

NCUA-NASCUS Sign Document of Cooperation

Chairman JoAnn Johnson and National Association of State Credit Union Supervisors (NASCUS) Chairman Linda Jekel signed a NCUA/NASCUS Document of Cooperation July 24, 2007, in Alexandria symbolizing federal and state regulators continued commitment to cooperatively ensure the safety and soundness of federally insured, state-chartered credit unions.

The Document of Cooperation is the formal agreement between NASCUS, on behalf of state regulatory agencies, and NCUA, as federal regulator and administrator of the National Credit Union Share Insurance Fund. NCUA and NASCUS collaborated on revisions to the Document of Cooperation, last signed in 1998. The document illustrates the alliance federal and state regulators share in working together to provide solid credit union examination and supervision programs.



Photo by Kate Harrig/NASCUS

July 24, 2007, Alexandria, Va.—NCUA Board Member and NASCUS Liaison Gigi Hyland; NCUA Chairman JoAnn Johnson; NASCUS Chairman Linda Jekel and NASCUS President and CEO Mary Martha Fortney at the Document of Cooperation signing ceremony held at NCUA.

“As partners in maintaining a safe, secure system of credit unions throughout the United States, NCUA and NASCUS underscore our resolve and collective sense of responsibility in signing this Document of Cooperation,” said NCUA Chairman JoAnn Johnson. “The document solidifies and clarifies the elements, tools and interaction NASCUS and NCUA use day after day to ensure our nation’s federally insured credit unions

remain safe, secure financial institutions, ready and able to serve their millions of members nationwide.”

“NASCUS and state regulators are pleased that we could sign an updated Document of Cooperation to formally recognize our continued commitment to the safety and soundness of credit unions and consultation between state and federal regulators,” said NASCUS Chairman

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NCUA Unveils Resource Connection

NCUA has created “**The Resource Connection**” website as a central location to access and share information on credit union business practices, partnership resources, funding and training opportunities. Access “**The Resource Connection**” by clicking on the new computer icon located on NCUA’s homepage <http://www.ncua.gov>.

“NCUA’s new Internet resource tool offers users a single source to access a wide array of valuable information that provides immediate and future benefit,” said NCUA Chairman JoAnn Johnson. “**The Resource Connection**” organizes and manages a vast scope of useful information that will constantly evolve.



I encourage credit unions to utilize its many features and contribute their own best practices to the “Credit Union Connection” section.”

Online at <http://www.ncua.gov/ResourceConnection/>.

“**The Resource Connection**” has three main sections:

- The Credit Union Connection
- The Partnership Connection
- The Training Connection

The Credit Union Connection

This section features examples of programs and services offered by credit unions throughout the country. Business

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Anti-money laundering requirements clarified

NCUA and the other federal financial regulators issued a joint statement in mid-July clarifying agency policy for enforcing specific anti-money laundering requirements of BSA. The *Interagency Statement on Enforcement of Bank Secrecy Act/Anti-Money Laundering Requirements* does not represent a change in practices or policies when examining for compliance in this important area; rather, it clarifies existing practices and will assist credit unions in understanding BSA responsibilities by explaining how NCUA identifies, characterizes and addresses various types of problems and deficiencies in a BSA compliance program.

The document is designed to provide greater consistency among the agencies in BSA enforcement decisions and offer insight into the considerations that form the basis of these decisions.

The statement describes the circumstances when NCUA and fellow agencies will issue a cease and desist order in compliance with statutory provisions. It also clarifies that agencies may take

formal or informal enforcement actions to address other concerns related to BSA or anti-money laundering, depending on the facts.

The statement complements the Bank Secrecy Act/Anti-Money Laundering Examination Manual, which was

similarly designed to foster interagency consistency and transparency regarding the BSA examination process, and it is available online at <http://www.ncua.gov/RegulationsOpinionsLaws/BankSecrecy/JointStatementEnforcementBSA-AML-Req.pdf>

News briefs

▶ Registration is open for the Outreach Task Force “Town Hall” meeting being held in Denver, Colorado, Wednesday, August 15. A wide range of input is vital as the task force deliberates recommendations from NCUA’s Member Service Assessment Pilot Program. To register, please visit NCUA’s website at: <http://www.ncua.gov/TH-Outreach/Index.htm>.

