

Board Member Hyland recommends a proactive, balanced approach

Hyland testifies on mortgage lending

NCUA Board Member Gigi Hyland told Congress December 6, 2007, that NCUA favors a balanced approach to restructuring of home mortgages that allows for “prudent workout arrangements” that “benefit both credit unions and their members.”

Testifying before a House Financial Services Committee hearing on Accelerating Loan Modifications, Improving Foreclosure Prevention and Enhancing Enforcement, Hyland assessed a series of federal and state proposals to improve the pace and volume of mortgage loan modifications, which may help troubled borrowers remain in their homes.

During her testimony, Board Member Hyland addressed H.R. 4178, legislation introduced by Representative Michael Castle (R-DE), which would provide for a safe harbor from legal liability for mortgage market participants who modify mortgage loans according to certain criteria, an FDIC proposal in response to that bill, a California proposal between the state and large mortgage servicers, and a draft amendment to increase penalties on lenders who engage in a pattern of unfair or abusive lending practices.

“We support good faith attempts to facilitate loan modifications. This is not only good for consumers, it’s a realistic approach that takes into account the importance of the secondary market,” commented Hyland.

Citing NCUA and interagency guidance on subprime lending that has been issued in recent months, Hyland underscored the importance of enhanced Agency oversight of this type of lending activity by credit unions. The testimony also noted that, while delinquencies and foreclosures in credit union mortgage lending have increased, they remain a very small part of overall credit union real estate lending.



Photo by David Klavitter with CUNA

Washington, D.C., December 6, 2007—Board Member Gigi Hyland testifies before the House Financial Services Committee on Accelerating Loan Modifications, Improving Foreclosure Prevention and Enhancing Enforcement.

“NCUA is mindful of the broader market dislocation,” Hyland stressed and vowed that NCUA will continue to encourage credit unions to “take extra care” in mortgage lending, particularly in the non-traditional segment of the market.

Hyland also offered suggestions regarding the several proposals before the Committee, including broadening language to include FHA as well as VA loans in a definition of mortgages qualified for certain workout plans, extending the window for workouts and modifications from 6 to 12 months, and conforming a definition of “reasonably foreseeable default” to one used by NCUA and other regulators in lending guidance issued earlier this year.

“NCUA supports any responsible effort that enhances consumer protection while preserving the mortgage financing market’s ability to attract and retain capital and liquidity,” stated Hyland.

The text of Board Member Hyland’s testimony is available online at <http://www.ncua.gov/news/speeches/speeches.html>.

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Board actions December 13, 2007



NCUA Strategic Plan 2009-2014 issued for comment

The NCUA Board issued a request for comment on the agency's 2009-2014 strategic plan. Based on NCUA's mission of providing a safe, sound credit union system, the strategic plan provides long-term guidance and operates in concert with the annual agency budget and operating plans.

The strategic plan establishes NCUA goals and objectives based on the fundamental areas of safety and soundness, access to financial service and an effective regulatory environment. The draft strategic plan is available online at <http://www.ncua.gov/ReportsAndPlans/plans-and-reports/index.html>, and comments are due by February 29, 2008.

NCUSIF operating level policy established

The NCUA Board approved a policy providing transparency in setting the National Credit Union Share Insurance Fund normal operating level, determining

dividends and assessment of premiums, in addition to formalizing the process for ensuring rigorous, ongoing analysis of the Share Insurance Fund. The Board also established a normal NCUSIF operating level of 1.30 percent.

To determine adequacy of the equity level, the policy includes stress scenarios to apply when preparing quantitative analysis to set the normal operating level. Stress scenario applications include:

- Highest share level in the past 10 years;
- Highest NCUSIF operating expense level in the past 10 years;
- Highest insurance loss level in the past 10 years; and
- 300 basis point shock of the investment yield in the NCUSIF investment portfolio.

Stress test results will determine a range in which the equity level can be actively managed to avoid premiums during a decline in the business cycle. Also, the quantitative analysis is supplemented with qualitative analysis to ensure current operating conditions are considered in setting the normal operating level and any premium assessment.

The NCUA Board has traditionally set the NCUSIF normal operating level at the end of each calendar year. The new policy

will continue to review the operating level at least annually, taking action when change is necessary.

NCUSIF investment policy revisions approved

The NCUA Board approved National Credit Union Share Insurance Fund investment policy revisions that include mandatory rules and specific guidelines for NCUSIF investments. The policy establishes maturity limits, defines permissible investments and provides a general investment strategy.

