



## NCUA celebrates 75th year with Symposium

Sustainability, collaboration and change were the resounding themes of the 75th Anniversary Symposium hosted by NCUA Board Member Gigi Hyland June 9-10, 2009. Nearly 200 attendees participated in the free Symposium that offered a forum for lively discussion of the future of the credit union system.

“My main objective for this Symposium is to celebrate this unique business model and to provide a forum for conversation about its future sustainability,” Board Member Hyland said opening the event. “Given the current crisis,” she continued, “now is the time to be looking to the future, to discuss issues that have been bubbling within the credit union system for years and have now been brought to a head... My sincere hope is that this Symposium will give us a chance to effectively use

this crisis to explore the issues that will affect the future of the U.S. credit union system... If there are ideas related to legislative and/or regulatory changes, my commitment is to take those ideas back to the NCUA Board for consideration.”

Keynote speaker Representative Paul Kanjorski noted that one of his goals is to remove what he deemed as some of the restrictive provisions of the Credit Union Membership Access Act during his tenure in Congress, including lifting the cap on member business loans. He also urged credit unions to stay true to their mission of service to people.

Luncheon speaker John Hope Bryant, founder, CEO and chairman of Operation HOPE, Inc., said that the current economic crisis has given the nation an opportunity to “reset” its values in a way that will afford all of our citizens the ability to gain greater financial freedom. He noted that credit unions can play an important role in that effort, and firmly urged attendees to do everything they can to reach out to the youth of this country to use their enthusiasm and new ideas to help refresh and “reset” the credit union difference.

Each panel underscored the continuing need for collaboration amongst credit unions to assure their sustainability. Topics of discussion included other financial service models like Desjardins of Canada, supplemental capital, the future of corporate credit unions, a new concept for a financial



June 9, 2009, Washington, D.C.—  
Congressman Paul Kanjorski

services cooperative charter, and leveraging affinity relationships between members to grow and be sustainable.

Presentations and other information from the Symposium are posted online at <http://www.ncua.gov/GenInfo/Members/Hyland/Presentations.aspx>.



June 9, 2009, Washington, D.C.—Mark Meyer, CEO Filene Research; Scott Sommer, president and CEO, Cornerstone Advisors; Board Member Hyland and Dorian Stone, principal with McKinsey & Company.

## Chairman Fryzel commemorates 75th anniversary

June 26, 2009, Alexandria, Va.



“Today is the actual 75th anniversary of the signing of the Federal Credit Union Act into law. While the temptation is to commemorate the formal,

official, governmental aspects of the day, I prefer to give recognition and thanks to the millions of American consumers who have

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## General Counsel opinion letters

The NCUA Office of General Counsel issues opinion letters interpreting agency regulations and policies in response to questions submitted. Summaries of recent opinion letters follow. Secure these letters online at <http://www.ncua.gov/Resources/RegulationsOpinionsLaws/OpinionLetters.aspx>.

**09-0243—Liability of a Credit Union Member**—A federal credit union (FCU) member, as an owner-shareholder of an FCU, does not face the same risk of loss as a shareholder of a for-profit corporation or a partner in a partnership. FCU members invest in and become owners of their FCU by placing funds in savings, checking or share certificate accounts, and the National Credit Union Share Insurance Fund insures qualifying accounts up to \$250,000 per qualifying account. If an FCU becomes insolvent or closes, members are not at risk of losing any insured funds. In the event a solvent FCU liquidates, each member is entitled to a pro rata share of the FCU's net worth.

**09-0426—Shared Appreciation Loan Modifications**—FCUs can offer shared

appreciation loan modifications, which are a contract between an FCU and individual borrower and a permissible exercise of FCU authority to contract with and lend to members under the Federal Credit Union Act (the Act). 12 U.S.C. §1757(1), (5). NCUA notes a few factors, including regulatory requirements, FCUs should keep in mind when using shared appreciation loan modifications.