▶ Registration is also open for NCUA’s sixth and final Outreach Task Force “Town Hall” meeting, which will be held in Washington, D.C., Tuesday, Oct. 2. Please register online at <http://www.ncua.gov/TH-Outreach/Index.htm>.

▶ *Letter to CUs No.: 07-CU-09* provides all federally insured credit unions with the final *Statement on Subprime Mortgage Lending* issued jointly by FFIEC agencies. The statement addresses emerging risks and lending practices associated with certain subprime adjustable rate mortgage (ARM) products that can cause payment shock. The statement is available online at http://www.ncua.gov/letters/2007/CU/07-CU-09_encl.doc.

CUs encouraged to participate in pandemic exercise

The U.S. Treasury will sponsor a test of the financial services sector’s ability to withstand a bird flu outbreak or other pandemic. The online exercise aims to bring together large and small credit unions and banks, brokers, insurers and other financial services firms to examine contingency plans for a number of areas, including continuity of operations, transportation, telecommunications, human resources and energy. Using a secure website, from September 24, 2007, through October 10, 2007, the test will simulate development of a potential outbreak.

“I encourage credit unions to consider participating in this industry-wide exercise,” Chairman JoAnn Johnson said. It will provide an excellent opportunity to test your continuity of operations plan, identify potential areas for improvement and learn from the experience of others.”

This is a free, voluntary exercise. Participating financial institutions will conduct the exercise anonymously using electronic mail and a secure website. Detailed information about the exercise and registration is available at: www.fspanfluexercise.com. While registration is open through August 31, 2007, early registration is encouraged.

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.

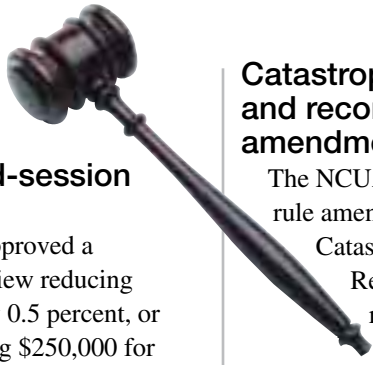
JoAnn Johnson, Chairman
Rodney E. Hood, Vice Chairman
Christiane Gigi Hyland, Board Member

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

Office of Public & Congressional Affairs
Cherie Umbel, Editor

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Board actions July 26, 2007



NCUA's 2007 mid-session budget review

The NCUA Board approved a mid-session budget review reducing the operating budget by 0.5 percent, or \$739,637, and allocating \$250,000 for upcoming capital acquisitions.

By design, the 2007 mid-session decrease in the operating budget is small compared to past mid-session adjustments. The original budget included a reduction for anticipated vacancies. Additionally, vacancies have remained low and steady with the 2006 year-end rate, 2.9 percent. These two factors, as well as an increase in the travel budget due to higher energy costs and lengthening of the examination time, have combined for the small mid-session decrease.

The Board approved an NCUA 2007 reprogrammed budget of \$151.3 million, an increase of \$250,000 in capital acquisitions, and continued the agency's current staff level at 957.92 full-time equivalents.

NCUSIF report at mid-year

During the first six months of 2007, National Credit Union Share Insurance Fund (NCUSIF) revenue and expense activity included gross income of \$157.8 million, net income of \$103.9 million, operating expenses of \$37.9 million and insurance losses of \$16.0 million.

The provision for loan loss reserve account grew to \$86 million, with an additional \$1.0 million added during June. Problem code 4 and 5 credit unions declined from 240 at year-end 2006 to 219 at June 30, 2007, while shares held in problem code credit unions increased from 1.05 to 1.06 percent of total shares. Eight federally insured credit unions failed in the first six months of 2007.

Based on projected 4.3 percent growth, shares are expected to reach \$558 million at mid-year, which results in a 1.27 percent NCUSIF equity ratio at June 30, 2007, and an expected equity ratio of 1.31 percent at year-end.

