

NCUA webcast details CU HARP, CU SIP

Chairman Michael E. Fryzel introduced a 1½ hour audio webcast December 16 that attracted over 1,400 participants and detailed the Credit Union Homeowners Affordability Relief Program (CU HARP) and Credit Union System Investment Program (CU SIP). The webcast, jointly sponsored by NAFCU and CUNA, was held at NCUA in Alexandria.

“These important programs represent NCUA efforts to utilize the tools given to us by Congress to work proactively with the industry and enable you and your members to weather the financial storms affecting our Nation’s markets,” stated Chairman Fryzel. “This is the latest in a series of constructive approaches by the credit union trade associations as we continue our efforts to devise workable, pragmatic solutions to the problems confronting us.”

CU HARP is a two-year, \$2 billion program intended to assist homeowners who are facing delinquency, default, or

foreclosure on their mortgages, especially in the face of diminished home prices. Under CU HARP, participating creditworthy credit unions borrow from the CLF and receive as much as an additional 100-basis point spread over the cost of borrowing if they modify at-risk mortgages, primarily by lowering interest rates and corresponding monthly payments. Under CU SIP, participating creditworthy credit unions borrow from the CLF and invest the proceeds in participating corporate credit unions. Credit unions participating in this program receive a spread of 25 basis points.

The CU HARP and CU SIP audio webcast is available for 90 days on the CLF website: <http://www.ncua.gov/CLF/index.htm>.



December 16, 2008, NCUA Headquarters—Chairman Fryzel, center, with J. Owen Cole, left, NCUA director of the Office of Capital Market and Planning and president of the Central Liquidity Facility (CLF) and Steve Sherrod, director of the Division of Capital Markets and vice president of the CLF, the principal staff architects of CU HARP and CU SIP programs describe program details and answer callers’ questions during the webcast.

NCUA continues share insurance outreach

NCUA continues to promote the safety of federally insured credit union deposits through a nationwide advertising campaign.

“At times of economic difficulty and uncertainty surrounding the financial services system, it is more important than ever for NCUA and other federal agencies to step forward and remind consumers of the strength and safety of federal deposit insurance. While the crisis that intensified during the summer has been unsettling, it has also served as an opportunity for NCUA to increase our educational efforts.

I am gratified that, based on feedback from credit union members and leaders, the advertising campaign has succeeded in enhancing public awareness,” noted NCUA Chairman Michael E. Fryzel.

Throughout the past two months, NCUA has remained steadfast in its efforts to furnish the public with information they need regarding share insurance. The following list describes fourth quarter initiatives:

- NCUA provided nearly 9,000 radio stations across America with 90-second and 30-second public service

announcements (PSA) regarding NCUSIF insurance.

- NCUA supplied each federally insured credit union with an “Uncle Sam” federal insurance poster. The poster, for display in credit union lobbies, informs members of the recent change in coverage to \$250,000 and emphasizes the safety of insured funds.
- A newspaper ad featuring “Uncle Sam” appeared in 23 major newspapers nationwide between October 1 and November 17.

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Marquis becomes NCUA executive director



The NCUA Board selected Examination and Insurance Director **David M. Marquis** to assume the role of NCUA executive director (ED) upon departure

of ED J. Leonard Skiles, who retired at year-end 2008.

“Len Skiles has been an integral part of NCUA for most of its history, and he leaves behind a legacy of excellence,” said NCUA Chairman Michael E. Fryzel. “It will be a challenge to the rest of us to live up to the standards that he has set. Fortunately, part of that legacy has been an abundance of exceptionally talented staff, and that is one of the reasons why NCUA will continue to perform at a high-level with Dave Marquis at the ED helm. The turbulent financial times call for a steady, seamless transition, and Dave Marquis’ direct oversight of NCUA’s supervision programs, combined with his close work with the outgoing ED, make him the ideal replacement. I have complete confidence in his ability to manage our operations at this critical juncture.”

