The NCUA Report

February 2010
Number 2
National Credit Union Administration

Corporate credit union program update

Meeting the financial market crisis

NUCA is reporting positive results from the agency's programs to stabilize the corporate credit union system. As the crisis in the financial markets unfolded and the value and marketability of mortgage-backed securities (MBS) plummeted, NCUA identified a potential for liquidity in the corporate system to decline to the point that MBS would have to be sold at significant losses.

The NCUA Board, using the Central Liquidity Facility (CLF) and the National Credit Union Share Insurance Fund (NCUSIF), adopted four programs to stabilize liquidity in the corporate credit union system:

- **Temporary Corporate Credit Union Liquidity Guarantee Program** (TCCULGP)—Adopted October 16, 2008, TCCULGP provided an NCUSIF guarantee for newly issued senior debt obligations of corporate credit unions. TCCULGP allowed corporate credit unions to borrow in the debt markets, including $5.5 billion in medium-term notes.
- **Credit Union System Investment Program** (CU SIP)—This program enabled natural person credit unions to borrow from the CLF and invest the funds in corporate credit union debt guaranteed by NCUSIF under TCCULGP. Approximately $8.3 billion is invested in the corporate system through CU SIP.
- **Credit Union Homeowners Affordability Relief Program** (CU HARP)—Structured similar to CU SIP, a CU HARP note provides a bonus of up to 100 basis points when a credit union provides interest rate relief to struggling homeowners. Approximately $164 million is invested in the corporate system through CU HARP.
- **Temporary Corporate Credit Union Share Guarantee Program** (TCCUSGP)—Adopted January 28, 2009, TCCUSGP guarantees all shares in corporate credit unions above NCUSIF insured limits (excluding membership and paid-in capital). As a result of TCCUSGP, member confidence was maintained in the corporate credit union system and the level of shares in corporates remains stable.

These programs proved to be successful. While considerable liquidity assistance continues to be provided by the CLF and NCUSIF, liquidity is not at the critical level of concern it was at year-end 2008. Thus, corporate credit unions have not been compelled to sell securities in a distressed market, which would have led to greater realized losses.

While this is positive news, the ultimate resolution of corporate credit union problems will not occur without the support of member credit unions. Corporate credit unions must evaluate their business model, operating structure, and service array against the proposed requirements of the new regulation to find the best medium to achieve continued viability.

NCUA Capital Markets Specialist Rick Mayfield discusses the proposed corporate regulation at one of two recent Town Hall Meetings. Comments can be submitted through March 9 at **www.ncua.gov** under *Resources/Regulations, Legal Opinions and Laws/Proposed Regulations*.

HIGHLIGHTS

Chairman's Corner

Volunteers Urged to Become Partners in Safety and Soundness

Some of you may be aware that NCUA has instituted a more proactive supervision program. Our examiners are looking for "red flags" on call reports and doing everything in our power to provide credit unions with early intervention to protect the financial security of America's 93 million credit union members.

NCUA can't achieve this goal alone. I am calling on volunteers, as well as managers, to become NCUA's partners in safety and soundness.

All volunteers are encouraged to actively work to ensure the short-term perseverance and long-term success of their credit unions. In particular, there are three areas where volunteers must play critical roles:

- **Risk Management**—Volunteers are members' first line of defense in risk management. So be active, well-informed and visionary. Question and challenge assumptions of your credit union's managers. Your utmost diligence is an absolute necessity.
- **Diversification**—Focus on your fields of membership and their diversity. Make sure your board and staff reflect that diversity so you can better understand your members' needs and respond to them.
- **Succession Planning**—Engage in diligent succession planning. Credit unions' continued safety and soundness will depend in large measure on a healthy, well-planned continuity of board leadership. Make this a high priority of volunteer service.

I know this is a lot of work to ask of volunteers. I am well aware that credit union directors volunteer not for compensation, but for a sense of civic duty and a fundamental belief that America's credit unions are worth fighting for.

Volunteers never forget that credit unions were created to serve people too often ignored by for-profit financial institutions: families underserved by banks; hard-working people who aspire to buy a car, own their home, start a small business, and send their children to college.