Adhering to revised investment policy, NCUSIF funds will be invested as follows:

- Maintain an overnight liquidity target determined by projected liquidity needs;
- Invest 5 percent of the non-liquidity balance minus \$50 million in a 5-year Treasury ladder each quarter; and
- Invest \$50 million in a 10-year Treasury ladder each quarter.

By adding this additional Treasury ladder to the investment portfolio, the fund will experience additional earnings stability while providing a higher expected future return.

Board votes are unanimous unless otherwise indicated

NCUA News

National Credit Union Administration

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

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

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

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2008 regulation review

NCUA reviews all regulations every three years to "update, clarify and simplify existing regulations and eliminate redundant or unnecessary provisions," in compliance with IRPS 87-2, Developing and Reviewing Government Regulations. The Office of General Counsel reviews one-third of the regulations each year, identifying those we think should be amended.

While NCUA may review or revise other regulations as well, NCUA is scheduled, in 2008, to review the second third of its regulations, Parts 711

through 747, to make recommendations for amendments. The following four regulations have been identified for possible amendments:

- Part 712 Credit Union Service Organizations
- Part 721 Incidental Powers
- Part 723 Member Business Loans
- Part 740 Advertising

A list and summary of the regulations considered by the Board for review in 2008 is available online at http://www.ncua.gov/RegulationsOpinionsLaws/rules_and_regs/rules_and_regs.html.

Enforcement Authorities for Credit Unions

Listed below are various laws and regulations that apply to credit unions and the related federal enforcement authorities.

Laws & Regulations	Federal CUs	Federally insured state-chartered CUs	Non-federally insured CUs
Part I Credit			
B—Equal Credit Opportunity	NCUA	FTC	FTC
E—Electronic Fund Transfers	NCUA	FTC	FTC
Credit Practices Rule	NCUA	FTC	FTC
M—Consumer Leasing	NCUA	FTC	FTC
RESPA—Real Estate Settlement Procedures Act	HUD ¹	HUD	HUD
Z—Truth in Lending	NCUA	FTC	FTC
Part II Housing			
C—Home Mortgage Disclosure	NCUA	NCUA	NCUA
Flood Disaster Protection Act	NCUA	NCUA	FHA/VA
FHA Fair Housing Act	HUD	HUD	HUD
Part III Privacy			
Bank Secrecy Act	NCUA	NCUA ²	TREAS (IRS)
Consumer Privacy	NCUA	NCUA	FTC
Fair Credit Reporting Act	NCUA	FTC	FTC
Right to Financial Privacy Act	Private	Private	Private
Part IV Credit Union Operations			
CC—Expedited Funds Availability Act	NCUA	NCUA	FRB
D—Reserve Requirements	FRB	FRB	FRB
Fair Debt Collection Practices Act	NCUA	FTC	FTC
Management Officials Interlocks Act	NCUA	NCUA	DOJ
Service Members Civil Relief Act	Private	Private	Private
Truth in Savings Act	NCUA	NCUA	NCUA ³

Legend:

DOJ	Department of Justice
FHA/VA	Federal Housing Administration/Veterans Administration
FRB	Federal Reserve Board
FTC	Federal Trade Commission
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
Private	Cause of Action
TREAS	Treasury Department

Note: Although NCUA is not the primary enforcer under some of these regulations, Title II of the FCU Act authorizes NCUA to take cease and desist actions for violations of any law.

¹HUD's policy is to cooperate with federal and state regulatory agencies having supervisory powers over lenders.

²For FISCUs examined by NCUA.

³NCUA has jurisdiction for federal CUs, federally insured, state-chartered CUs, and CUs with accounts eligible to be insured by the NCUSIF.



