more years in retirement than ever before, so preparing financially and keeping your nest egg secure is crucial.

The good news is that people now have increased protection on their retirement savings accounts at banks and credit unions. For the first time in 25 years, Congress has raised the limit on federal deposit and share insurance coverage, which protects against retirement savings loss if a bank or credit union fails. However, the higher insurance limit only applies to certain retirement accounts that people have at banks and savings associations insured by the Federal Deposit Insurance Corporation (FDIC) and at credit unions insured by the National Credit Union Administration (NCUA).

NCUA wants credit union members to be clear about what has and hasn't changed. Basics about the new and existing insurance coverage follow.

### 1. Traditional and Roth IRAs and KEOGH retirement accounts at NCUA insured credit unions are now insured up to \$250,000, an increase from the previous \$100,000 coverage.

Effective April 1, 2006, NCUA insured credit union retirement accounts such as Individual Retirement Accounts (IRAs) and Keogh accounts are insured up to \$250,000. Under new rules, traditional

and Roth IRAs at one credit union are now insured in the aggregate to \$250,000. Additionally, NCUA insures Keogh accounts separately in the aggregate to \$250,000.

Retirement account insurance protection is separate and apart from insurance coverage on other credit union accounts. For example, if you have a regular share account, an IRA, and a Keogh at the same credit union, the regular share account is insured up to \$100,000, the IRA is separately insured up to \$250,000, and the Keogh is separately insured up to \$250,000.

The increase to \$250,000 for retirement account protection is important because many people saving for retirement have accumulated well in excess of \$100,000. With the additional NCUA coverage, more members who rely on their credit union as a safe harbor for retirement savings will be completely protected if their institution were to fail. What's more, the additional coverage means many people will no longer need to go to more than one institution to get full coverage for retirement funds in excess of \$100,000.

### 2. Basic insurance coverage for other share accounts is still \$100,000. However, just as before, there are many ways to qualify for more than basic coverage at one institution.

Generally, if a credit union member has more than one account in the same credit union, these accounts are added together and insured in the aggregate. For example, if you have a regular share account, a share certificate, and a share draft account in your name alone, these accounts will be added together and insured up to \$100,000

separate from your retirement account.

What's more, joint accounts you hold with other people are separately insured up to \$100,000. For instance, let's say you have three accounts at one credit union—a \$30,000 share draft account in your name, a \$60,000 savings account you own jointly with your spouse, and a \$100,000 account for a corporation you own. Although the three accounts total \$190,000, all of the money is fully insured by NCUA because each type of account is in a different ownership category that is separately covered to \$100,000.

Also, revocable trust accounts may qualify for separate insurance coverage of up to \$100,000 per beneficiary if certain conditions are met. For example, if you have a \$300,000 payable-on-death account naming your spouse and two children as the beneficiaries, upon your death the entire \$300,000 would be insured by the NCUA (\$100,000 per beneficiary). This insurance coverage would be separate from the money you have in other types of accounts at the same institution.

And remember, under the new rules your retirement accounts are protected up to \$250,000 and insured separate from your other accounts.

### 3. The insurance limits could rise in the future, but it wouldn't occur before 2011, if at all.

The new law establishes a method for considering an increase in the insurance limits on all share accounts (including retirement accounts) every five years beginning in 2011, based in part on inflation. Otherwise, accounts will continue to be insured as described above.

continued

Beyond the new law, a few other important reminders follow:

**No member has lost one cent of NCUA insured funds as a result of credit union failures.** Fortunately, failures are relatively rare. But if your credit union were to fail, NCUA would cover your share accounts dollar for dollar up to insurance limits.

**NCUA insurance applies to your credit union accounts, not investments.**

The NCUA protects share savings accounts, share draft (checking) accounts, share certificates and other types of share accounts. NCUA does **NOT** insure the money you invest in mutual funds, stocks, bonds, life insurance policies and annuities.

**If you or your family have \$100,000 or less in all your accounts at the same insured credit union, you don't need to worry about insurance coverage. Your money is fully insured.** If you have more than \$100,000 at any single credit union, you should take the time to be sure you are fully insured.

For more information, start by visiting the NCUA website <http://www.ncua.gov/ShareInsurance/Index.htm> to find the consumer brochure *Your Insured Funds*. It offers details and provides more examples of insurance protection. Within a few months, NCUA's electronic share insurance estimator, an interactive tool which enables you to calculate your NCUA coverage, will again be available online at <http://www.ncua.gov/ShareInsurance/Index.htm>.