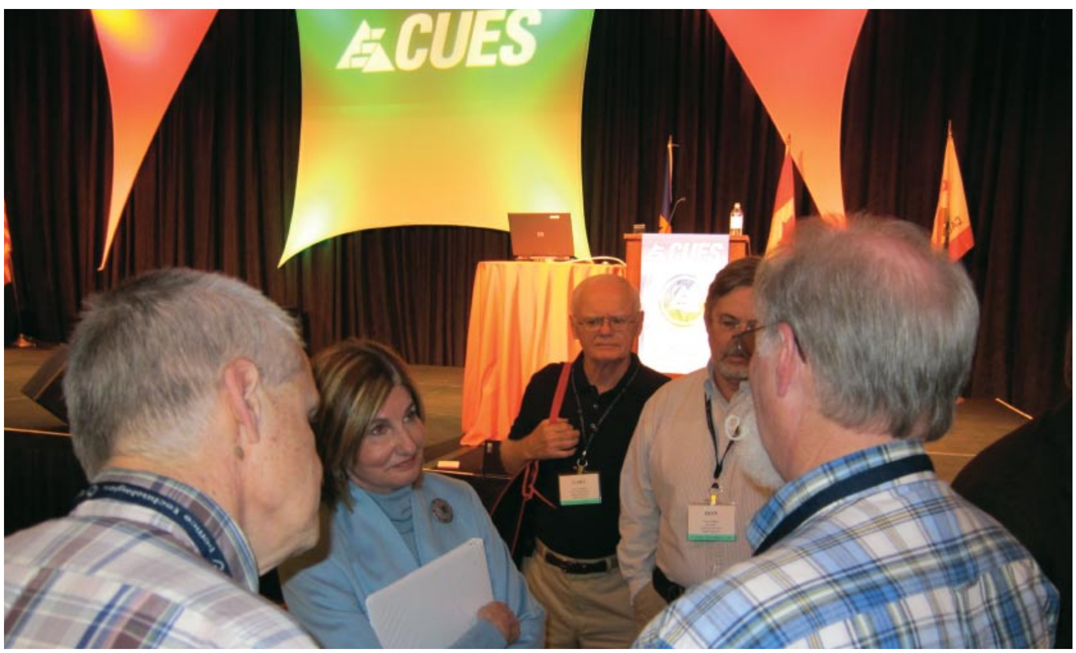
These people of modest means are the foundation of credit unions. In the eye of a vast economic storm stirred up by a wave of unrelenting greed, irresponsibility, and profit-taking, the values upon which credit unions were founded have never been as relevant as they are today.

As more consumers discover that credit unions are a safe haven to hold their savings, credit unions have an opportunity to offer new members a wide range of additional services.

With leadership from volunteers, credit unions can seize this opportunity to safeguard consumers' financial well-being and continue to grow membership to 100 million and beyond.

Debbie Matz

Debbie Matz



NCUA Chairman Debbie Matz has been speaking with credit union volunteers at forums ranging from NCUA Town Hall Meetings to national directors' conferences.

NCUA INSIGHTS

The NCUA Report is published by the National Credit Union Administration, the federal agency that supervises and insures most credit unions.

Debbie Matz, Chairman
Christiane Gigi Hyland, Board Member
Michael E. Fryzel, 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* January 29, 2010

NATIONAL CREDIT UNION SHARE INSURANCE FUND REPORT

NCUA's Chief Financial Officer reported $78.4 million was added to NCUSIF reserves in December. The Fund's reserve balance totaled $758.7 million for natural person credit unions at year-end 2009, compared to $278.3 million at year-end 2008. The Temporary Corporate Credit Union Stabilization Fund (TCCUSF) reserve balance was $5.33 billion December 31, 2009.

Year 2009 ended with an NCUSIF equity ratio of 1.24 percent, somewhat lower than projected, based on higher than expected 9.5 percent share growth in the nation's federally insured credit unions and a higher than expected addition to loan loss reserves near year-end.

NCUSIF 2009 revenue and expense includes investment income of $188.8 million, premium income of $727.5 million, operating expense of $133.3 million, and insurance loss expense of $615.1 million. Through December 31, 2009, NCUSIF net income was $191.2 million.