My Government Listens

Date: Friday, January 18, 2008

Who: Chairman JoAnn Johnson

Event: American Association of Credit Union Leagues Annual Meeting

Location: Naples, FL

Contact: Linda Queen at

lqueen@ncua.gov or 703-518-6309

Date: Friday, January 18, 2008

Who: Vice Chairman Rodney E. Hood

Event: American Association of Credit Union Leagues Annual Meeting

Location: Naples, FL

Contact: Sally Thompson at

sridgely@ncua.gov

Date: Friday, January 18, 2008

Who: Board Member Gigi Hyland

Event: American Association of Credit Union Leagues Annual Meeting

Location: Naples, FL

Contact: Laurie Eagan at

laurie@ncua.gov or 703-518-6318

Date: Monday, February 4, 2008

Who: Vice Chairman Rodney E. Hood

Event: NAFCU Annual Meeting

Location: Williamsburg, VA

Contact: Sally Thompson at

sridgely@ncua.gov

Date: Wednesday, February 6, 2008

Who: Board Member Gigi Hyland

Event: Kentucky League State Government Affairs Conference

Location: Frankfort, KY

Contact: Laurie Eagan at

laurie@ncua.gov or 703-518-6318

Date: Tuesday, February 19, 2008

Who: Chairman JoAnn Johnson

Event: Iowa CUL Legislative Issues Conference

Location: Des Moines, IA

Contact: Linda Queen at

lqueen@ncua.gov or 703-518-6309

Hyland Introduces NCUA-IRS VITA webcast

Government partnership highlights credit union VITA program

NCUA Board Member Gigi Hyland introduced a recent webcast focusing on credit union opportunities to provide free tax preparation service for members. The webcast, which follows an Access Across America program that included a panel on Volunteer Income Tax Assistance (VITA) Hyland hosted in March 2007, was a collaborative effort with NCUA, U.S. Department of Housing and Urban Development and U.S. Internal Revenue Service (IRS)

“Providing free tax preparation enhances credit unions’ ability to connect with their communities and provides a vital service to the members,” Board Member Gigi Hyland said. “What’s more, the VITA program provides credit unions access to a network of national organizations, 325 community coalitions and the IRS. This webcast offers credit unions the chance to learn from the experts about the VITA program and these partnership opportunities. Future NCUA webcasts will focus on ways to establish a VITA website and additional opportunities to partner with other government agencies.”

The NCUA-IRS webcast featured speakers from the IRS and two credit unions, actively involved in the VITA program, presenting information regarding VITA and partnerships with community coalitions. Currently, nearly 200 credit unions are involved in the VITA program and related coalition outreach efforts.

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Pandemic planning guidance issued

The Federal Financial Institutions Examination Council (FFIEC) issued guidance in December for financial institutions to help identify continuity planning needed to minimize the potential adverse effects of a pandemic. This guidance expands upon the Interagency Advisory on Influenza Pandemic Preparedness issued in March 2006.

Pandemic planning presents unique challenges to financial institutions. Unlike most natural or technical disasters and malicious acts, the impact of a pandemic is more difficult to determine because of the anticipated difference in scale and duration. Because of these differences, no individual or organization is safe from the potential adverse effects of a pandemic event. Experts believe the most significant challenge may be the severe staffing shortages that will likely result from a pandemic outbreak.

The FFIEC agencies believe the potentially significant effects a pandemic could have on an institution justify establishing plans to address how each institution will manage a pandemic event.

Accordingly, an institution’s business continuity plan should include:

1. A preventive program to reduce the likelihood an institution’s operation will be significantly affected by a pandemic event;
2. A documented strategy that provides for scaling pandemic efforts commensurate with the particular stages of a pandemic outbreak;
3. A comprehensive framework of facilities, systems, or procedures to continue critical operations if large numbers of staff members are unavailable for prolonged periods;
4. A testing program to ensure the institution’s pandemic planning practices and capabilities are effective and will allow critical operations to continue; and
5. An oversight program to ensure ongoing review and updates to the pandemic plan.

The planning guidance is available on the FFIEC website: <http://www.ffiec.gov/>.

Johnson recommends increased credit card monitoring



Chairman JoAnn Johnson recently alerted consumers to prudent credit card practices and outlined steps to guard against identity theft.

“As a member of President Bush’s Financial Literacy and Education Commission, I recognize the importance of encouraging good, common sense habits when it comes to using credit cards. These are valuable instruments that give consumers more flexibility when it comes to making purchases, but they also carry with them responsibilities that consumers should be aware of, particularly in preventing identity theft,” commented Johnson.

Practices outlined by Johnson regarding the wise use of credit cards include:

- Be cautious when using cash advances and read the fine print in the agreement, particularly since they usually carry higher interest rates.

- Paying the maximum amount possible on your credit card balance, instead of the minimum, decreases the time it takes to pay off your credit card, saves money in interest charges, and helps establish a better credit rating.

In addition to prudent use of credit cards, Chairman Johnson also stressed greater consumer awareness as a tool to combat identity theft. Identity theft and other fraudulent use of confidential personal financial information can affect a person’s credit, ability to get a job, or own a home. According to a recent survey released by the Federal Trade Commission, 8.3 million American adults were victims of identity theft in 2005.