Catastrophic Act reporting and records preservation amendments finalized

The NCUA Board issued a final rule amending Parts 748 and 749, Catastrophic Act Reporting and Records Preservation, to clarify requirements for vital records preservation and provide a new appendix that offers guidelines for developing a program to prepare for a catastrophic act.

Effective when published in the Federal Register, the final rule and new appendix will assist federally insured credit unions be well-positioned to reconstruct vital records and deliver vital member services to their members with minimal disruption in the event of a catastrophe.

Comments sought on CU investment in foreign currency

The NCUA Board approved an Advanced Notice of Proposed Rulemaking (ANPR), to Parts 703 & 704, seeking comments on a broad range of concerns associated with permitting natural person

federal credit unions and corporate credit unions to make investments in foreign denominated currency, which would provide a complementary authority to the recent change allowing FCUs to accept member shares denominated in foreign currency.

Some items for discussion include restricting investments to domestic issuers, exchange rate risk, credit risk, information and technology risk, and the need for internal controls and exit strategies.

The ANPR was issued with a 90-day comment period. Please submit comments using one of the following methods:

- NCUA Website: http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/proposed_regs.html
- E-mail: regcomments@ncua.gov
- Fax: (703) 518-6319
- Mail: Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428.

Board votes are unanimous unless otherwise indicated

Hyland meets with worldwide regulators

NCUA Board Member Gigi Hyland moderated a session at the 5th Annual Regulator's Roundtable held in Calgary, Canada, on Saturday and Sunday, July 28-29. The Roundtable was part of the World Council of Credit Unions Conference. Also participating were regulatory heads from countries representing nearly every continent on the globe, including those from North and South America, the Caribbean, Europe, Africa, Asia, and Australia.

"The Roundtable provided a valuable forum for exchanging ideas with fellow regulators from around the world," said Board Member Hyland. "I was very impressed with the diversity of credit union development, but regardless of the maturity of the credit union system within a specific country, we share many of the same issues. Being able to discuss them in person provided me with many lessons that will help in my capacity as an NCUA Board Member."



July 29, 2007, Calgary, Canada—Karl Cordewener, deputy secretary general of the Basel Committee in Switzerland, and Gigi Hyland, board member of the National Credit Union Administration, chat at the Regulators' Roundtable held prior to the World Credit Union Conference.

Conversations with AMERICA



My Government Listens

Date: Thursday, September 6, 2007
Who: Vice Chairman Hood
Event: North Carolina Credit Union Marketing Conference
Location: Asheville, NC
Contact: Sally Thompson at sridgely@ncua.gov or fax: 703-519-4017

Date: Friday, September 7, 2007
Who: Vice Chairman Hood
Event: Maine Credit Union League Roundtable
Location: Portland, ME
Contact: Sally Thompson at sridgely@ncua.gov or fax: 703-519-4017

Date: Monday, September 10, 2007
Who: Chairman JoAnn Johnson
Event: NAFCU 2007 Congressional Caucus
Location: Washington, DC
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Tuesday, September 11, 2007
Who: Vice Chairman Hood
Event: NAFCU 2007 Congressional Caucus
Location: Washington, DC
Contact: Sally Thompson at sridgely@ncua.gov or fax: 703-519-4017

Date: Friday, September 14, 2007
Who: Vice Chairman Hood
Event: Wyoming Credit Union League's Annual Meeting
Location: Casper, WY
Contact: Sally Thompson at sridgely@ncua.gov or fax: 703-519-4017

Date: Monday, September 17, 2007
Who: Vice Chairman Hood
Event: CUNA Payments Conference
Location: Washington, DC
Contact: Sally Thompson at sridgely@ncua.gov or fax: 703-519-4017

Date: Monday, September 17, 2007
Who: Board Member Gigi Hyland
Event: Management Perspective Seminar
Location: Queenstown, New Zealand
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Tuesday, September 18, 2007
Who: Chairman JoAnn Johnson
Event: Annual Financial Strategies Conference
Location: Ledyard, CT
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Friday, September 21, 2007
Who: Chairman JoAnn Johnson
Event: Association of Dupont Credit Unions
Location: Lancaster, PA
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Tuesday, October 2, 2007
Who: Board Member Gigi Hyland
Event: Outreach Task Force Town Hall Meeting
Location: Washington, D.C.
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

NCUA-NASCUS

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Linda Jekel, director, Washington Division of Credit Unions. "This agreement demonstrates the value of a cooperative relationship to the health of federally insured, state-chartered credit unions and to the insurance fund."

