

Chairman testifies twice in March

Johnson recommends cautious oversight of subprime mortgage loans

March 27, 2007—Chairman JoAnn Johnson testified before the House Subcommittee on Financial Institutions and Consumer Credit concerning subprime mortgage practices, products and foreclosures in relation to credit unions.

The Chairman stated that 68 percent of federally insured credit unions' (FICUs) offer mortgage loans, and they originated only 2 percent of total mortgages made in 2006. Sixty-one percent of credit union mortgage lending is comprised of traditional fixed rate mortgages and 39 percent is comprised of adjustable rate mortgages. To effectively reach out to disadvantaged and lower income individuals, some credit unions also offer nontraditional mortgage products and loans to subprime borrowers.



Washington, D.C., March 27, 2007—NCUA Chairman JoAnn Johnson prepares to testify before the House Subcommittee on Financial Institutions and Consumer Credit. E. Wayne Rushton, Senior Deputy Comptroller, Office of the Comptroller of the Currency, is seated to her right.

“NCUA supports risk based lending programs as a tool to reach out to all credit union members, where the programs are measured and meet supervisory

expectations. To that end, NCUA has an interest in ensuring these loans are prudently underwritten and clearly understood by borrowers wherever they are offered,” Chairman Johnson said.

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Board actions—March 15, 2007

NCUSIF declares dividend, no premium necessary

The NCUA Board approved a 1 percent dividend and will return \$52 million to federally insured credit unions representing excess funds over and above the 2006 Board approved 1.30 percent operating level for the National Credit Union Share Insurance Fund (NCUSIF).

The NCUSIF equity ratio was 1.303 percent December 31, 2006, negating a premium assessment and requiring a dividend distribution. When the NCUSIF equity ratio—fund equity less unreserved contingent liabilities divided by insured shares—exceeds the Board established NCUSIF operating level, excess funds must be distributed.

This marks the 7th cash dividend paid since NCUSIF was fully capitalized in

1985. The dividend was electronically distributed in March. Projections for 2007 indicate the NCUSIF equity ratio is expected to be between 1.31 and 1.32 percent by December 31, 2007.

Model consumer privacy form issued

The NCUA Board issued a proposal to amend Part 716, the regulation implementing consumer privacy provisions of the Gramm-Leach-Bliley (GLB) Act. The proposal adds an optional model consumer privacy notice in a form designed to be easier for consumers to understand.

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Tampa Summit focuses on innovation and useful tools

NCUA Board Member Gigi Hyland hosted an Access Across America Economic Summit March 6 in Tampa, Fla., to promote partnership opportunities with federal agencies and facilitate the extension of affordable financial services to individuals, communities and underserved areas.

“Access Across America Summits are wide ranging and interactive examinations of the options available to credit unions,” stated Board Member Hyland. “My goal for the Tampa Summit was to strive for innovation while providing helpful, useful tools so those attending can enhance service to their members. I was very pleased with the panel discussions and the depth of the information provided, followed by thought provoking questions from the attendees. I appreciate any opportunity to further the critical examination of the issues, particularly those affecting credit unions that are trying to reach out to underserved populations.”

From government and private industry, Summit speakers covered a broad range of

topics offering salient information to credit union management, staff and board volunteers. Key topics included:

- Payday lending alternatives;
- Volunteer income tax assistance (VITA);
- Check cashing, savings, innovation, and other services; and
- NCUA’s perspective regarding examination issues.



Tampa, Fla., March 6, 2006—Board Member Gigi Hyland addresses participants at the Access Across America Economic Summit.

Chairman on merger rule requirements

March 15, 2007—“NCUA focuses on member benefit first and foremost when considering any credit union merger. NCUA’s rules governing mergers of federally insured credit unions require the approval of the boards of directors of both credit unions and of NCUA before a merger can occur. In the case of Wings Federal Credit Union soliciting Continental Federal Credit Union as a merger partner, there is no merger plan approved by both credit union boards. If such a plan were submitted to NCUA, it would be acted on only after a careful review of all statutory and regulatory requirements.”

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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Register for Outreach Task Force “Town Hall” meetings

Board Member Gigi Hyland has opened registration for the first two of six Outreach Task Force “Town Hall” meetings where attendees will have the opportunity to share their ideas on the issues under consideration by the Task Force—Wednesday, April 18, in Cincinnati, Ohio, and Monday, April 23 in Boston, Mass. Access the schedule and register online at <http://www.ncua.gov>.