Steps that consumers can take to help prevent identity theft include:

- Safeguard any documents that contain sensitive personal information, including proper disposal and shredding.
- Read financial and credit card statements as soon as they arrive and

- look for unauthorized transactions.
- Review your credit report from all three credit reporting agencies and make certain there are no inaccuracies, annually if possible.

“Financial education is an important first step in helping consumers navigate an increasingly complex financial landscape,” Johnson noted. “I am grateful for the proactive efforts credit unions are making to inform their members about these issues.”

For more information about financial literacy programs and tips visit <http://www.ncua.gov/FinancialEducation/index.htm> and www.mymoney.gov. In addition, if you need to report identity theft or would like to learn more about credit card issues, visit the Federal Trade Commission websites at <http://www.ftc.gov/bcp/edu/microsites/idtheft/> or <http://www.ftc.gov/bcp/menu/consumer/credit/loans.shtm> respectively.

Executive Director Skiles testifies before Congress

NCUA backs consumer hotline assistance



NCUA Executive Director J. Leonard Skiles told Congress December 12, 2007, that while NCUA supports legislative proposals to facilitate consumer

contact with federal agencies, the Agency also wants to ensure that NCUA continues to have direct responsibility over inquiries regarding credit unions.

Skiles testified before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit. He and other federal financial institution regulators were asked to

comment on the Financial Consumer Hotline Act of 2007, legislation introduced by Chairwoman Carolyn Maloney (D-NY) that would establish a single, toll-free telephone number consumers can call with complaints or questions regarding their financial institution.

Skiles underscored his belief that the present system is working to benefit the credit union member. He also acknowledged that the multitude of regulators, the distinction between federal and state regulatory responsibility, and the increasing complexity of financial institution ownership structures can make it difficult for consumers to know which regulatory agency can assist them.

“Frankly, consumers just want the problem fixed, and Congress’ proposal

would improve the process to do just that,” Skiles said.

During his testimony, Skiles outlined the existing NCUA consumer complaint process. It involves a federal credit union’s Supervisory Committee as well as NCUA’s additional oversight of complaint resolution and the Agency’s enforcement of consumer protection regulations.

“NCUA looks forward to opportunities to collaborate with Congress and other regulators as we take steps to assist the consumer,” Skiles said.

The complete text of Executive Director Skiles’ testimony is available online at <http://www.ncua.gov/news/speeches/speeches.html>.



Hood commends credit unions and looks to the future



NCUA Vice Chairman Rodney E. Hood commended credit unions for good stewardship and looked to the future, given

current events, and the economy during a meeting of the Board of Duke University Federal Credit Union December 19, 2007.

“I would like to commend you all and offer my sincere congratulations on the recent grand opening of your new central offices in Durham, NC. This opening is proof positive of continued credit union development despite the current economic climate,” Vice Chairman Hood said. He also congratulated the Duke Board for credit unions being part of the solution to the sub-prime mortgage debacle and not part of the problem.

“Credit unions make such a strong positive impact on their surrounding communities, and such constant advancement does not happen without strong leadership, vision and commitment,” Hood said. “As industries grow and technology advances, credit unions must be prepared to meet the constant progress. In order to evolve, credit union’s enterprise risk management

(ERM) programs must keep pace with the ever-changing market. Additionally, credit union management must be properly trained to effectively analyze and implement ERM programs.”

Vice Chairman Hood also emphasized the daily impact that credit unions make nationwide through financial education programs, innovative outreach efforts to underserved areas, and small business development, which leaves an indelible mark on the lives of their members and the communities they serve.

“I encourage credit unions to continue providing innovative member business

lending products and financial literacy programs that help member-owners establish viable businesses that create jobs and sustain local communities,” said Hood.

“I also want to point out that credit unions should be particularly vigilant of identity theft schemes. During this period of peak retail sales, identity theft is exceptionally rampant. I appreciate your time and hope to see many of you at my 2008 Small Credit Union Risk Mitigation Summit.”

Details regarding the Summit will be provided in the coming months.



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

webcast

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Both the webcast and the Access Across America VITA program are available online at <http://www.ncua.gov/NCUABoard/BoardMembers/Hyland/Presentations.htm>.

For additional information regarding VITA and other partnership opportunities, visit NCUA’s Resource Connection at <http://www.ncua.gov/ResourceConnection/Index.html>, or contact the NCUA Office of Small Credit Union Initiatives at 703-518-6610.

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