Twenty-eight federally insured credit unions failed during 2009 with charges to reserves of $124.4 million—16 involuntary liquidations (10 became purchase and assumptions) and 12 assisted mergers.

With a net increase of 80 troubled institutions during 2009, there were 351 problem code credit unions at year-end with shares of $41.6 billion representing 5.82 percent of total insured shares. In comparison, 271 problem code credit unions held shares of $16.3 billion representing 2.70 of total shares at year-end 2008.

Posing additional concern to NCUA, currently there are 1,668 code 3 credit unions, an increase of 134 from year-end 2008. These stressed institutions represent $98.6 billion, or 13.67 percent of total insured shares. Currently, nearly 20 percent of insured shares are held in troubled or stressed credit unions.

Chairman Debbie Matz emphasized that NCUA is diligently working to resolve the problems of code 4 and 5 credit unions and closely tracking code 3 credit unions. Striving to sustain and return these institutions to safe operating levels, supervision is being stepped-up to stem the tide of increased problems. NCUA examiners will be onsite to assist credit unions with signs of stress.

REDUNDANT CREDIT CARD RULE AMENDED

The NCUA Board withdrew the portion of the Unfair or Deceptive Acts or Practices (UDAP) rule, Part 706, created to prohibit unfair and deceptive acts and practices related to consumer credit cards to prevent unnecessary confusion for credit union regulatory compliance. Set to become effective in July 2010, the UDAP rule duplicates, overlaps, and in some provisions conflicts with the more recent Credit CARD Act of 2009 and new Regulation Z provisions, which become effective February 22, 2010.

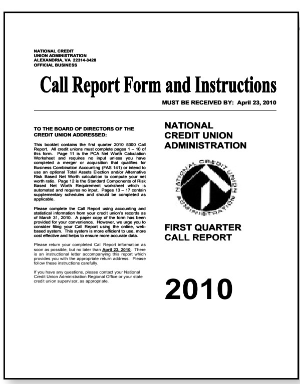
Essentially, the Credit CARD Act of 2009 and new Regulation Z provisions limit and place requirements on the same credit card practices that were the focus of the UDAP Rule, including: limiting the ability of credit card issuers to raise interest rates, limiting fees on subprime credit cards, providing for fair allocation of payments and limiting late fees.

Under the Truth in Lending Act and Regulation Z, NCUA has enforcement authority for federal credit unions, and the Federal Trade Commission has authority for state-chartered credit unions.

Complying with an Office of Federal Register request, the withdrawal is effective July 1, 2010, the original effective date of the UDAP rule.

Board votes are unanimous unless otherwise indicated. NCUA rule changes are posted online at **www.ncua.gov** under *Resources/Regulations/Legal Opinions and Laws.*

Call Report system improving



NATIONAL CREDIT
UNION ADMINISTRATION
ALEXANDRIA, VA 22314-3428
OFFICIAL BUSINESS

Call Report Form and Instructions

MUST BE RECEIVED BY: April 23, 2010

TO THE BOARD OF DIRECTORS OF THE CREDIT UNION ADDRESSED:

This booklet contains the first quarter 2010 5300 Call Report. All credit unions must complete pages 1 – 10 of this form. Page 11 is the PCA Net Worth Calculation Worksheet and requires no input unless you have completed a merger or acquisition that qualifies for Business Combination Accounting (FAS 141) or intend to use an optional Total Assets Election and/or Alternative Risk Based Net Worth calculation to compute your net worth ratio. Page 12 is the Standard Components of Risk Based Net Worth Requirement worksheet which is automated and requires no input. Pages 13 – 17 contain supplementary schedules and should be completed as applicable.

Please complete the Call Report using accounting and statistical information from your credit union's records as of March 31, 2010. A paper copy of the form has been provided for your convenience. However, we urge you to consider filing your Call Report using the online, web-based system. This system is more efficient to use, more cost effective and helps to ensure more accurate data.

Please return your completed Call Report information as soon as possible, but no later than April 23, 2010. There is an instructional letter accompanying this report which provides you with the appropriate return address. Please follow these instructions carefully.