## Recent letters to credit unions

**Letter No.: 09-CU-12**—The Federal Financial Institutions Examination Council (FFIEC) developed uniform interagency examination procedures on recent legislation addressing limitations on terms of credit extended to military personal. The letter provides an overview of how recent legislation and regulatory changes affect credit unions and four enclosures share specific related examination procedures the FFIEC working group developed.

**Letter No.: 09-CU-13**—Hurricane Preparedness and Pandemic Planning alerts credit union management to update their Business Continuity & Disaster Recovery Plan because of 2009 Hurricane predictions by the National Hurricane Center and recent events related to the H1N1 virus (swine flu).

**Letter No.: 09-CU-14**—Corporate Stabilization Fund Implementation outlines the benefits and requirements of the new corporate stabilization legislation, describes NCUA actions to implement the legislation, and summarizes impact on the NCUSIF capitalization deposit and premium assessment. Accounting implications for credit unions are also included.

NCUA's letters to credit unions are available online at <http://www.ncua.gov/Resources/LettersCreditUnion.aspx>.

### Hyland

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knowledge must be made available at all community crossroads in our society—schools, universities, churches, financial institutions, work places and even retirement homes. We need to reach everyone, especially those that are often left out of the mainstream, including people living in lower-income neighborhoods and the immigrant community. There is no age or racial discrimination when it comes to financial literacy. All of us benefit from a better understanding of how money works," Hyland said.

## House Appropriation Subcommittee retains maximum CLF borrowing authority

A U.S. House of Representatives Appropriation Subcommittee voted June 25, 2009, to not place a cap and to maintain the Central Liquidity Facility (CLF) maximum, approximately \$40 billion, borrowing authority through fiscal year 2010 to ensure NCUA has a source of funding available to meet liquidity needs.

"Today's Subcommittee action suggests that Congress will continue to support NCUA's authority regarding Central Liquidity Facility borrowing," said NCUA Chairman Michael E. Fryzel. "I am optimistic that the cap will be removed for the second consecutive fiscal year and that Congress will provide NCUA with the necessary tools to maintain liquidity in the credit union system."

The Subcommittee also approved \$1 million in technical assistance for the Community Development Revolving Loan Fund. The measures must now be considered by the full Committee.

## 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.

**Michael E. Fryzel**, *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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## **NCUA implements Temporary Corporate CU Stabilization Fund**

The NCUA Board approved a Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund). The following provisions describe its establishment, funding, and use.

- Establishes Delegations of Authority for conducting Stabilization Fund business.
- Approves legal transfer of assets and liabilities associated with the Corporate Stabilization Program to the Stabilization Fund.
- Fully restores credit union National Credit Union Share Insurance Fund (NCUSIF) capitalization deposits.
- Reduces the estimated 2009 assessment to 0.15 percent of insured shares.

In addition to hosting an explanatory webcast Wednesday, June 24, 2009, NCUA issued *Letter to Credit Unions 09-CU-14* (see related article) providing details about Stabilization Fund operations and technical implementation guidance. Frequently Asked Questions will be forthcoming to assist with understanding and implementation.

The “2009 Helping Families Save Their Homes Act” includes a provision creating the Temporary Corporate Credit Union Stabilization Fund. The Stabilization Fund is limited to paying expenses associated with the ongoing problems in the corporate credit union system. The primary purpose of the Stabilization Fund is to assess over multiple years the cost to insured credit unions associated with the corporate credit union stabilization effort.

To pay costs associated with corporate credit union assistance, the NCUA Board can borrow up to \$6 billion from the Treasury on a revolving basis to make payments from the Stabilization Fund. The NCUA Board has the ability to increase the funding to \$30 billion. NCUA will borrow an initial \$1 billion immediately and consider specific strategies and uses before executing future borrowings.

All Treasury borrowing must be repaid with interest. The Stabilization Fund must repay and close within seven years of taking the first advance from Treasury.

## **NCUA approves operating fee adjustments**

The NCUA Board approved final rule §701.6 that permits federal credit unions to subtract any asset created by investments made under the Credit Union System Investment Program (CU SIP) or the Credit Union Homeowners Affordability Relief Program (CU HARP) from total assets when calculating their operating fee.