Marquis has served as director of the Office of Examination and Insurance (E&I) since 1994. As E&I director, Marquis was responsible for the sound operation of the National Credit Union Share Insurance Fund, and he oversaw the examination and supervision program for federal and federally insured credit unions. The role includes management of the NCUA examination program conducted by agency examiners, collection and evaluation of quarterly data, as well as maintenance of the CAMEL rating system and the Financial Performance Report.

Marquis began his NCUA career in 1978 as an examiner in Baltimore. During his tenure, Marquis has served as a supervisory examiner, associate regional director, and regional director as well as deputy director of the Office of Examination and Insurance. Marquis holds a degree in accounting from Lowell University in Lowell, Massachusetts.

Skiles leaves the agency after a 36 year NCUA career that began as a staff attorney in the General Counsel’s Office in 1973. During his tenure, Skiles served as the agency’s deputy general counsel and was director of the Austin regional office several times. He also formed and was president of the Asset Management and Assistance Center in Austin. Skiles was appointed NCUA executive director in February 2001.

Prior to joining NCUA, Skiles served in the U.S. Marine Corps in Vietnam. In the Marine Corps he also served as deputy staff judge advocate, trial attorney and special court martial judge. Skiles is a retired Marine Corps Reserve Colonel.

Len Skiles received a number of awards and honors, including recognition as “One of the Agency’s Finest” for his exemplary performance as a leader and manager.

NCUA News

National Credit Union Administration

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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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December 18, 2008, NCUA Headquarters—The NCUA Board with retiring Executive Director J. Leonard Skiles at the December Board meeting. Vice Chairman Hood, Chairman Fryzel, Skiles, and Board Member Hyland.

Share insurance continued from page 1

- Ten second radio ads were aired in six major-market radio stations in November and December describing the changes and share insurance coverage and the security of member funds in a federally insured credit union.
- NCUA continued to update its Share Insurance Toolkit. Several updates were made including, but not limited to, Chairman Fryzel’s video message

to credit unions, brochures reflecting changes in insurance coverage, an updated share insurance estimator, an NCUA fact sheet and, most recently, the easy to use share insurance power point, “Share Insurance and You.”

- Board Member Gigi Hyland hosted “Share Insurance 101,” an interactive webinar describing share insurance and its changes.

Board actions December 18, 2008

Unfair and deceptive consumer credit rule finalized

The NCUA Board joined the Office of Thrift Supervision and the Federal Reserve Board in approving final rule, Part 706, governing unfair or deceptive acts or practices related to credit cards.

The ruling, which applies only to federal credit unions, recognizes that, in some cases, disclosures do not provide adequate protection for consumers. The rule restricts or prohibits certain practices that are considered unfair based on the test set forth in the Federal Trade Commission Act, including: (1) it causes or is likely to cause substantial injury to consumers; (2) the injury is not reasonably avoidable by consumers themselves; and (3) the injury is not outweighed by countervailing benefits to consumers or to competition.

The following summarizes specifics of the rule designed to prohibit certain credit card practices deemed unfair or deceptive.

Late payments—Prohibits treating a payment as late unless consumers are given a reasonable time period for payment. A credit card statement must be sent at least 21 days before payment is due.

Payment allocation—Requires reasonable allocation of amounts paid in excess of a required minimum payment in relation to interest rate accruals. The rule specifically requires allocation to segments with the highest annual percentage rates (APR) in descending order or among the balances in proportion to the total outstanding balance.

Application of interest rate increases to pre-existing balances—Prohibits credit card issuers from applying an increased APR to existing balances except in cases of a variable rate account, where payments are 30 days late or do not comply with a workout arrangement, and when a “go to” rate has been previously disclosed on an account with a specified term or expiration date.

Double cycle billing—Prohibits a finance charge based on days in a prior billing cycle for an outstanding balance in the current cycle.

Security deposits and fees for providing credit—Prohibits an FCU from financing a security deposit or other account opening fees if the charges constitute a majority of the available credit offered. The rule modifies the proposal to limit first month fees to no more than 25 percent of available credit and requires that fees between 25 and 50 percent of available credit be spread equally over the next five months.

