# The NCUA REPORT

NATIONAL CREDIT UNION ADMINISTRATION

MAY 2011 NUMBER 5 WWW.NCUA.GOV


## HIGHLIGHTS



## Office of Corporate Credit Unions Report

# LOOK BEFORE CROSSING THE STREET

## IS YOUR CREDIT UNION EVALUATING ITS BRIDGE CORPORATE RELATIONSHIP?

Just as civil engineers closely inspect bridges before cars may cross, credit unions need to scrutinize their alternatives when considering their future relationships with corporate credit unions. In the months ahead, many changes will take place in the corporate credit union system. Credit unions need to prepare for these changes now.

### Corporate Credit Union Capitalization Plans

Several corporate credit unions will be soliciting contributed capital to meet the new capital requirements of NCUA's corporate rules that become effective Oct. 20.

Member advisory councils at each retail bridge institution—Members United Bridge, Southwest Bridge, or Western Bridge—have now proposed to transition the services of the bridge institution, either through merger, or as a new charter. Credit unions belonging to one of these corporate credit unions, or credit unions seeking a new relationship with one of them, need to carefully explore their options for continued business.

To remind credit union leaders of their responsibilities, Scott Hunt, Office of Corporate Credit Unions Director, sent a letter in April to the members of the bridge institutions. The letter urges consumer credit unions to learn more about the future of the institution when making decisions to join or stick with an established corporate relationship.

The letter also suggests that credit unions need to thoroughly review their corporate credit union's capitalization plan and capital offering circular, which members ought to have in their hands by May 31. These capital plans establish how each corporate credit union plans to reach the adequately capitalized levels required by NCUA rules.

### NCUA Review

NCUA has underway an expeditious review of the capitalization plans of all undercapitalized corporate credit unions and bridge institutions.

These reviews aim to encourage full disclosure of changes in business plans, services offered and risks to the membership. The reviews also determine if the future assumptions and projections are reasonable.

Once assured these criteria have been met, NCUA will allow the affected corporates to distribute plans to their member organizations.

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Chairman's Corner

# LET'S PLAY BALL!

## NCUA TAKES THE MOUND FOR THE FFIEC

Debbie Matz
*Chairman*

In early April, as the new baseball season got underway, NCUA began its rotation as the starting pitcher at the Federal Financial Institutions Examination Council (FFIEC), as chairman for the first time in two decades. The FFIEC is a council of regulators mandated by Congress to coordinate financial regulatory activities and promote uniformity in financial oversight.

In addition to NCUA's Chairman, the Council's other voting members include the heads of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Office of Thrift Supervision. In 2006, the head of the State Liaison Committee became a voting member of the FFIEC, as well.

> *"By accepting this new role, NCUA and credit unions will rise to a new level of prominence in the financial services arena."*

The FFIEC leadership transition from the FDIC to NCUA comes at an extraordinarily important time for the regulation of all insured financial institutions. I am especially appreciative of FDIC Chairman Sheila Bair's outstanding leadership of the FFIEC during the last two years. She worked to establish a base on which I would like to build to address many of the challenges now facing consumers and financial institutions.

While the FFIEC's members oversee different charters, their core responsibilities remain the same – protecting the safety and soundness of the institutions they examine. By working together and meeting regularly, regulators can learn from each other, identify best practices, and adopt uniform supervisory approaches.

By accepting this new role, I am hopeful that NCUA, and by extension, the credit unions that we regulate and insure, will rise to a new level of prominence in the financial services arena. I am confident, the high quality of the NCUA staff and the important role credit unions play in their communities will become more readily apparent to those who monitor and observe the FFIEC's activities.

In the past, the FFIEC's members have issued joint guidance, through the council or on an interagency basis, on a wide array of supervisory issues. Topics included interest rate risk and real estate appraisal best practices, and many others. As the head of the FFIEC, I plan to further efforts to reach consensus on initiatives to improve financial oversight, examiner training, and data collection.

As a result of the Dodd-Frank Act the Consumer Financial Protection Board will soon join the FFIEC, and the Office of Thrift Supervision will leave the group. I am committed to making this transition as smooth as possible.