Effective January 1, 2010, the Board believes this amendment will remove a disincentive for federal credit union participation in CU SIP or CU HARP.

## **Certain 2nd mortgage loans can surpass 20 years**

The NCUA Board approved an interim final rule permitting federal credit unions participating in the Department of the Treasury’s Making Home Affordable Program (MHA) to modify a second mortgage loan beyond 20 years to match the term of a modified first mortgage loan. The Part 701 interim rule is effective upon publication in the Federal Register.

Treasury estimates up to 50 percent of at-risk mortgages currently have second liens. If a first lien is modified to improve affordability, an unmodified second lien could still put a homeowner at risk of foreclosure. Treasury recently launched a Second Lien Program in an effort to maximize the effectiveness of the first lien modification program. The MHA Second Lien Program coordinates with the first lien program to help create a sustainable mortgage payment for those homeowners who qualify for a first mortgage modification, yet face difficulty affording their house payment due to a second lien. The interim final rule will permit more credit unions to participate in the Second Lien Program.

## **NCUSIF status report**

Through May 31, 2009, NCUSIF year-to-date revenue and expense included investment income of \$81.8 million, accrued recapitalization and premium income of \$6.2 billion, operating expense of \$43.2 million, insurance loss expense of \$5.1 billion, and loss on investment -corporate- of \$1 billion. Net income

through May was \$137.7 million.

The NCUSIF reserve balance was \$5.4 billion as of May 31, 2009—approximately \$4.9 billion in reserves for corporates and nearly \$430 million in reserves for natural person credit unions.

Based on year-end 2008 insured shares of \$611.6 billion, the NCUSIF equity ratio was 1.30 percent as of May 31, 2009. Six federally insured credit unions failed through May—2 liquidations and 4 assisted mergers—at a cost of \$24.4 million.

There were 301 problem code credit unions as of May 31, 2009, with shares representing 3.99 percent of total insured shares—56 percent held less than \$10 million in total shares and 1.7 percent held more than \$1 billion in total shares.

The rising risk level in the credit union system, increased rate of growth in insured shares, and increased coverage from \$100,000 to \$250,000 results in downward pressure on the equity ratio. NCUA expects to consider a premium assessment for both the NCUSIF and the Stabilization Fund in early Fall 2009.

## **Board votes are unanimous unless otherwise indicated**

### **Fryzel**

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made the credit union industry a success. Credit unions are a valuable and durable vehicle through which members can save and invest in a cooperative environment.

“On June 26, 1934, the founders of the credit union movement could not have known the heights that these institutions would enable their members to reach. But I do feel confident that credit union pioneers would draw tremendous satisfaction from the knowledge that, in the words of Edward Filene, credit unions ‘demonstrate the practicality of the brotherhood of man.’”

“That lofty expectation has been fulfilled through the 75 year history of federal credit unions, and those of us today who have inherited responsibility for the stewardship of the movement must work tirelessly to make certain that tomorrow’s credit unions stay true to their members, and thus true to their mission of service.”

*Chairman Michael E. Fryzel*

# Hood recognizes unique credit union capabilities and economic assistance

National Credit Union Administration (NCUA) Vice Chairman Rodney E. Hood met with both Harvard University Employees Credit Union (HUECU) and Winthrop Federal Credit Union during his June 11, 2009, trip to Boston, Mass. While in the area, Hood also took the time to discuss credit union issues with Susan Elliott, president of the Federal Home Loan Bank of Boston, and Eric Rosengren, president/CEO of the Federal Reserve Bank of Boston.

During his visit to HUECU, the Vice Chairman learned about a fantastic new program—the Custom Loan Program for Harvard University Graduate Students. The Program was designed to provide financial

*I am passionate about economic empowerment for all Americans and for all communities, and I feel that it is especially important to teach underserved consumers how to differentiate mainstream from fringe lenders...*

assistance to all students attending the 13 Harvard graduate schools, both domestic and international students. The unique Program couples highly competitive loan terms with flexible repayment options, making it both attractive and practical for students at the graduate level.