The final rule is effective July 1, 2010.

CUSO amendments finalized

The NCUA Board adopted numerous amendments to the rules affecting credit union service organizations (CUSO), Parts 712 and 741, to clarify the rules, enhance CUSO operations and address safety and soundness concerns.

The amendments add two new categories of permissible CUSO activities: credit card loan originations and payroll processing services. Amendments also add new examples of permissible CUSO activities within existing categories and expand the permissible scope of certain services to include persons eligible for credit union membership. The amendment imposes new regulatory limits on the ability of credit unions to recapitalize their CUSOs in certain circumstances.

Although the CUSO rule generally only applies to federal credit unions, the amendment extends revised provisions to all federally insured credit unions that assure NCUA will have adequate access to books and records and requires that CUSOs are operated as separate legal entities. The rule also contains a procedure whereby state regulators may seek an exemption from federal access to records of CUSOs owned by state-chartered credit unions.

The amendment also clarifies that CUSOs may buy and sell participations in loans they are authorized to originate. The final rule amendments are effective 30 days after publication in the Federal Register.

NCUSIF status report

Through November 30, National Credit Union Share Insurance Fund (NCUSIF) 2008 revenue and expense included gross

income of \$265.7 million, operating expense of \$74.0 million, insurance loss expense of \$177.0 million, and net income of \$14.7 million, primarily the result of the year’s insurance loss expense.

Fifteen federally insured credit unions failed through November. Thirteen were involuntary liquidations and two were assisted mergers. The number of problem code 4 and 5 credit unions has risen from 211 at year-end 2007 to 257. These institutions represent 2.19 percent of total insured shares. Sixty-five percent of problem code credit unions have less than \$10 million in shares, while three of these credit unions hold over \$1 billion in total shares.

The NCUSIF had \$7.67 billion in equity at November 30, 2008. Insurance loss expense totaled \$177 million through November and \$280.3 million has been charged to reserves during the year. The provision for CU losses (reserve) account totaled \$168.9 million November 30—\$33.9 million for identified problem credit unions, and \$135 million in unallocated reserves.

The NCUSIF equity ratio is 1.27 percent based on June 30, 2008, insured shares of \$601.6 billion. The equity ratio is expected to end the year at 1.27 percent, based on estimated 6.85 percent annual insured share growth.

Board votes are unanimous unless otherwise indicated.



Hyland encourages vigilance and innovation



NCUA Board Member Gigi Hyland encouraged over 400 volunteers December 10, 2008, attending the Credit Union Executive Society's Directors Conference in Palm

Desert, Calif., to continue to be vigilant and innovative stewards of their credit unions.

"As volunteers, your 'job' is tougher today than it has ever been," said Hyland. "And yet, while your 'job' is indubitably tougher, it is also more critical than ever to the continued success of the credit union system. As volunteers, you are charged with assuring that the 'people helping people' spirit continues."

Hyland noted that while credit unions are not immune from the nation's current economic turbulence, opportunities still abound. She stated that volunteers "must be active, informed, knowledgeable, visionary, and constantly challenge and question management's assumptions. You are your institution's first line of defense

Revised ID Theft brochure issued

The federal bank, credit union, and thrift regulatory agencies in December published a revised identity theft brochure—*You Have the Power to Stop Identity Theft*—to assist consumers in preventing and resolving identity theft.

The updated brochure primarily focuses on Internet "phishing" by describing how phishing works, offering ways to protect against identity theft, and detailing steps to follow for victims of identity theft.

The brochure includes contact information for three major credit bureaus, where to report suspicious e-mails, and where to access additional information.

The brochure is available to download from the NCUA website <http://www.ncua.gov/Publications/brochures/IdentityTheft/index.htm>.

in risk management. These turbulent economic times require the utmost vigilance on the part of the regulator and the regulated. These times also require innovation."