If you have any questions, please contact your National Credit Union Administration Regional Office or your state credit union supervisor, as appropriate.

NATIONAL CREDIT UNION ADMINISTRATION

FIRST QUARTER CALL REPORT

2010

NCUA continues to refine the online Call Report system (Credit Union Online) to enhance its operation and minimize processing delays for users. In addition to the changes indicated below, NCUA is also working on long-term enhancements to improve ease of use based on user feedback. The following changes have been implemented:

- **Starting a Call Report:** The "Start Call Report" feature was eliminated. On the first day of each reporting cycle, credit unions will see a blank pending Call Report and may begin manual input or import a data file.
- **Importing Call Report data:** "Import Call Report" was renamed "Import Data." "Import Data" appears on the left navigation bar of the webpage after a Call Report is opened for a specific cycle date. Credit unions can import XML files into the online system without deleting pending Call Report information. Additionally, if a credit union imports a file with errors, a corrected file can subsequently be imported.

  The account values in the XML file will overwrite the corresponding values in the pending Call Report. For example, if an imported XML file only contains 10 account codes, only these 10 accounts are overwritten in the pending Call Report. Also, users continue to have the ability to manually correct a pending Call Report after importing a file. Please remember, credit unions are responsible for ensuring data is accurate prior to submission.
- **New Processing status:** When a Call Report is submitted, the submission status changes from "Pending" to "Processing." If the Call Report status is "Processing," NCUA has received and is processing the report. NCUA processes reports in the order received, and users need not remain on the system while the report is processing. The Call

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Appearance calendar

Date: February 21, 2010
Who: Board Member Michael Fryzel
Event: Defense Credit Union Council's Defense Issue's 2010 Meeting
Location: Washington, DC
Contact: Katie Supples at **ksupples@ncua.gov** or 703-518-6307

Date: February 22, 2010
Who: Chairman Debbie Matz
Event: CUNA GAC
Location: Washington, DC
Contact: Angela Sanders at **asanders@ncua.gov**

Date: February 23, 2010
Who: Board Member Gigi Hyland
Event: CUNA GAC
Location: Washington, DC
Contact: Jessica Vogel at **jvogel@ncua.gov** or 703-518-6318

Date: February 24, 2010
Who: Board Member Michael Fryzel
Event: CUNA GAC
Location: Washington, DC
Contact: Katie Supples at **ksupples@ncua.gov** or 703-518-6307

Date: March 2, 2010
Who: Board Member Michael Fryzel
Event: First Northern Credit Union
Location: Chicago, IL
Contact: Katie Supples at **ksupples@ncua.gov** or 703-518-6307

Date: March 7-9, 2010
Who: Chairman Debbie Matz
Event: NASCUS State Regulators' Conference
Location: Nashville, TN
Contact: Angela Sanders at **asanders@ncua.gov** or 703-518-6309

Date: March 8-9, 2010
Who: Board Member Michael Fryzel
Event: NASCUS State Regulators' Conference
Location: Nashville, TN
Contact: Katie Supples at **ksupples@ncua.gov** or 703-518-6307

Date: March 23, 2010
Who: Chairman Debbie Matz
Event: Missouri Credit Union League Annual Meeting
Location: Jefferson City, MO
Contact: Angela Sanders at **asanders@ncua.gov** or 703-518-6309

Date: March 23, 2010
Who: Board Member Gigi Hyland
Event: CUNA Marketing & Business Development Council
Location: Washington, DC
Contact: Jessica Vogel at **jvogel@ncua.gov** or 703-518-6318

Date: March 23, 2010
Who: Board Member Michael Fryzel
Event: Teachers Credit Union
Location: South Bend, IN
Contact: Katie Supples at **ksupples@ncua.gov** or 703-518-6307

ONLINE REPORTING from page 3

Report status changes to "Submitted" after the system processes the data. An 8-page Financial Performance Report (FPR) is emailed to credit union Call Report contacts, and historical warnings are available for review.

Regulators (NCUA or state supervisors) lock the Call Report and validate the data after status changes to "Submitted." While the Call Report is being validated, the status changes to "Processing" and then to "Validated" when the system completes processing.