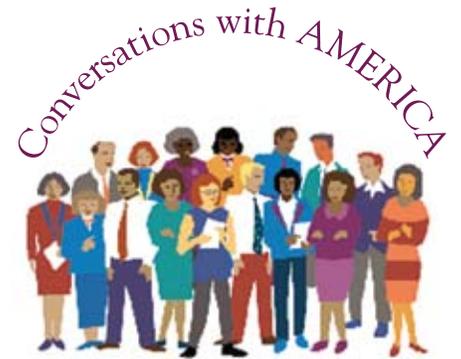
“I am delighted to see HUECU recognize their unique capabilities, particularly during this climate of economic unrest, and leverage their recourse for servicing the underserved to provide an opportunity for higher education to those in need. This is a wonderful example of the credit union mission of ‘People Helping People’ and I applaud their initiative,” said Hood.

During his visit to Winthrop Federal Credit Union, the Vice Chairman had the opportunity to discuss the importance of serving low-income individuals living in underserved areas. As a strong advocate of financial literacy, Hood stressed the importance of making financial products affordable while maintaining the component of financial education and asset building.

“I am passionate about economic empowerment for all Americans and for all communities, and I feel that it is especially important to teach underserved consumers how to differentiate mainstream from fringe lenders—this to me serves as both education and protection. Seeing firsthand how Winthrop FCU takes responsibility for the financial education of their members is both impressive and inspiring,” Hood said.



June 11, 2009, Boston, Mass.—From the left are Gene Foley, HUECU president and CEO; George White, HUECU chairman of the Board; Rodney Hood, NCUA vice chairman; and Dan Egan, president, Massachusetts Credit Union League.



## My Government Listens

**Date:** Friday, July 17, 2009  
**Who:** Vice Chairman Rodney E. Hood  
**Event:** AACUL Summer Meeting  
**Location:** Chicago, IL  
**Contact:** Sally Thompson at [sridgely@ncua.gov](mailto:ridgely@ncua.gov)

**Date:** July 17, 2009  
**Who:** Board Member Gigi Hyland  
**Event:** AACUL Summer Meeting  
**Location:** Chicago, IL  
**Contact:** Jessica Vogel at [jvogel@ncua.gov](mailto:jvogel@ncua.gov) or 703-518-6318

**Date:** Friday, July 24, 2009  
**Who:** Vice Chairman Rodney E. Hood  
**Event:** NAFCU's 42nd Annual Conference  
**Location:** National Harbor, MD  
**Contact:** Sally Thompson at [sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Date:** August 7, 2009  
**Who:** Board Member Gigi Hyland  
**Event:** AACUC Annual Conference  
**Location:** Las Vegas, NV  
**Contact:** Jessica Vogel at [jvogel@ncua.gov](mailto:jvogel@ncua.gov) or 703-518-6318

**Date:** August 20, 2009  
**Who:** Board Member Gigi Hyland  
**Event:** NASCUS State System Summit  
**Location:** Boston, MA  
**Contact:** Jessica Vogel at [jvogel@ncua.gov](mailto:jvogel@ncua.gov) or 703-518-6318

## Upcoming Webcast to highlight web-based 5300 reporting

NCUA will host a webcast August 12, 2009, to provide credit unions with information about the new web-based Credit Union Profile and 5300 Call Report system that NCUA will implement September 1, 2009. The webcast will provide a description of the new online reporting system and key items credit unions will need to transition to the online system. It will also provide credit unions the opportunity to ask questions about the new reporting system.

Registration information will be provided the week prior to the webcast.

The new online Credit Union Profile and 5300 Call Report system will provide

credit unions the opportunity to self-manage profile information, submit data and receive information from NCUA. This system will be used to submit 5300 Call Reports beginning with the September 30, 2009, reporting cycle. Prior to submitting September 2009 call reports, credit unions will be required to enter credit union profile data, including information previously collected on the Report of Officials and Call Reports.