Board Member Hyland noted that regulator vigilance "means adhering to the principles of open and transparent government. It includes reading all comment letters and listening to concerns so regulations are prudent and fair. It means challenging credit unions to serve everyone within their field of membership, including those of modest means. It means challenging credit unions to document efforts that show how the cooperative financial model provides value to America's consumers. And, it means challenging credit unions to be vigilant safety and soundness stewards while encouraging innovation and being responsive to members' needs."

Hyland urged volunteers to look at the larger credit union system to seek ways to cooperate and leverage resources. She also noted that volunteer's innovation "can include utilizing capital wisely to weather the current turbulent economic climate. It can include truly understanding your field of membership, its diversity, and making sure that the board and staff look like the membership and are responding to members' needs.

"Finally, I believe now is not the time to cut back on marketing or member services. As I stated earlier, despite the challenges, this is a time of tremendous opportunity for credit unions—a time to continue to do what you do best—serve your members and meet their needs in a manner that is safe and sound."

The full text of Board Member Hyland's speech is available online at <http://www.ncua.gov/news/speeches/speechesHyland.htm>.



My Government Listens

Date: Tuesday, February 11, 2009

Who: Vice Chairman Rodney E. Hood

Event: Louisiana Credit Union League's Large Asset Roundtable

Location: Baton Rouge, LA

Contact: Sally Thompson at sridgely@ncua.gov

Reg Alert—electronic batch validation

The Financial Crimes Enforcement Network (FinCEN) has enhanced the batch validation process of the Bank Secrecy Act electronic filing system (BSA E-Filing), which provides detailed error notification to credit unions using the BSA E-Filing system to submit batch BSA filings.

A batch BSA filing is an electronic file that typically contains multiple BSA forms. Effective November 15, 2008, the new process applies to the Currency Transaction Report (CTR) and Designation of Exempt Persons (DEP) forms. Batch BSA filings must meet FinCEN formatting requirements defined in FinCEN Forms 104 and 110 and are available online at http://www.fincen.gov/forms/files/e-filing_CTRDEPspecs.pdf.

The BSA E-Filing User Test system, with the new batch validation enhancement, is available online at <http://sdtmut.fincen.treas.gov/>. A detailed Q&A is also provided. Direct any questions about the new BSA E-Filing feature to 1-888-827-2778 (option 6) or email BSAEFilingHelp@notes.tcs.treas.gov.

A FinCEN press release regarding implementation may be accessed at <http://www.fincen.gov/whatsnew/html/20081031.html>. Federally insured credit unions can also contact your regional director or state supervisory authority with questions.

NCUA Publications List/Order Form

The publications listed below may be ordered by contacting National Credit Union Administration Publications, 1775 Duke Street, Alexandria, VA 22314-3428, telephone: (703) 518-6340 or fax (703) 518-6417. Base price for each publication does not include changes, which may be purchased at the prices indicated. Numerous publications including this Publication list, are available on the NCUA website at <http://www.ncua.gov>.

Prepayment is required. Payment by check, money order, Visa, MasterCard, Discover, Diner's Club or American Express is acceptable.