- **Save/print Call Report to PDF:** PDF versions of the Call Report are available for the most recent reporting cycles. The "View All Pages" button is available for viewing and printing the entire Call Report. If a PDF version is available for the cycle, the "Save/Print PDF" button appears on the left navigation bar. This allows users to save or print Call Reports to PDF files in a format similar to the paper form.

  Download a free version of Adobe Reader for viewing PDF files online at **http://get.adobe.com/reader/?promoid=BUIGO**.
- **Time-out warning:** NCUA added a warning notifying users about to be timed-out and logged-off the system. To extend the session, click "Okay" or save the data.

NCUA appreciates feedback as we strive to enhance the Credit Union Online system. Please email suggestions to **credituniononline@ncua.gov**. We look forward to hearing from you!

Visit the NCUA website www.ncua.gov to access the latest information directly from NCUA.

Member Business Lending Modernization

FROM GIGI HYLAND

In 1998, Congress passed H.R. 1151, "The Credit Union Membership Access Act," which imposed a cap on the amount of member business loans (MBLs) provided by federally insured credit unions (FICUs). Specifically, the aggregate limit on a credit union's net MBL balances was set as the lesser of 1.75 times the credit union's net worth or 12.25 percent of the credit union's total assets.

For a while now, the credit union community has sought legislation to either raise the cap or eliminate it all together. Momentum seems to be building for just such a change—particularly in light of the jobs bill currently moving through Congress, as well as Representative Paul Kanjorski's (D-PA) introduction of H.R. 3380, legislation that would increase the member business lending cap to 25 percent of a credit union's total assets and exclude from the statutory cap loans of less than $250,000, business loans in underserved areas, and loans to non-profit religious institutions. A similar bill, S. 2929, has been introduced in the Senate by Senator Mark Udall (D-CO).

Over the past 8+ years, NCUA has seen a dramatic change in credit unions' MBL portfolios. As of December 31, 2000, FICUs had $4.7 billion in total MBLs; as of September 30, 2009, that number grew a whopping 68.33 percent (annualized) to $32.8 billion. NCUA has also seen dramatic growth in MBL delinquency. MBL delinquency has dramatically increased since 2006, exceeding the delinquency level of total loans. As of September 30, 2009, MBLs greater than two months delinquent are 3.33 percent of total MBLs, while total delinquent loans are 1.68 percent of total loans. Delinquent participation loans also increased dramatically over the same time period.

I believe that MBLs can be an important part of the member services and loans credit unions provide. But if a credit union chooses to offer MBLs, it has to do them right—with appropriate risk management, expertise and due diligence. On November 18, 2009, I hosted a webinar to provide the regulators' perspective on member business lending. The webinar reviewed: MBL financial trends; Washington State MBL examination processes (provided by Linda Jekel, Director, division of Credit Unions, Washington State Department of Financial Institutions); NCUA MBL guidance and references; the federal MBL examination process; and, MBL implementation. The webinar and supporting materials are archived on NCUA's website, **www.ncua.gov**, under the *Highlights section*.

I believe that Congress should modernize the member business lending provisions of the Federal Credit Union Act. In doing so, Congress should also provide NCUA the necessary regulatory authority and tools to appropriately monitor and supervise the risks in this burgeoning area of credit unions' portfolios.

Too Big to Fail; Too Small to Save

FROM MICHAEL E. FRYZEL

A component to the struggles our financial system has experienced over the last 18 months has been the belief that there exist financial institutions in this country that are too large to fail. The theory being that if major banks, insurance companies, and other large corporations, struggling to survive in an economy headed toward a recession, were allowed to fail, our economic structure would implode resulting in countless failures of those institutions across the country.

Too big to fail became the message across the financial world as banks, automobile manufacturers and others went to Congress hat in hand, turned upside down, looking for the federal government to fill those hats with money and save their failing businesses.

Countless articles have been written and numerous books will be published speculating as to how we got to such a point, who was to blame, and if the federal money did what it was intended to achieve. The views will be varied and only time will tell whether the course of action taken was the right one.

