

Board actions September 21, 2006

Insurance coverage rule is finalized

NCUA issued a rule change to Part 745 finalizing and clarifying the March 2006 interim final rule amending share insurance coverage for federally insured credit unions.

The final rule provisions include the following:

- Define the “standard maximum share insurance amount” (SMSIA) as \$100,000 and require NCUA and FDIC to jointly consider if an inflation adjustment is appropriate beginning in 2010 and subsequent 5-year periods.

- Increase the share insurance limit for IRA and Keogh retirement accounts from \$100,000 to \$250,000, subject to the same inflation adjustments.
- Provide pass-through coverage to all participants of an employee benefit plan, but limit acceptance of shares in employee benefit plans to insured credit unions that are well capitalized or adequately capitalized.
- Clarify insurance coverage for qualified tuition savings programs,

commonly referred to as 529 plans, and share accounts denominated in foreign currencies.

To provide maximum coverage as soon as possible, NCUA increased the share insurance limit on IRA and Keogh retirement accounts to \$250,000 effective April 1, 2006, shortly after adopting the interim final rule in March 2006.

A major factor in calculating any increase to SMSIA or retirement accounts in 2010 will use a formula comparing, over time, the annual value of the Personal Consumption Expenditures Chain-Type Price Index published by the Department of Commerce.

Chairman Johnson meets with Treasury Secretary Paulson



August 16, 2006, Washington, D.C. -- Chairman JoAnn Johnson with new Treasury Secretary Henry Paulson in his office at the U.S. Treasury Department.

NCUA Chairman JoAnn Johnson met August 16 with Treasury Secretary Henry Paulson at the U.S. Treasury, providing the new Secretary with an overview of

the credit union industry and discussing the vital role credit unions play in the nation’s economy.

Noting NCUA’s excellent relationship with Secretary Paulson’s predecessor, John Snow, Chairman Johnson said she looks forward to a similarly positive relationship on policy programs and issues of mutual interest.

“The credit union tax exemption, prompt corrective action reform and financial literacy are issues that have been at the forefront of our discussions with this Department, and I am optimistic that we will continue to enjoy the same kind of substantive, instructive and important communication with Secretary Paulson. His background and obvious grasp of both the policy and operational aspects of financial institution regulation should give everyone a high-level of confidence in his leadership,” Chairman Johnson said.

HIGHLIGHTS

Mortgage loan disclosure change announced	2
Earnings guidance issued	2
2007 NCUA Board meeting schedule	3
Credit unions post strong midyear results	3
Fazio and LaCreta assume new roles	3
Vice Chairman Hood and Congressman Walter Jones in North Carolina	4
Conversations with America	4
Board Member Hyland facilitates “SBA 101” webinar	5
NCUA to hold Budget Briefing and Public Forum	6



Mortgage loan disclosure change announced

NCUA issued *Regulatory Alert 06-RA-05* in September to advise credit unions of the new minimum threshold, established by the Federal Reserve, on points and fees charged to borrowers for certain mortgages required by Section 32 of Regulation Z, Truth in Lending.

Section 32 of Regulation Z implements the Home Ownership and Equity Protection Act of 1994 (HOEPA). HOEPA protects consumers from deceptive and unfair practices in home equity lending by establishing specific disclosure requirements for certain mortgages that have high rates of interest or assess high fees and points.

NCUA News

National Credit Union Administration

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Rodney E. Hood, Vice Chairman
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Information about NCUA and its services may be secured by contacting 703-518-6330.

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Effective January 1, 2007, the minimum threshold for total fees and points will increase from \$528 to \$547. If total points and fees exceed the greater of \$547 or 8 percent of the loan amount, Section 32 of Regulation Z requires lenders to provide borrowers additional disclosures. Credit insurance premiums for insurance written in connection with the credit transaction are fees for the purpose of this computation.

HOEPA applies to:

- First lien mortgage loans, excluding home purchases, where:
 - annual percentage rate (APR) exceeds the rate of comparable maturity Treasury securities by more than 8 percentage points, or
 - total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual minimum threshold.
- Second lien mortgage loans where:
 - APR exceeds the rate of comparable maturity Treasury securities by more than 10 percentage points, or
 - total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual minimum threshold.
- Other refinancing and home equity installment loans, excluding reverse mortgages and open ended lines of credit, where:
 - APR exceeds the rate of comparable maturity Treasury securities by more than 10 percentage points, or
 - total fees and points payable by the consumer at or before closing exceed the greater of 8 percent of the total loan amount or the annual minimum threshold.