Title (Issue Date)	OPI	(Pub No.)	Qty.	Price	Subtotal
A Guide to HMDA Reporting (12/03)	OEI	9003		\$5.00	
Accounting Manual for FCU (01/03)	OEI	8022		\$35.00	
Annual Report of NCUA (2007)—One free copy is available for Credit Unions	PACA	8000		\$8.00	
Chartering and Field of Membership Manual (03/03)	OGC	8007		\$6.50	
Consumer Compliance Self Assessment Guide (12/04)	OEI	8059		\$5.00	
Credit Union Merger & Conversion Manual (06/05)	OEI	8056		\$5.00	
E-Commerce Guide for Credit Unions (12/02)	OEI	8072		\$5.00	
EHL POSTER	OGC	1582		\$3.00	
FBI DECALS	OGC	1111		\$3.00	
Federal Credit Union Act (6/2007)	OGC	8002		\$3.00	
Federal Credit Union Bylaws (4/06)	OGC	8001		\$3.50	
Federal Credit Union Handbook (05/06)	OEI	8055		\$3.50	
HMDA Poster	OEI	3222P		\$3.00	
NCUA Credit Union Directory (2008)	OEI	8602		\$15.00	
NCUA Examiner's Guide (06/02)	OEI	8018		\$85.50	
NCUA Insurance Decals-Adhesive (7"x3")	OEI	1075		\$5.00	
NCUA Insurance Decals-Adhesive (7"x3") (Spanish)	OEI	1075s		\$5.00	
NCUA Insurance Signs (7"x3")	OEI	1076		\$5.00	
NCUA Insurance Signs (7"x3") (Spanish)	OEI	1076s		\$5.00	
NCUA Rules and Regulations Manual 2008	OGC	8006		\$20.00	
NCUA User's Guide (Financial Performance Report) (6/2007)	OEI	8008		\$2.00	
Subscription to NCUA Publications (01/09–12/09)	OCFO	9001		\$125.00	
Subscription to NCUA Publications (07/09–12/09)	OCFO	9002		\$62.50	
Supervisory Committee Guide (12/99)	OEI	8023		\$12.00	
Supervisory Committee Guide (12/99) Change 1	OEI	8023A		\$3.00	
Year-end Statistics for Federally Insured Credit Unions (2006)	OEI	8060		\$5.50	
Brochures					
Facts About Federal Credit Unions (50 for \$10.00) (11/07)	OEI	8005		\$10.00	
How Your Accounts Are Federally Insured (English & Spanish) (50 for \$10.00) (10/08)	OEI	8016		\$10.00	
Is a Credit Union Right for Me? (50 for \$10.00) (11/07)	OEI	8071		\$10.00	
The Benefits of NCUA Low-Income Designation (50 for \$10.00) (11/07)	OSCU	6062		\$10.00	
Tips to Safely Conduct Financial Transactions Over the Internet (Under Revision)	OEI	8061		\$0.00	
You Have the Power to Stop Identity Theft (Phishing) (100 for \$25.00) (12/08)	OEI	8073		\$20.00	
Your Insured Funds (50 for \$14.00) (10/08)	OEI	8046		\$14.00	
Your Insured Funds (Spanish) (50 for \$14.00)		8046s		\$14.00	



NCUA HISTORY AND FUTURE

NCUA enters technology age

The age of technology dawned at NCUA in 1987 as agency examiners moved from paper and pencil to computers enabling automated examination and data collection.

In 1986 Chairman Roger Jepsen challenged the agency to “seek the perfect solution” to its automation and communications needs, and 1987 saw an agency-wide effort to move forward. By year-end 1987, examiners began carrying laptop computers and almost all agency staff had personal computers at their desks.

The laptops expedited examinations, data collection, research and analysis and enabled rapid intra-agency communication. The automated examination process increased productivity and the quality of examinations as computers provided more analytical tools for examiners. As a result, examiners provided credit union officials with better information and analysis.

Semi-annual call reports were expanded to include additional data and by December 1987 call reports for all 9,700 federal credit unions were fully automated as credit unions became automated as well. NCUA also developed an automated accounting and reporting system for central and regional offices.

During 1987, two other technological developments raised the agency’s communication level. An electronic, computer-based mail system and data voice network using telephone lines greatly improved written and spoken communication. The new data voice network allowed staff to receive spoken recorded messages, deliver voice messages to other staff members and store and forward messages.

NCUA’s 1987 annual report notes “NCUA’s automated communications, supervision and data collection systems are now state of the art. The developments make it possible for staff to react more quickly and more effectively to the day-to-day needs of the agency and credit unions.”

Technology drives improvements in NCUA examination

NCUA examinations have been streamlined over the years to be faster, more efficient and more accurate. Today, an NCUA examination utilizes the latest technology to ensure that each credit union is safe and sound and able to aptly serve its members.