The following illustrates additional coverage for insured credit union accounts.<sup>1</sup>

<sup>1</sup>Adapted from an FDIC Consumer News Special Bulletin

**Individual coverage**

Individual	Individual	100,000
IRA	Retirement	250,000
Keogh	Retirement	250,000
<b>TOTAL</b>		<b>\$ 600,000</b>

**Family of two**

Individual Accounts	Husband Individual	\$ 100,000
	Wife Individual	100,000
Joint Tenancy Accounts	Husband & Wife (Joint)	200,000
Testamentary Revocable Trust Accounts	Husband as Trustee for Wife	100,000
	Wife as Trustee for Husband	100,000
IRA	Husband & Wife (Both have an IRA)	500,000
<b>TOTAL</b>		<b>\$1,100,000</b>

**Family of three**

Individual Accounts	Husband Individual	\$ 100,000
	Wife Individual	100,000
	Child Individual	100,000
Joint Tenancy Accounts	Husband & Wife (Joint)	100,000
	Husband & Child (Joint)	100,000
	Wife & Child (Joint)	100,000
KEOGH	Husband	250,000

*The Husband is insured to \$100,000 on his two accounts with Wife and Child. The Wife is insured to \$100,000 on her two accounts with Husband and Child. The Child is insured to \$100,000 on his/her accounts with father and mother.*

Testamentary Revocable Trust Accounts	Husband as Trustee for Wife	100,000
	Husband as Trustee for Child	100,000
	Wife as Trustee for Husband	100,000
	Wife as Trustee for Child	100,000
<b>TOTAL</b>		<b>\$1,250,000</b>

**Family of four**

Individual Accounts	Husband Individual	\$ 100,000
	Wife Individual	100,000
	Child #1 Individual	100,000
	Child #2 Individual	100,000
Joint Tenancy Accounts	Husband & Wife (Joint)	100,000
	Husband & Child #1 (Joint)	100,000
	Wife & Child #2 (Joint)	100,000
	Child #1 & Child #2 (Joint)	100,000

*As in the previous illustration, none of the co-owners have an interest of more than \$100,000 in all the joint accounts, so the total amount held by each of the co-owners in all joint accounts is insured.*

Testamentary Revocable Trust Account	Husband as Trustee for Wife	100,000
	Wife as Trustee for Husband	100,000
	Husband as Trustee for Child #1	100,000
	Wife as Trustee for Child #1	100,000
	Husband as Trustee for Child #2	100,000
	Wife as Trustee for Child #2	100,000
IRA	Wife	250,000
KEOGH	Husband	250,000
<b>TOTAL</b>		<b>\$ 1,900,000</b>





# Vice Chairman highlights CUs' performance in helping small businesses prosper

As part of President Bush's National Small Business Week, NCUA Vice Chairman Rodney E. Hood visited two Texas credit union service organizations active in helping credit unions assist small businesses. On April 12, Hood visited EECU in Fort Worth and Texans Credit Union in Richardson, the largest provider of credit union member business loans in Texas.

At each credit union, the Vice Chairman received an overview of best practices for working with small business. He discussed how NCUA might facilitate communicating such practices to other credit unions as well as easing regulatory

burdens currently in place. Hood told audiences at both facilities that he believes the 12.25 percent member business loan cap is an unnecessary burden on credit unions with a proven record of member business lending.

"I want to focus on reducing the regulatory burden of member business lending in order to make it easier for more credit unions to help small businesses prosper," said Vice Chairman Hood. "Small businesses create two-thirds of the new jobs and account for nearly half of America's overall employment."

Since joining the NCUA Board, Vice Chairman Hood has made regulatory



**Fort Worth, Texas, April 12, 2006**—Vice Chairman Rodney Hood at EECU with (from left) Chief Operating Officer Lonnie Nicholson, President/CEO Robert W. Rogers, Vice Chairman Hood, and Texas Business Leaders Group, LLC President/ CEO Robert Campbell.

flexibility and member business lending key priorities of his agenda.

"I do not believe that well-managed, well-capitalized credit unions need to be micromanaged," Hood said. "And I appreciate the impact that member business lending is having on local economies."