“The Outreach Task Force is committed to listening to the voice of the credit union community,” stated Board Member Hyland. “It is vital that we hear firsthand insights regarding the MSAP and enhancing service to members. These Town Hall meetings will provide an ideal forum for an open dialogue

about the most important challenges and opportunities facing credit unions and their members.”

Comprised of NCUA staff members and chaired by Board Member Hyland, NCUA’s Outreach Task Force was created to review the recommendations from the Member Service Assessment Pilot Program (MSAP) and advise the NCUA Board based upon the findings.

Credit unions will be advised when registration is open for future 2007 meetings, which include:

- June 6 in New Orleans;
- July 16 in Los Angeles;
- Aug. 15 in Denver; and
- Oct. 2 in Washington, D.C.

Board actions

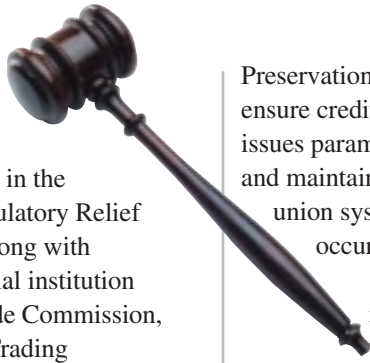
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Based on a provision in the Financial Services Regulatory Relief Act of 2006, NCUA, along with the other federal financial institution regulators, Federal Trade Commission, Commodities Futures Trading Commission, and Securities and Exchange Commission, is issuing the notice in a joint rulemaking.

Institutions required to provide annual privacy notices to consumers will be able to use the model form as a safe harbor for compliance with GLB Act privacy notice requirements. The proposal was issued with a 60-day comment period.

Records preservation amendment considered

The NCUA Board issued a proposed amendment to Parts 748 and 749, Records



Preservation and Record Retention, to ensure credit unions address the critical issues paramount in serving members and maintaining confidence in the credit union system when a catastrophic event occurs.

Drawing from experience to identify program elements the Board considers essential to restore vital records and maintain member services, the proposal clarifies what constitutes a catastrophic act, preservation requirements for vital records and what to consider when restoring interrupted member services.

Revisions define a catastrophic act as more than two business days disruption in member service. The appendix included summarizes existing guidance on contingency planning and disaster preparedness. Comments are due within 45 days after publication in the Federal Register.

Charter conversion appeals denied

The NCUA Board upheld the Region III Director's decision and denied both **Cinfed Federal Credit Union's** and **Emery Federal Credit Union's** request to convert from a multiple-common bond to a community charter able to serve the same eight county area, including counties in Ohio, Kentucky and Indiana. By a 2 to 1 vote, the Board denied the appeals based on determining the applications do not meet adequate interaction/common interests for local community requirements in the *NCUA Chartering Manual*.

Board votes are unanimous unless indicated

Subprime mortgage lending comments requested

NCUA joined partner federal financial regulatory agencies requesting comments on a proposed Statement on Subprime Mortgage Lending that addresses risks and emerging issues related to subprime mortgage lending practices, specifically particular adjustable-rate mortgage (ARM) lending products.

The proposal addresses concerns that subprime borrowers may not fully understand the risks and consequences of obtaining these products and that the products may pose an elevated credit risk to financial institutions. In particular, the proposed guidance focuses on loans that involve repayment terms that exceed a borrower's ability to service the debt without refinancing or selling the property.

The statement explains analysis of a borrower's repayment capacity should include an evaluation of the borrower's ability to repay the debt by maturity at the fully indexed rate, assuming a fully amortized repayment schedule. The

statement underscores that consumer communications should provide clear, balanced information about the relative benefits and risks of the products. If adopted, this statement would complement the *2006 Interagency Guidance on Nontraditional Mortgage Product Risks*, which did not specifically address the risks of these ARM products.

The agencies request comment on all aspects of the proposed statement and are particularly interested in public comment about whether: 1) these arrangements always present inappropriate risks to institutions and consumers, or the extent to which they can be appropriate under some circumstances; 2) the proposed statement would unduly restrict existing subprime borrowers' ability to refinance their loans; 3) other forms of credit are available that would not present the risk of payment shock; 4) the principles of the proposed statement should be applied beyond the subprime ARM market; and

5) an institution's limiting of prepayment penalties to the initial fixed-rate period would assist consumers by providing them sufficient time to assess and act on their mortgage needs.