Through the FFIEC, I believe that financial supervisors have the opportunity to build a better and more coordinated oversight system. The recent financial crisis has made every regulator examine the most effective way to perform its job. By maintaining relationships across agencies, we can learn from each others' successes. We can also better address emerging problems together.

Ultimately, chairing this prestigious group is a great opportunity for NCUA to hit some home runs, not only for credit unions in the outfield, but for all financial institutions playing in the big leagues. Let's play ball!

Debbie Matz

### Facts about the Federal Financial Institutions Examination Council

- Established March 10, 1979, pursuant to the Financial Institutions Regulatory and Interest Rate Control Act of 1978.
- Formal interagency body empowered to prescribe uniform principles, standards and report forms for the federal examination of financial institutions and to make recommendations to promote uniformity across regulators.
- Supervisory jurisdiction over more than 15,000 domestically chartered banks, thrift institutions and credit unions holding total assets in excess of $16.1 trillion.

# BOARD ACTIONS April 21, 2011

## CORPORATE RULE REFINEMENTS LEAD APRIL BOARD DECISIONS

The National Credit Union Administration (NCUA) Board convened in April its fourth open meeting of 2011 at agency headquarters to consider:

- Final amendments to NCUA's corporate credit union rule to improve the internal controls, transparency and accountability of corporate credit unions;
- A request to streamline the process for approving certain activities for corporate credit union service organizations (CUSOs); and
- Final interpretive guidance on NCUA's Supervisory Review Committee consolidating prior rulings into one document and expanding credit union appeal rights.

The Board unanimously approved all agenda items presented. The Board also received updates on the operations of the National Credit Union Share Insurance Fund (NCUSIF) and the Temporary Corporate Credit Union Stabilization Fund (TCCUSF). The NCUSIF equity ratio remains steady at 1.29 percent. The TCCUSF's total assets grew by about $6 million in March.

### Corporate Amendments Improve Internal Controls, Transparency and Accountability; Two Proposals Dropped

To enhance internal controls, increase transparency and improve accountability, the Board approved final amendments to NCUA's rule covering corporate credit unions (Part 704).

The final amendments adopted differ from the proposed rule in two key ways. NCUA staff recommended against taking action on a proposal to limit a credit union's membership to one corporate at a time given no threat to safety and soundness exists. NCUA staff also recommended against approving a proposal to charge non-federally insured entities for TCCUSF expenses.

In final form, the Board approved five substantive amendments to NCUA's corporate rule. With some minor revisions, the final amendments reflect changes in the proposed rule issued in November. The final amendments include:

- Internal control and reporting requirements for corporates similar to the requirements for banks under the Federal Deposit Insurance Act and public companies under the Sarbanes-Oxley Act;
- The establishment by each corporate of an enterprise risk management committee staffed with an independent risk-management expert;
- The requirement that all corporate board of director votes be recorded votes and be included in board meeting minutes;
- The disclosure of compensation received from corporate CUSOs for senior corporate executives serving as dual employees; and
- Permitting corporates to charge reasonable one-time or periodic membership fees to facilitate retained earnings growth.

The Board approved the five amendments by a unanimous vote. The rule changes generally become effective 30 days following publication in the *Federal Register*, but certain provisions have delayed implementation dates over the next few years.

### Corporate CUSO Activities Expand

In September, the Board adopted extensive revisions to NCUA's rules governing corporate credit unions (Part 704). These rules specified two permissible activities for corporate CUSOs: brokerage services and investment advisory services. Other corporate CUSO activities required NCUA approval.

The Board voted to add more approved services. Permissible activities now

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- Membership currently includes leaders from NCUA, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the State Liaison Committee, and the Office of Thrift Supervision.
- Facilitates public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975.
- Maintains an advisory State Liaison Committee composed of five representatives of state supervisory agencies.
- Houses the Appraisal Subcommittee, which oversees state appraiser regulatory programs.

## An Amazing Resource—NCUA's Small Credit Union Workshops

### FROM GIGI HYLAND, NCUA BOARD MEMBER

Part of the "deal" of being a regulator is that you don't often receive compliments from the regulated. So, imagine my delight when I received an e-mail from a credit union CEO praising our Office of Small Credit Union Initiative's (OSCUI) Small Credit Union Workshops.