## Dallas Summit yields large turnout

NCUA's first Access Across America Economic Empowerment Summit of 2006 was held in Dallas April 12 with credit union officials from Texas and surrounding states attending the free, one-day summit designed to promote partnership opportunities with federal agencies and facilitate the extension of affordable financial services to individuals, communities and underserved areas across America.

NCUA Chairman JoAnn Johnson and Vice Chairman Rodney Hood both welcomed participants and delivered remarks, and HUD Deputy Assistant Secretary for Grant Programs Anna Marie Farias was the keynote speaker.

"I commend all those attending the Dallas Access Across America Summit," said Chairman Johnson. "The strong turnout of over 125 guests confirms that credit unions remain dedicated and steadfast in their effort to help members achieve the American dream."

The summit offered panel discussions highlighting resources available to credit unions in order to expand financial

services to their members by partnering with other federal agencies and non-profit organizations.

Featured panels included:

- Member Business Lending
- Homeownership
- Health Savings Accounts
- Serving Underserved Areas

Participating agencies included the Department of Agriculture, Housing and Urban Development, Treasury, and the U.S. Small Business Administration. Also presenting were the Texas Credit Union

League, Neighborworks America, Texans Credit Union, El Paso Affordable Housing CUSO, and Covenant Savings Federal Credit Union.

"These panels cover issues that are very important to credit unions and promote thoughtful discussion between the panelists and the guests," said Chairman Johnson. "I am encouraged that many people asked thoughtful questions and took away practical knowledge and resources to better serve their members."



**Dallas, Texas, April 12, 2006**—Chairman Johnson is joined from the right by panelist William "Tom" Reeder, U.S. Department of Treasury; James W. Hammersley, U.S. Small Business Administration; and Mr. Hammersley's daughter, Jenny, at the Access Across America Summit.



## Balance sheet management

# Loan growth and liquidity needs

Credit unions must plan liquidity needs as part of their lending strategies. This is a primary issue today because loan to share ratios are increasing as loan growth expands. It is important to keep both sides of the balance sheet in mind as credit unions meet growing member loan needs and consider how these loans will be funded.

It is critical to stress the importance of cash flow projections, even if they are fairly simple, relating projected loan growth to internal and external sources of funds. This is especially important in the context of economic cycles that can cause liquidity to tighten, as it has recently in credit unions.

Lack of planning can lead to an unexpected shortage of liquidity. Anticipating normal cash flows should be supplemented with

contingency funding plans that include possible disruptions in credit union liquidity. This may occur, for example, from changes in member relationships, closing of major nearby business employers, strains created by declining credit quality, or declining margins resulting from a flatter yield curve. The relative ease with which alternative funding sources can be arranged in today's world may cause its cost and availability to be taken for granted.

Pro-active planning for how future loan growth will be funded requires that credit unions give equal importance to both sides of the balance sheet. Forward-thinking preparation should be part of each credit union's formal business plan.

## Financial Literacy

*continued from page 1*

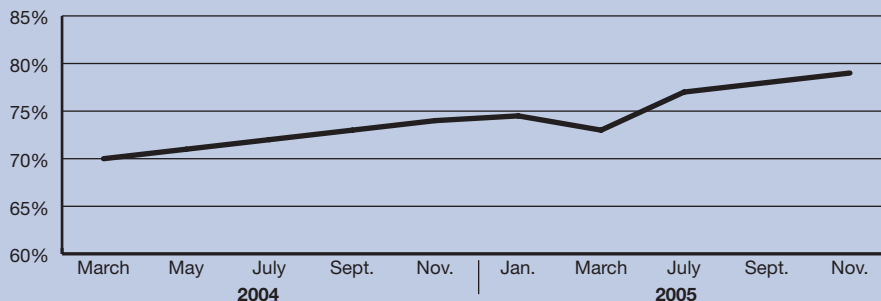
American consumers," Chairman Johnson said at the Madison rollout event.

**May 1 in Chicago, Ill.**, Chairman Johnson attended a financial literacy event where she and other Financial Literacy Commission members discussed how financial institutions can reach out to the millions without basic financial services in the United States today.

### June NCUA Board meeting rescheduled

Originally scheduled for June 15, the monthly, open NCUA Board meeting has been rescheduled to Thursday, June 22 at 10 a.m.

Loan to Share Ratio



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

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