While big businesses were in the spotlight, at the other end of the spectrum, small credit unions sat in the dark, serving communities where no other financial institutions exist; providing services to rural areas, church groups, civic organization, or to individuals whose sponsoring company has closed. Credit unions that are struggling to keep a financial base, and facing competition. A question that is asked by some is: why does the regulator use a significant amount of the agency's resources in working with smaller credit unions when our energies could be better utilized on other safety and soundness matters.

I am of the belief that frequent contact with all credit unions is the best formula to discover problems early and to ensure prompt resolution, in turn, leading to the possibility of millions of dollars in savings to the share insurance fund. The financial landscape has changed drastically and this is why for the last two years I have supported hiring additional examiners and staff at NCUA. When the economy began to turn, the capabilities of the agency suffered due to our lack of maintaining appropriate staffing levels from year to year during healthier economic times.

As we continue to build our regulatory strength, our capabilities become better. We can monitor more closely and effectively, and identify problems sooner, both large and small. All of this can lead to saving more credit unions instead of the alternative of mergers and liquidations.

American entrepreneurship was founded on the belief that if you work hard, do the best you can, provide your customers with the service that they deserve, charge fair prices and run your business with a high regard for ethics, you would succeed. There was never a caveat that you had to be big to be better. Nor did anyone say; only the big should survive.

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ASSET LIABILITY MANAGEMENT ADVICE

Historically low rates—good or bad for business?

Last month's Asset Liability Management Advice column "*Managing for Interest Rate Risk in Today's Environment*" reminded readers that, in light of the current market conditions, credit unions face significant interest rate risk challenges. This article discusses exposure to rising rates.

Last December, the Federal Reserve cut its target for the Federal Funds rate to near zero and has kept it there to aid the slow-paced recovery. Many believe that inflation will be the unavoidable result of keeping short-term rates so low. It is impossible to know when and by how much market rates will change, but one can argue that the Federal Reserve may be inclined to raise its target rate aggressively should the threat from inflation become a concern. Given today's rates, there is plenty of room for rates to rise.

Currently, the 30-year mortgage rate is more than 200 basis points below its 10-year average. Long-term rates will likely rise. Some questions are—when will it happen; how fast will it occur; how high will they go; and how long will the higher rates remain? Because none of us have answers to these questions, it is crucial to evaluate possible scenarios to respond to the impending risk implications of various plausible outcomes.

Many credit unions maintain a maturity mismatch between shares and assets (assets tend to be longer, making balance sheets "liability sensitive"). This means rising interest rates could adversely affect credit unions if share rates rise faster than asset rates can reset, resulting in reduced levels of earnings and net worth. There has been a tendency for some credit unions to lengthen their assets, many of which carry a fixed rate. For example, credit unions have added over $5 billion in real estate loans in the past year, many underwritten and booked at current, historically low rates. The impact of a rise in market rates will vary, but it will be felt by those credit unions with portfolios with longer maturities and concentrations of fixed rate products.

Interest rates are cyclical. NCUA *Letter to Credit Unions, 03-CU-15* addresses low interest rate environments. From that Letter—

"While it is essential that credit union management balance the marketplace opportunities of the present with the economic considerations of the future, they must constantly monitor that balance and do so in a safe and sound manner which is appropriate to their ability to manage the risk. Credit unions with an excessive risk profile are expected to address such exposures in an appropriate and timely manner and manage them on an ongoing basis. The sophistication of a credit union's risk management practices and strategies must be commensurate with the level of risk on the credit union's balance sheet."

Market interest rates are not predictable or controllable. The best options for controlling risk exposure to liquidity, earnings, and net worth are management's decisions regarding balance sheet structure. The more fiscally flexible the balance sheet, the better the credit union can manage risks associated with business opportunities and challenges, remain competitive, and position the credit union for unexpected economic fluctuations. This is an excellent time to assess one's susceptibility to rising rates and consider what actions might be required to mitigate excessive exposures.

How NCUA resolves member complaints

NCUA's primary role is to ensure safety and soundness and monitor consumer compliance. As part of its purview, the agency resolves complaints and addresses inquiries from federal credit unions and their members. State-chartered credit union member concerns and inquiries fall under the jurisdiction of the appropriate state supervisory authority.