The agreement details commitments to provide quality training, to recognize and assess emerging and material risks, and to work together on proposed regulations regarding prompt corrective action and member business lending. Further, it ensures that NCUA and NASCUS continue to foster an environment for open communication and ongoing dialogue between state and federal regulators.

Date: Thursday, October 4, 2007
Who: Chairman JoAnn Johnson
Event: Oregon's Executive Summit
Location: Salem, OR
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Thursday, October 11, 2007
Who: Board Member Gigi Hyland
Event: Indiana CU League Large CEO Roundtable
Location: Indianapolis, IN
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Saturday, October 13, 2007
Who: Vice Chairman Hood
Event: NCUA Small Credit Union Workshop
Location: Manhattan, NY
Contact: Sally Thompson at sridgely@ncua.gov or fax: 703-519-4017

Date: Tuesday, October 16, 2007
Who: Vice Chairman Hood
Event: Corporate One & Mid-Atlantic Corporate—Financial Management Conference
Location: Farmington, PA
Contact: Sally Thompson at sridgely@ncua.gov or fax: 703-519-4017

Small Credit Union Workshops

The NCUA Office of Small Credit Union Initiatives is hosting a number of Small Credit Union Workshops. Upcoming 2007 workshops will be held in the following cities.

Kansas City, MO September 15
Los Angeles, CA September 15
Buffalo, NY September 29

Registration forms are online at: <http://www.ncua.gov/CreditUnionDevelopment/Events/Index.htm>

For information on all workshops call: (703) 518-6610 or visit <http://www.ncua.gov/CreditUnionDevelopment/Index.htm>

NCUA testifies on mortgage lending consumer protection

NCUA Director of Examination and Insurance David M. Marquis testified July 25, 2007, on oversight of consumer laws pertaining to mortgage lending before the U.S. House of Representatives Financial Services Subcommittee on Oversight and Investigations.

“NCUA places a priority on ensuring that credit unions comply with all nondiscrimination laws and works to protect consumers against discriminatory or unfair home mortgage lending practices,” Marquis said.

Fair lending laws are enforced by NCUA using a comprehensive examination process and HMDA data. Also, reviewing member complaints enables NCUA to evaluate compliance and gain a more complete picture of how lending practices affect members. During 2006, nearly 5,600 federally insured credit unions provided mortgage loans, comprising approximately 2 percent of the national mortgage market.

NCUA works closely with the credit unions subject to HMDA to ensure timely filings. Materially late filers are subject to civil money penalties—17 penalties were assessed in 2005 and 22 in 2006.

“As part of NCUA’s risk focused examination program, if a violation is



Photo by David Klavitter/NCUNA

July 25, 2007, Washington, D.C.—NCUA Examination and Insurance Director David Marquis testifies before the House Financial Services Oversight and Investigations Subcommittee

noted it is documented in the agency’s compliance database and the examiner communicates corrective actions to be taken. In addition to regularly scheduled exams, NCUA has examiners specifically trained in fair lending compliance.”

Credit union members have several options to file consumer complaints for possible discrimination in home mortgage lending. NCUA maintains an 800 consumer helpline and Internet website, although most complaints continue to be received by mail. The agency encourages credit unions

to resolve consumer complaints, initially directing the credit union to investigate a complaint, inform NCUA of the results, and resolve the matter according to applicable law or regulation. NCUA takes additional action when necessary.

NCUA continues to refine its methods to oversee fair lending law compliance. More sophisticated training has resulted in a better understanding of lending patterns in specific geographic areas as well as heightened awareness of how to detect patterns of discrimination.