The regulatory alert is online at:
http://www.ncua.gov/reg_alertsreg_alert.html.

A concise overview of HOEPA is online at <http://www.ftc.gov/bcp/conline/pubs/homes/32mortgs.htm>

Earnings guidance issued

Letter to Federal Credit Unions No. 06-FCU-04, issued in August, provides federal credit unions with the same supervisory guidance issued to examiners about evaluating earnings.

The letter emphasizes there is no simple metric for determining what an individual credit union's ROA level should be. While a 1 percent ROA level has served as the "rule-of-thumb" for good performance for financial institutions for some time, CAMEL ratings are not automatically determined by matrix ratios, and a 1 percent ROA should not be used to achieve a CAMEL 1 rating.

In today's fluctuating financial environment, each credit union's earnings level must be evaluated relative to net worth need, financial and operational risk exposure, the current economic climate, and the institution's strategic plan. The evaluation of earnings letter to federal credit unions is available online at <http://www.ncua.gov/letters/letters.html>.



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2007 NCUA Board meeting schedule

The National Credit Union Administration Board plans to convene at 10 a.m. each month except August in 2007 on the following dates:

- January 18
- February 15
- March 15
- April 12
- May 24
- June 21
- July 26
- September 20
- October 18
- November 15
- December 13

The schedule is subject to change.

Credit union officials, trade groups, media and the general public are invited to attend open meetings of the NCUA Board to witness the discussion and decision-making process that affects the vast majority of the nation's credit unions and NCUA operations.

Credit unions post strong midyear results

Credit unions reported a solid performance in the first half of 2006. Lending increased, shares grew, delinquencies declined and net worth increased based on mid-year 2006 Call Report data submitted by the nation's 8,540 federally insured credit unions.

"Credit unions play an active role in the country's economy by providing affordable options for members from all walks of life to save and borrow," said Chairman JoAnn Johnson. "In the first six months of 2006, shares grew an annualized 5.56 percent and loans grew an annualized 7.91 percent. Meeting member's needs is the mission of credit unions and thanks to reliable, expert member service I'm happy to report that as of June 2006 federally insured credit unions serve more than 85 million members."

Between December 31, 2005, and June 30, 2006, major activity includes:

- Assets increased 2.7 percent to \$697.0 billion from \$678.7 billion;

- Loans increased 4.0 percent to \$476.4 billion from \$458.2 billion;
- Shares increased 2.8 percent to \$593.7 billion from \$577.6 billion;
- Investments declined 1.8 percent to \$145.3 billion from \$148.0 billion;
- Net worth to total assets increased to 11.36 percent from 11.24 percent; and
- Membership increased 1.0 percent to 85.4 million from 84.5 million members.

Reviewing specifics, loan growth surpassed share growth and the loan to share ratio reached 80.24 percent indicating credit unions are diligently fulfilling members' borrowing needs. First mortgage real estate loans (credit unions' largest loan category) grew 5.7 percent during the first six months of 2006. Other real estate loans, which include second mortgage and home equity loans, grew 8.0 percent. New auto loans outpaced used auto loans - new auto loans grew 3.1 percent while used auto loans grew 0.6 percent from January through June.

Total shares increased 2.8 percent in 2006 based on a 1.1 percent increase in regular shares and a 9.4 percent increase in share certificates as money market shares declined 0.02 percent and share drafts declined 4.1 percent.

At mid-year 2006, federally insured credit unions' average net worth ratio increased to 11.36 percent, up from 11.24 percent at year-end 2005, and the return on average assets was 0.86 percent. Credit unions serve their members at 19,639 branch offices and 1,296 credit unions now offer service at shared branch offices. Credit union membership reached 85,381,055 at mid-year 2006.

Detailed financial information is available online at <http://www.ncua.gov/data/FOIA/foia.html>

Fazio becomes E&I deputy director as LaCreta becomes Region I associate director



Larry Fazio was selected deputy director of the Office of Examination and Insurance (E&I) effective October 1, 2006, replacing Anthony LaCreta

who moved to Region I to fill the vacant position of associate regional director of Operations.