These workshops are an amazing resource. First and foremost, they are free. Yes, I said free. Second, the OSCUI workshops and training sessions address some of the most pressing issues affecting credit unions. The 2011 topics are:

- Financial Education, Access, and Savings
- NCUA Consumer Protection Office
- Duties of Federal Credit Union Board of Directors
- Due Diligence—Evaluating Payment System Service Providers
- Examination Issues

The Duties of Federal Credit Union Board of Directors workshop covers NCUA's basic financial literacy requirement (Part 701.4). After completing the session, attendees will receive a certificate of attendance.

OSCUI holds at least 20 of these workshops around the country. There is bound to be one that is geographically accessible for almost everyone. Take advantage of this resource. It gives you direct access to NCUA personnel to talk about issues your credit union may be facing.

If you have any questions regarding these OSCUI events, please contact us by phone at 703-518-6610 or e-mail at **OSCUITraining@NCUA.Gov**.

## Fiduciary Duty Requirements—Directors Should Use Common Sense to Protect a Credit Union's Common Cents

### FROM MICHAEL E. FRYZEL, NCUA BOARD MEMBER

Fiduciary duty is defined by *Black's Law Dictionary* as "a duty to act for someone else's benefit, while subordinating one's personal interest to that of another person. It is the highest standard of duty implied by law."

Every credit union director has a fiduciary duty to the credit union's members. Being elected to a board means that the members of the credit union have said, "We trust you to do what is right." That is an enormous responsibility.

Anytime an individual is asked to take on a job that requires them to act on the behalf of others, it places upon them a responsibility exceeded by no other. Putting faith in someone to act on your behalf, to make decisions that will impact you as a person, and to allow them to decide without always conferring with you is the greatest trust you can give them.

Credit union directors must always understand that the decisions they make must be in the best interest of the member. In doing so, they must make sure they know all of the facts about every issue, ask questions when they do not, do all of the required due diligence, and then use their best judgment in voting for or against the issue at hand.

Making decisions as a director is of the utmost responsibility and great importance. However, these decisions are made easier when following good business principles and using good common sense. How often have we heard someone say, "If it sounds too good to be true, it probably is?" It's a simple adage a director should follow.

Directors should never act on anything they do not fully understand and never be afraid to ask for more explanation. How often has each one of us not asked a question we thought was silly for fear of embarrassing ourselves? The most important question could be the one that is never asked.

"The highest standard of duty implied by unified law," that is a director's charge. When accepting that assignment, wear the responsibility it brings with honor, dedication, awareness and acceptance of others' trust.

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

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## Office of Consumer Protection Report

# NCUA'S OMBUDSMAN TACKLES COMPLAINTS

Tonya Green
*Ombudsman*

Many government agencies, private entities and educational institutions have an ombudsman on staff to help resolve disagreements and disputes. NCUA is no different.

NCUA's Ombudsman investigates for credit unions and consumers complaints unresolved at the operations level. These complaints relate to regulatory issues within NCUA's jurisdiction. The Ombudsman, however, does <u>not</u> replace the formal complaint processes.

Using an ombudsman is voluntary. It is not a required step in any complaint process. All information and material obtained during a complainant's review and any records gathered during an investigation will only be used for the investigation and will not be disclosed outside the ombudsman's office.

NCUA's ombudsman operates independently from the agency's other operational programs and reports directly to the NCUA Board. Tonya Green in the Office of Consumer Protection currently serves as NCUA's ombudsman.

The ombudsman resolves problems by defining options for a complainant and by recommending actions, in an impartial and confidential manner, for the parties involved. Whenever possible, the ombudsman develops new ways to solve problems through sound research, active listening, and the identification and reframing issues so regulations and procedures are correctly applied.

The ombudsman can develop a range of responsible options for a complainant. The ombudsman also encourages complainants to report matters to other investigative or supervisory officials when necessary.

When there are emerging or recurring problems or industry trends, issues and concerns, the ombudsman can affect systemic changes by working with other NCUA officials, and provide recommendations for addressing them responsibly.

The ombudsman cannot at any time decide matters in dispute or advocate the position of a complainant, NCUA or other parties. Additionally, the ombudsman <u>cannot</u> investigate any matter that:

- Is subject to formal review as set forth in NCUA regulations or interpretive rulings and policy statements;
- Involves an enforcement action, where a notice of charges have been filed;
- Is in litigation;
- Involves a conservatorship or liquidation; or
- Lies within the Inspector General's jurisdiction.