“NCUA constantly urges credit unions to promote financial education to its members and participate in industry compliance seminars and training in order to be more proactive,” Marquis said. “The goal is to ensure credit unions institute adequate compliance programs and oversight procedures.

“Credit union members are entitled to fair treatment, not only because the law says so, but because they own the institution. When treatment is unfair and unlawful, NCUA steps in to ensure no member is subject to discrimination,” Marquis said.

The testimony is available online at <http://www.ncua.gov/news/speeches/Testimony.htm>.

Resource Connection

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profiles provide practical examples to credit unions interested in learning more about offering similar programs and services. Credit union profiles are categorized into areas such as:

- financial education;
- loans; and
- liquidity;
- member services.

The number of profiles and categories of business practices relies on submissions from credit unions willing to share their success stories. NCUA encourages credit unions to email business practice information to TheResource@ncua.gov.

The Partnership Connection

This section contains profiles of programs offered by federal government agencies and foundations that partner with

NCUA and credit unions. The profiles focus on programs that can benefit credit unions and their members. Each profile is presented in a standard format that identifies target participants, program objectives, eligibility requirements and costs. Contact information for the program and organization is also provided as a resource for acquiring additional information. Some examples of categories and Partnership programs include:

- Financial assistance: Community Development Financial Institution Fund programs;
- Financial education: U.S. Treasury Financial Literacy & Education Commission;
- Lending: SBA Basic 7(a) Loan Program;
- Volunteerism: IRS Volunteer Income Tax Assistance program; and

- Special accounts: health savings accounts and individual development accounts.

The Training Connection

This section lists scheduled NCUA training events and training opportunities offered by NCUA’s partner organizations. Prospective participants may register to attend NCUA’s training events conducted throughout the country. Training offered by partner organizations includes seminars sponsored by the Federal Housing Administration and NeighborWorks America for loan processors, loan officers, housing counselors and other professionals in the field of affordable housing.

Email inquiries and requests to share information about your foundation, federal government, or credit union program to TheResource@ncua.gov.

Vice Chairman promotes member business lending

Vice Chairman Rodney E. Hood met with Karl Yoneshige, president and CEO of HawaiiUSA Federal Credit Union and Nicholas Owens, national ombudsman for the U.S. Small Business Administration July 19, 2007, in Honolulu, Hawaii, to discuss the pivotal role credit unions play in spurring economic growth and development through sound and innovative member business lending. Vice Chairman Hood was in Hawaii to address the NAFCU 40th Annual Conference and Exhibition.

HawaiiUSA Federal Credit Union has been making strides to strengthen the economy by offering products and services to businesses in Hawaii. The program offers a variety of loan, deposit,

investment and insurance services—all intended to promote sustainable growth among businesses in Hawaii.

Vice Chairman Hood has been vocal about his support and encouragement of sound regulations that support member business lending.

“As a credit union regulator, it is my priority to provide a regulatory framework whereby credit unions have the flexibility and empowerment to provide affordable capital to their member-owners,” said Hood.

Mr. Hood was enthusiastic about the advances being made throughout the credit union arena to promote the establishment and growth of businesses within their membership.

“I encourage credit unions to continue providing innovative member business lending products that help member-owners establish viable businesses that create jobs and sustain local communities,” said Hood.

Vice Chairman Hood, NCUA liaison and member of the NeighborWorks® America Board, also visited two NeighborWorks American affiliates while in Honolulu. He met with Kendall Hirai, executive director of the Hawaii HomeOwnership Center and Dave Nakamura, executive director of the Mutual Housing Association of Hawaii. During the meetings, Mr. Hood was briefed on both NeighborWorks affiliates’ efforts to help provide affordable housing.



July 24, 2007, Alexandria, Va.—Vice Chairman Rodney Hood addressed over 120 high school students attending the National Student Leadership Conference in Washington, D.C. Vice Chairman Hood provided an overview of NCUA and how credit unions fit in the country’s economic structure, and he shared personal background explaining how hard work and diligent scholastic achievement helped him achieve personal goals.

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