Reference the Frequently Asked Questions at the following link for additional information: <http://www.ncua.gov/DataServices/OnlineFAQ.pdf>.

## Fryzel visits Pentagon FCU

Chairman Michael E. Fryzel met with executive staff of Pentagon Federal Credit Union at the credit union's headquarters in Alexandria Virginia, June 17, 2009.

"The ways in which Pentagon Federal uses the most up-to-date-technology, and their demonstrated commitment to meeting

the needs of a diverse membership were very much on display during my visit," noted Chairman Fryzel. "Credit unions always do well when they make their members the constant priority in a rapidly changing marketplace," stated Chairman Fryzel.



June 17, 2009, Pentagon FCU—From the left are Rocky Mitchell, executive vice president and COO; Chris Flynn, senior executive vice president; Lisa Jennings, executive vice president and CFO; COL (Ret) James Quinn, PFCU Board chairman; Chairman Fryzel; Frank Pollack, president/CEO; Betsy Henkel, executive vice president Business Development; James Schenck, CEO PFCU Foundation & executive vice president Credit & Collections; and Stephen Eisenberg, executive vice president & general counsel.

## Chairman Fryzel on financial regulatory reform

June 17, 2009—Chairman Michael E. Fryzel attended President Barack Obama's announcement at the White House regarding the Administration's Financial Regulatory Reform White Paper and issued the following statement:

"The Administration's proposal merits serious consideration. Given the market turmoil of the last several months, and the resultant consumer uncertainty regarding the entire financial system, there is now an opportunity for restructuring that will genuinely produce improved regulation. At first reading, I am pleased with two specific elements: the creation of a council that would enhance consumer protections, and the maintenance of a separate and independent NCUA. Both of these, in concert with other aspects of reform under consideration, will serve to ultimately improve the safe and sound operation of the U.S. financial system. I look forward to working with Congress as the legislative process moves forward."



## Financial literacy is the “cornerstone of self-sufficiency”

Board Member Gigi Hyland participated in a plenary panel June 17, 2009, on “Financial Literacy and Progressive Public Policy and Regulation” at Operation HOPE’s Global Financial Literacy Summit held at THEARC in Anacostia, Washington, D.C. Fellow speakers were Valerie Jarrett, senior advisor and assistant to President Obama, U.S. Federal Reserve Board Chairman Ben Bernanke, FDIC Chairman Sheila Bair, several members of the U.S. Senate and House of Representatives, along with other regulatory and industry leaders from around the country and abroad.

Operation HOPE is a non-profit, public benefit organization whose mission is to expand economic opportunity in underserved communities through economic education and empowerment. Founder, Chairman and CEO John Hope Bryant gave the luncheon address at NCUA’s 75th Anniversary Symposium hosted by Board Member Hyland. (See article on p. 1)

Board Member Hyland detailed NCUA efforts in facilitating credit unions’ use of financial literacy as an important tool in adhering to their social mission. She highlighted details about NCUA’s web-based “Resource Connection,” which



*June 17, 2009, Chicago, Ill.—Board Member Gigi Hyland with staff, interns and CEO Gerald W. Jackson from BVA Federal Credit Union in Belle Vernon, Pa., at the Operation HOPE Global Financial Literacy Summit.*

facilitates credit union to credit union sharing of programs and ideas. She also outlined technical assistance grants and loans from the Community Development Revolving Loan Fund (CDRLF) and the agency’s role in efforts sponsored by NeighborWorks® America and the Federal Financial Literacy and Education Commission, which sponsors [www.mymoney.gov](http://www.mymoney.gov).

“During these dramatic economic times, the seeds of economic empowerment for all must be planted in the fertile soil of financial literacy,” stated Board

Member Hyland. “Financial literacy is not just a course or seminar. It is a way of life. Financial literacy is the emotional connection between people and the knowledge to manage the money they earn. It is the cornerstone of self-sufficiency and empowerment. Financial illiteracy is the death-knell of economic recovery and progress.

“The best approach to financial literacy is results-oriented,” she noted. “I believe that in order to help all Americans be financially literate, financial

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