Submission requirements

NCUA policy requires that federal credit union members submit complaints in writing accompanied by any supporting documents. Members can submit a complaint by mail, email or FAX directly to the appropriate regional office. Regional office addresses, FAX numbers and emails are available online at **www.ncua.gov** under *Consumer Assistance/Consumer Complaint Center/Federal Credit Union Complaints*. Inquiries and questions about filing complaints can also be directed to NCUA's toll-free Consumer Assistance Center at 1-800-755-1030.

NCUA's consumer complaint process encourages interaction between a member and their credit union's supervisory committee. Typically, when NCUA receives a member complaint, the agency directs the credit union supervisory committee to investigate and provide the member and agency with a written response. NCUA reviews the response and, when necessary, investigates to determine if potential regulatory violations exist. NCUA encourages voluntary, informal resolution; however, the agency has authority to invoke administrative action to correct regulatory violations.

Ombudsman role

In unusual cases, when a federal credit union cannot resolve a member complaint, or the member is not satisfied with NCUA's recommended resolution, the member can request assistance from NCUA's Ombudsman. Complainants initially work with the appro-

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NCUA grants exceed $1 million

Credit unions are eager to provide new services

The Community Development Revolving Loan Fund (CLRLF), administered by NCUA's Office of Small Credit Union Initiatives, awarded 215 grants totaling $1.06 million to low-income designated credit unions in 2009. Grant funding came from a $1 million Congressional appropriation plus accumulated earnings from CDRLF loans and investments.

Credit unions filed 317 applications requesting $1.9 million, almost twice the amount available from appropriations. CDRLF awarded grants (either in-full or in-part) to 174 individual credit unions eager to provide needed services for members, especially in these times of economic stress. Credit unions invested 2009 CDRLF grant awards in the following types of initiatives to provide new or better services:

- Increasing technology through online banking and new data processing systems;
- Increasing member financial services through share draft programs, ATM machines, new loan programs, and financial education;
- Counseling on homeownership, personal credit, bankruptcy, and sound personal financial principals;
- Attending training sessions, subscribing to online libraries, purchasing self-paced training materials, and bringing consultants to the credit union;
- Preparing college students to be future credit union managers; and,
- Conducting free income tax preparation for members and communities, especially those eligible for the EITC.

NEW GRANT INITIATIVES
2010 grant initiatives are expected to commence by March. Applications will be available on NCUA's website **www.ncua.gov** under *Resources/Credit Union Development/ Loans/Grants*.

A listing of "Grants Awarded in 2009" is available online at **www.ncua.gov** under *Resources/Reports, Plans and Statistics/ CDRLF Monthly Statements*.

The table below provides the amount and type of grant initiatives funded.

CDRLF 2009 Technical Assistance Grants

Grant Initiative	# Grants	Average Size	Total
Building Internal Capacity/Building Technology	65	$4,584	$297,928
Enhancing Member Services	44	$9,797	$431,083
Staff, Official, and Board Member Training	54	$2,365	$127,721
Student Internship	19	$2,921	$55,500
Volunteer Income Tax Assistance	23	$5,234	$120,374
Urgent Need	10	$2,317	$23,172
Totals	215		$1,055,778

NCUA RESOLVES COMPLAINTS from page 6

priate NCUA office before the Ombudsman is asked to resolve a complaint.

Requests for NCUA Ombudsman assistance should relate to potential regulatory violations (e.g., internal such as NCUA's Rules and Regulations, or external such as Regulation Z) and cannot involve matters under litigation. It is beyond the scope of NCUA's complaint review process to resolve matters falling under jurisdiction of an arbiter or a court of law.

Letters to NCUA's Ombudsman should document concerns in writing, along with the desired relief, and include relevant supporting documentation. After researching applicable regulations, reviewing documentation, and interviewing the complainant, appropriate NCUA staff and potentially credit union management, NCUA's Ombudsman will issue a decision letter.

Decision letters focus on whether the process experienced by the member has been fair (i.e., credit union and NCUA regional office complaint resolution process) and also provide a second assessment for determining whether any regulatory violations occurred. The review process typically requires 30 to 60 days, and the Ombudsman decision letter is only a recommendation—it is not binding or required. Related documents and conversations are confidential.