As E&I deputy director, Larry Fazio is responsible for the safe and sound operation of the National Credit Union Share Insurance Fund as well as development and monitoring of examination and supervision procedures for federally insured credit unions. This includes management of the examination program and collection and evaluation of financial data submitted by credit unions.

With an accounting degree from Lewis

University, Fazio is a certified management accountant and is currently pursuing a master's degree in organizational management at George Washington University.



As ARD of Operations in Albany N.Y., Anthony LaCreta is responsible for managing the Region I divisions of Insurance, Supervision, Special Actions, and Management Services.

A native of Philadelphia, Penn., LaCreta holds a B.S. in accounting from Widener University. After graduation, he volunteered with the Peace Corps working in Africa with various cooperative societies in Botswana before joining NCUA.

November Board meeting time changes

The time has changed for the November 16 NCUA Board meeting. The open meeting will convene at 9 a.m. and the closed meeting will convene at 10:30 a.m.

Vice Chairman Hood and Congressman Walter Jones address North Carolina credit unions



August 21, 2006, Jacksonville, N.C. -NCUA Vice Chairman Rodney E. Hood (right) and U.S. Congressman Walter B. Jones (N.C.) before the Town Hall Meeting at Marine Federal Credit Union.

NCUA Vice Chairman Rodney E. Hood and U.S. Congressman Walter B. Jones (N.C.) participated in a Town Hall Meeting August 24 at Marine Federal Credit Union in Jacksonville, N.C. Organized by the North Carolina Credit Union League, the town hall meeting provided a forum to discuss the important role credit unions play in strengthening the economy in communities across America.

Vice Chairman Hood and Congressman Jones both addressed the crowd of credit union representatives and answered questions from the audience.

Mr. Hood presented an overview of his regulatory philosophy and emphasized the importance of maintaining safety and soundness while allowing regulatory flexibility. Vice Chairman Hood also praised credit unions for making the American dream a reality for their members.

“I was very pleased to join Congressman Jones today in this town hall meeting in my home state of North Carolina,”

said Vice Chairman Hood. “We enjoyed a frank discussion about how credit unions are making a powerful difference in people’s lives and I commend Congressman Jones for being so attentive to the great work credit unions are doing in communities in North Carolina and across America.”

While at Marine Federal Credit Union, located at nearby Camp Lejeune Marine Corps Base, one of the largest concentrations of Marines in the world, Vice Chairman Hood met with officials to

discuss how credit unions may best serve the financial needs of service members.

“When America’s service members are called to duty, it is vital that they have the assurance that they have the assurance that their finances back at

home are in good order. I commend credit unions for serving as a reliable financial partner for service members, and as their regulator, I am committed to working together with them to best meet the needs of America’s brave men and women who are called into service,” Hood said.

“When America’s service members are called to duty, it is vital that they have the assurance that their finances back at home are in good order.”

Vice Chairman Rodney Hood



Conversations with America announces upcoming events and meetings where our public has the opportunity to engage in conversations with NCUA executives about improving government service.

The goal is to provide access that enables feedback to help NCUA improve operations and the quality of service to credit unions.

In October --

Who and What: Chairman JoAnn Johnson will address the Tidewater Chapter of Credit Unions Chapter Meeting.

When: Monday, October 2, 2006

Where: Chesapeake, Va.

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

Who and What: Chairman JoAnn Johnson will attend the Access Across America Summit.

When: Tuesday, October 3, 2006

Where: Norfolk, Va.

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

Who and What: Vice Chairman Hood will address the Indiana Credit Union League’s Large Credit Union Roundtable.

When: Tuesday, October 3, 2006

Where: Indianapolis, Ind.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov

Who and What: Vice Chairman Hood will address Coastal Federal Credit Union's Employee Appreciation Day.

When: Monday, October 9, 2006

Where: Raleigh, N.C.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov

Who and What: Chairman JoAnn Johnson will address the Financial Strategies Forum.

When: Thursday, October 12, 2006

Where: Chicago, Ill.

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

Who and What: Vice Chairman Hood will address the VACORP Financial Strategies Conference.

When: Thursday, October 12, 2006

Where: Williamsburg, Va.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov

Who and What: Chairman JoAnn Johnson will address the ACCU 2006 Annual Meeting.