In 1995, NCUA transitioned to the Automated Integrated Regulatory Examination System, better known as AIRES. AIRES, a set of computer software tools, allows examiners to spend less time entering data and more time analyzing it. AIRES automatically loads electronic share and loan trial balance information as well as historical examination and Call Report data into an examiner’s computer. The AIRES system reduces paper use and reduces credit union time and resources used for examination, and it improves the capability of examiners to collect, analyze and report examination information. The system also contains advanced safeguards and controls to protect member data. As NCUA enters 2009, examiners will continue to utilize this efficient, powerful, evolving system.

In order to be more proactive, NCUA implemented risk-focused examinations in 2002. Rather than evaluating a credit union solely on past performance, or focus on areas of minimal risk, a risk-focused examination enables examiners to evaluate both credit union performance and management’s ability to identify, measure, monitor, and control risk. Examiners now more effectively communicate with management and more efficiently use each on-site contact.

January 2009 will mark the rollout of new examination hardware. NCUA examiners will begin using more powerful laptop computers. A better battery life, brighter screen, updated operating system, larger hard drive, expanded memory and updated processor will help examiners complete examinations faster and more efficiently than ever before. Enhanced technology paired with maximum portability will benefit examiners, the examination process and credit unions across the nation.

The evolution of NCUA examination technology over the past two decades is amazing. One can only imagine what examinations will look like over the next 75 years!





Vice Chairman Hood updates Oregon Association, announces '09 Summit

NCUA Vice Chairman Rodney E. Hood participated in a Town Hall

Meeting December 15 at First Tech Credit Union in Beaverton, Oregon. Hosted by the Oregon Credit Union Association, the event was held to discuss the affect of recent federal stimulus actions and how the future regulatory environment will evolve in response to the changing economy.

“During these times of economic uncertainty, I feel that an event such as this is critical in order to educate the credit union community. I hope that other credit union league’s throughout the country follow your lead and take a proactive approach to financial literacy—particularly as it relates to changes taking place within today’s financial arena,” said Hood.

Touching on the strategic steps NCUA is taking to preserve confidence in America’s credit union system, the Vice Chairman touted the recently unveiled homeowners and credit union assistance programs. The Credit Union Homeowners Affordability Relief Program (CU HARP) was made

public in November; and a complimentary program, the Credit Union System Investment Program (CU SIP), was more recently revealed to provide contingent liquidity for the credit union system.

CU HARP will be available only for existing first mortgages held by a participating credit union or originated and serviced by a participating credit union. CU SIP is designed to compliment CU HARP by enabling the CLF to lend to credit unions to invest in NCUSIF guaranteed notes, the proceeds of which will be used to retire external system debt. The program will free collateral pledged by corporate credit unions and thereby provide increased contingent borrowing capacity.

Neither CU HARP nor CU SIP will cost taxpayers. Credit unions will repay CLF with interest and each CLF advance will be fully secured by a NCUSIF guaranteed CU HARP Note or CU SIP Note, plus a first priority security interest in other assets of participating credit unions.

Further details about the programs are available online at <http://www.ncua.gov/CLF/index.htm>.

Providing his perspective as a regulator, the Vice Chairman noted the importance of fully adopting Enterprise Risk Management (ERM) as the best strategy to prepare for the new risk-based exams.

I believe that a successful ERM process can build confidence in the credit union system...it can help proactively address the myriad of challenges in the financial services industry.”

2009 Risk Management Summit

To that end, Hood told attendees of his 2009 Risk Mitigation Summit being held at the Federal Reserve Bank of Atlanta on February 19, 2009. The free, one-day event will highlight the latest trends in risk management and analysis from both an operational and oversight perspective. Top leaders from both government and industry will address innovative techniques for risk mitigation. The upcoming Summit will gather proven leaders in the financial services arena who will share a dialogue on the most current and effective tools for credit unions of all asset levels to manage risks while empowering their members.