Reaching resolution

The overwhelming majority of complaints stem from either a member's misunderstanding of credit union policies or poor initial communication between the credit union and the member. As a result, virtually all concerns are resolved after NCUA directs management to address the problem and communicate with the member. Similarly, in the recent past, approximately 90 percent of decision letters issued by the NCUA Ombudsman found no regulatory violations.

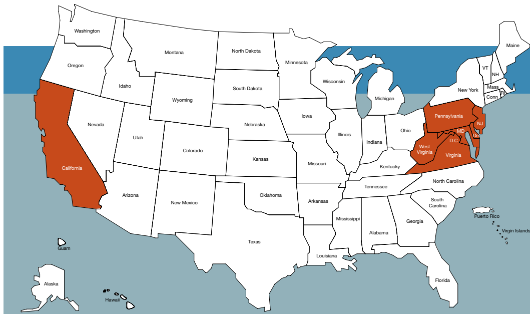
In the future, NCUA plans to strengthen consumer compliance and outreach programs through the agency's newly approved Office of Consumer Protection.

Look for an upcoming article explaining how credit unions can resolve concerns about NCUA's supervisory process.

FRYZEL from page 5

The same should ring true today. All large businesses began small. Small credit unions offer services to those who, sometimes, need it most. The credit union philosophy has always been "people helping people" and, to ignore small institutions would be defiance of that philosophy.

As we move forward, small credit unions will continue to serve their members and will continue to be a part of a distinct and unique cooperative system



Region II

East meets West

CALIFORNIA SUPERVISION TRANSFERS TO REGION II

The NCUA Board reassigned supervision responsibility for California credit unions to Region II effective January 1, 2010. With this change, Region II now supervises the federal credit unions in California, Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia and West Virginia. Why was California placed with Region II? It was done to dedicate more resources to the emerging issues in California.

For some, transferring California supervision to Region II comes as a surprise and may seem like a simple change of address. But it took months of behind the scenes effort. Budgets were revised, files and other electronic records moved, computer system permissions changed and control tracking systems modified. The transfer generated untold numbers of databases, spreadsheets, phone calls, video and teleconferences, all efforts to ensure a smooth transfer for credit unions and staff.

MAKING THE MOVE, ALASKA TRANSFERS TO REGION V

January 4, 2010, the first work day of the year arrived and so did the boxes! More than 40 contained federal credit union charter files, state credit union supervision records and various files documenting work related to California credit unions. And then, there were the electronic files. Redistricting culminated the process (assignment of credit unions to specific examiners), which was finalized in January. Multiple changes were required; but stringent planning and organization brought everything together.

After adding approximately 460 California credit unions, and losing 12 Alaska credit unions transferred to Region V, Region II now examines and supervises nearly 1,800 credit unions. Region II gained a significant number of staff members, transferred from Region V, to accomplish the task—74 field employees, 2 supervision analysts, 1 insurance analyst and an office assistant. Each supervision analyst will have approximately 225 credit unions to monitor (up from 200), and we updated assignments accordingly. Fortunately, Region II already had updated written policies and procedures for consistency. The new office and field staff have a wealth of experience and knowledge, and Region II is grateful to have them on our team.

LEADERSHIP CHANGES

Along with supervision reassignments, the organization and leadership of Region II also changed. Regional Director Jane Walters is welcomed back from Region V, and a series of new appointments were made. Kelly Lay and John Hogue are newly appointed Associate Regional Directors of Programs. Mike Ryan was selected to be Director of Supervision and Roger Blake is Director of Insurance. A second Director of Special Actions is also being appointed. Welcoming new members to the Region II team are Associate Regional Director of Operations Herb Yolles and Director of Management Services Tricia Krobath, mainstays of Region II in 2009 and during this transition.

Planning, organizing and tracking were designed to make the transition smooth for credit unions and staff and also served to guarantee the agency's mission of safeguarding credit unions. Region II has blended California into its supervision area and looks forward to the challenges of being a bi-coastal Region.

The NCUA Report
National Credit Union Administration
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