Comments are due 60 days after publication in the Federal Register. The proposed guidance is available online at http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/proposed_regs.html.

News briefs

BSA webinar available—The "BSA: A Year in Review and Setting the Table for 2007" 1-hour webinar co-hosted by NCUA and FinCEN on February 6 is available to access online at www.ncua.gov.



My Government Listens

Date: Tuesday, April 3, 2007
Event: Louisiana Credit Union League Roundtable

Who: Board Member Gigi Hyland
Location: New Orleans, LA
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Wednesday, April 4, 2007
Event: U.S. Central Annual Meeting
Who: Board Member Gigi Hyland
Location: Tucson, AZ
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Thursday, April 5, 2007
Who: Chairman JoAnn Johnson
Event: Massachusetts Credit Union Government Affairs Day
Location: Boston, MA
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Thursday, April 5, 2007
Who: Vice Chairman Hood
Event: NCUA's Small Credit Union Workshop
Location: Memphis, TN
Contact: Sally Ridgely at sridgely@ncua.gov or fax: 703-519-4017

Date: Friday, April 13, 2007
Event: Virginia Credit Union League Annual Meeting
Who: Board Member Gigi Hyland
Location: Norfolk, VA
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Wednesday, April 18, 2007
Event: NCUA Outreach Task Force Town Hall Meeting
Who: Board Member Gigi Hyland
Location: Cincinnati, OH
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Friday, April 20, 2007
Event: 35th Annual Defense Credit Union European Conference
Who: Chairman JoAnn Johnson
Location: Florence, Italy
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Saturday, April 21, 2007
Event: 35th Annual Defense Credit Union European Conference
Who: Vice Chairman Hood
Location: Florence, Italy
Contact: Sally Ridgely at sridgely@ncua.gov or fax: 703-519-4017

Date: Monday, April 23, 2007
Who: Vice Chairman Hood
Event: 7th Annual Participation & Business Lending Symposium
Location: Scottsdale, AZ
Contact: Sally Ridgely at sridgely@ncua.gov or fax: 703-519-4017

Date: Tuesday, April 24, 2007
Who: Chairman JoAnn Johnson
Event: Financial Literacy Awards Ceremony
Location: Alexandria, VA
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Friday, April 27, 2007
Who: Chairman JoAnn Johnson
Event: 69th Hawaii Credit Union League Annual Convention
Location: Waikoloa, HI
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Monday, April 30, 2007
Who: Vice Chairman Hood
Event: COSO Risk Management Conference
Location: Las Vegas, NV
Contact: Sally Ridgely at sridgely@ncua.gov or fax: 703-519-4017

Date: Wednesday, May 2, 2007
Who: Vice Chairman Hood
Event: NACUSO Business Services Collaborative
Location: Las Vegas, NV
Contact: Sally Ridgely at sridgely@ncua.gov or fax: 703-519-4017

Date: Thursday, May 3, 2007
Event: Filene Low Wealth Institute
Who: Board Member Gigi Hyland
Location: New Orleans, LA
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Friday, May 4, 2007
Who: Chairman JoAnn Johnson
Event: Alaska Credit Union League Meeting
Location: Sitka, AK
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Thursday, May 10, 2007
Who: Chairman JoAnn Johnson
Event: 2007 Women's Leadership Symposium
Location: Austin, TX
Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Thursday, May 10, 2007
Event: Women's Leadership Symposium
Who: Board Member Gigi Hyland
Location: Austin, TX
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Thursday, May 17, 2007
Event: Idaho Credit Union League Annual Meeting
Who: Board Member Gigi Hyland
Location: Coeur d'Alene, ID
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Friday, May 18, 2007
Event: NAFCU Volunteers Conference
Who: Board Member Gigi Hyland
Location: Newport, RI
Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Chairman testifies

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“NCUA closely monitors performance indicators through data collection and the examination and supervision process. The good news is, to date, credit unions have not experienced an unsound level of mortgage loan delinquency, net charge-offs, or foreclosures. Current credit union mortgage performance is indicative of sound underwriting and appropriate collection efforts,” Johnson said.

Numerous Letters to Credit Unions and joint interagency guidance outlining safe, sound mortgage lending practices have been issued. Several specifically focus on subprime mortgage lending products. Recent Interagency Guidance on Nontraditional Mortgage Products is a key step in addressing the general weakening of underwriting standards in the overall mortgage market.