When: Friday, October 20, 2006

Where: Raleigh, N.C.

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

Who and What: Vice Chairman Hood will address the CUSC Branching Forum.

When: Monday, October 23, 2006

Where: Charleston, S.C.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov

Who and What: Vice Chairman Hood will address the AICPA National Credit Union Conference.

When: Tuesday, October 24, 2006

Where: Orlando, Fla.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov

Board Member Hyland facilitates "SBA 101" webinar



September 14, 2006, Alexandria, Va. – E&I Program Officer Cory Phariss, NCUA Board Member Gigi Hyland, SBA Financial Analyst John Wade, and NCUA Attorney Frank Kressman prepare for the SBA webinar.

NCUA Board Member Gigi Hyland co-hosted a webinar in Alexandria September 14, 2006, entitled **SBA 101: All You Ever Wanted to Know About Being an SBA-certified Lender**. Board Member Hyland serves as NCUA's liaison to the Small Business Administration (SBA), and the webinar was co-hosted by John Wade, a financial analyst with the SBA, who described details of SBA lending.

The one hour webinar provided registered participants from credit unions and state leagues an opportunity to learn more about extending business lending services and programs administered by the SBA.

"As I travel across the country, credit unions frequently express interest in offering member business lending services to their members," said Board Member Hyland. "This webinar is a great way to highlight the programs offered by SBA and how they can partner with the government to help their members achieve the dream of starting their own businesses."

The webinar featured discussions on important business lending topics, including:

- Overview of SBA 7a Guarantee Loan Program, 504 Program, and SBA Express;
- Becoming an SBA-certified lender;
- NCUA's member business loan rule and how it relates to SBA programs; and
- Due diligence issues related to member business lending and NCUA examination criteria regarding such activity.

Joining the webinar were two NCUA staff members. Frank Kressman, staff attorney in the Office of General Counsel, discussed the NCUA member business loan regulation and rule amendments that better align the MBL rule with SBA requirements. Cory Phariss, program officer in the Office of Examination and Insurance, discussed NCUA's due diligence requirements and what NCUA examiners look for when reviewing member business loans and SBA loan activity.

After the presentations, registered participants were given the opportunity

continues on page 6



NCUA to hold annual Budget Briefing and Public Forum

NCUA will hold its sixth annual Budget Briefing and Public Forum in October. Executive Director Len Skiles will introduce the proposed 2007 budget and the public is invited to attend and provide input.

What: NCUA's 2007 Budget Briefing and Public Forum

When: 10 a.m. to noon – Wednesday, October 18, 2006

Where: NCUA headquarters Board room, 1775 Duke Street, Alexandria

“NCUA is funded by credit unions

not federal tax dollars, and using credit union money wisely is an NCUA commitment year after year,” Chairman JoAnn Johnson said. “An important step in the funding process is formulating the agency’s budget in an open venue before the astute eyes of the credit union community. Once again this year we invite interested parties to take the opportunity

to share their views on the NCUA budget. We welcome the knowledge and breadth of ideas shared by those in the industry who elect to address budget issues during the open forum.”

The public and credit union community members who wish to present oral statements concerning the proposed

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Chairman JoAnn Johnson

budget should contact the Secretary of the Board to register. Each registered participant has 10 minutes to present their oral statement.

A Budget Briefing and Public Forum –

Request to Participate must be received by October 11. Because of time restraints, NCUA reserves the right to select witnesses; however, the agency will make every effort to accommodate all requests and ensure a broad range of views.

Participants who prefer to provide written comments must file a **Budget Briefing and Public Forum – Comment**

with the Secretary of the Board by November 1 to be considered. Please submit comments and participation requests by mail to Mary Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314, by fax 703-518-6319, or by e-mail regcomments@ncua.gov.

continued from page 5

to e-mail questions to be answered by Board Member Hyland and the webinar presentors.

“I was very pleased to have these business lending experts join me during this webinar,” said Board Member Hyland. “I thank the audience for their participation and thoughtful questions. As a regulator, I believe that public comment and input is vital, and this webinar was a great way to utilize the latest in Internet webcasting technology to provide a productive forum for discussion for credit union officials across America.”

The webinar is available for viewing on NCUA’s website www.ncua.gov.

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