NCUA also supports the recently proposed Interagency Guidance on Subprime Mortgage Lending. While subprime lending in credit unions is normally part of a broader risk based lending program, the underwriting standards proposed by the guidance are consistent with the message NCUA has been conveying to credit unions for years.

“Loans to subprime borrowers must be underwritten prudently and should not be granted to the borrower’s detriment,” Johnson said. “It is critical that subprime mortgage borrowers be given timely information to ensure they understand the risks involved with the products they select. NCUA is working with the other agencies to finalize this important guidance as soon as possible,” Johnson said. (See related article on page 3)

Johnson testifies credit unions are reaching out to ‘disadvantaged’ communities

March 1, 2007—NCUA Chairman JoAnn Johnson testified before the U.S. House of Representatives Appropriations



Washington, D.C., March 1, 2007—NCUA Chairman JoAnn Johnson testifies before the House Appropriations Subcommittee on Financial Services and General Government.

Subcommittee on Financial Services and General Government explaining how NCUA and the credit union community are reaching out to underserved communities.

The Chairman emphasized the important role credit unions have as an alternative to predatory lenders and highlighted the commitment to financial education demonstrated throughout the credit union community.

“Any inventory of efforts to help low-income consumers would not be complete without mentioning financial education,” stated Chairman Johnson. “My experience is that credit unions view financial education as a natural outgrowth of their service-oriented philosophy. Increased financial literacy represents an ounce of prevention that can help low-income people avoid getting in over their heads, enable them to use their money wisely and improve their financial health. The advertising slogan ‘an educated consumer is our best customer’ is very apt when discussing the value of financial literacy.”

Chairman Johnson also touted NCUA’s Community Development Revolving Loan Fund (CDRLF) grant program, which

helps small credit unions serve low-income communities.

“These grants are used to help credit unions fill a variety of needs, from offering free income tax preparation to creating bi-lingual materials and developing a financial literacy program. But more importantly, these grants give hope to credit unions on the front lines in efforts to bring low-income consumers into the economic mainstream.”

Chairman Johnson emphasized that credit unions’ ability to serve low-income communities is now limited due to current field of membership restrictions, and she encouraged Congress to amend the Federal Credit Union Act.

“I encourage Congress to support legislation to give consumers in low-income areas a choice in financial services and a chance to invest in their own financial well being. There are many examples of how NCUA and credit unions are addressing the financial service needs in disadvantaged communities. However, more can be done if Congress provides the flexibility to do the job.”

The complete text of both testimonies is available online at http://www.ncua.gov/news/speeches/speeches_johnson.html



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

Vice Chairman Hood calls for unified effort to serve the underserved at Treasury's Unbanked Conference

Vice Chairman Rodney Hood called on the financial services community to work together to serve the underserved and poor as featured speaker at the U.S. Treasury's Regional Conference on Reaching Unbanked People March 27 in Seattle, Washington.

Bringing together the Vice Chairman and officials from the U.S. Department of Treasury; FDIC; Federal Reserve; Washington State Department of Financial Institutions; and non-profit and private sector organizations, the conference consisted of a variety of financial literacy events highlighting best practices for helping families take control of their finances, save for retirement and understand the importance of establishing credit.

"While the American economy is strong as a whole, there remains a segment of our population that may never achieve the American dream of financial self sufficiency because they lack awareness of and access to the necessary services offered by mainstream financial institutions," Vice Chairman Hood stated. "Reaching out to the underserved and



Seattle, Washington, March 27, 2007—NCUA Vice Chairman Rodney Hood with Dan Iannicola, Jr., Treasury Deputy Assistance Secretary for Financial Education, at the U.S. Treasury's Northwest Regional Conference on Reaching the Unbanked.

poor is the responsibility of the entire financial services community. Together, we can make great strides in bringing hope to underserved communities across America."

"These people will never reach the financial mainstream unless they are aware of the services available to empower them to do so," said Hood. "It is essential to educate the underserved so they will choose consumer friendly products from traditional financial institutions. Those

who lack financial education are often vulnerable to predatory lenders, payday lenders and pawn shops."

The Conference, organized by the U.S. Department of Treasury's Financial Literacy and Education Commission (FLEC), was the third of four events outlined in the FLEC's National Strategy on Financial Literacy, a blueprint for improving Americans' understanding of issues like homeownership, credit management, and retirement savings.