For more information about the NCUA's ombudsman, visit **www.MyCreditUnion.gov** or contact 703-518-1140.

## Free Webinar on Allowance for Loan and Lease Losses

**HOSTED BY:** Office of Examination and Insurance and Office of the Chief Economist

**WHEN:** May 26, 2–4pm EDT

**TITLE:** "Current Allowance for Loan and Lease Losses, Exam Issues and Practical Ways to Factor Qualitative and Environmental Adjustments into the Methodology."

The webinar is free and open to the public. Individuals may register for the webinar at **http://tinyurl.com/ALLLWebinar**

### WEBINAR OVERVIEW

The webinar will facilitate credit unions' understanding of the 2006 Interagency Policy Statement on the topic. Credit unions have worked to understand how qualitative and environmental adjustments can better inform their estimates of inherent losses existing in the loan portfolio. The NCUA presenters will benchmark best practices in this area. The webinar will be interactive with opportunities for two-way communication.

## Office of Examination & Insurance Report

# EFFECTIVE RISK MANAGEMENT REQUIRES EFFECTIVE OVERSIGHT

News associated with inadequate risk management has become all too common lately. Gushing oil in the Gulf of Mexico, leaking radiation in Japan, and surging investment banking losses during the financial crisis have a common theme: Each event illustrates the ever increasing need for and complexity of risk management.

Risk-management disasters often follow periods of record breaking profits. In the financial world, the belief that companies have acquired enough equity to cushion any loss scenario often fuels relaxed risk-management practices. Those entities that let down their guards are the ones most likely to experience sizable losses when trouble occurs.

Surviving organizations must now struggle with cost-cutting decisions, including considering trimming risk-management budgets and staff. Credit unions, too, must make tough decisions about how to revise their budgets. To weather the next financial storm, credit unions should refrain from shortchanging the risk-management function.

The credit union business model relies upon offering services to members and risking capital in the allocation of assets and liabilities. The complexity of risk associated with this endeavor is, however, continually increasing. Credit unions therefore need to spend their resources on risk management.

When it comes to risk management, a credit union's processes need to be consistent with the credit union's scale, complexity, strategy and regulatory requirements. The whole board is ultimately accountable for risk oversight even if its committees deal with specific risk-management issues.

Today, bad news spreads virally creating instant, magnified crises. Boards and management of all organizations within the credit union industry must therefore regularly engage in risk oversight and ask, "What if?"

Credit unions need to think ahead and boards must often ask, "What if?" to provide long-term protection. The credit union that focuses on its risk management in the short term is a credit union more likely to survive in the long term. In brief, effective risk management requires effective oversight.

## Questionnaire on Risk Management

To assess the effectiveness of a credit union's risk-management program, consider the following ten questions designed to spark discussion. Credit unions with effective risk-management programs will have a high level of agreement.

| | LEVEL OF AGREEMENT | | |
|---|---|---|---|
| | LOW | MEDIUM | HIGH |
| The board has a clear view of the major risks the credit union faces. | ☐ | ☐ | ☐ |
| The board has a structured approach to fully identify, understand, monitor and manage risks. | ☐ | ☐ | ☐ |
| The level of capital has been evaluated against measurement of the organization's risks. | ☐ | ☐ | ☐ |
| Board discussions about risk management are held in an open, collaborative and trusted environment. | ☐ | ☐ | ☐ |
| The board has adequate boundaries between oversight of risk and decision-making. | ☐ | ☐ | ☐ |
| The board is presented with options in dealing with identified risks (*i.e.*, avoid, transfer, mitigate, and accept with measures and limits). | ☐ | ☐ | ☐ |
| The board has the opportunity to dig into risk report assumptions, review the data, and question the people behind the data. | ☐ | ☐ | ☐ |
| The risk assessment process includes non-financial data, leading indicators, and predictive data in order to help with forward-looking risk assessments. | ☐ | ☐ | ☐ |
| Scenario testing is conducted as appropriate and includes both upside and downside risks. | ☐ | ☐ | ☐ |
| The board's risk culture and values are shared and embedded in the organization. | ☐ | ☐ | ☐ |

NCUA will neither publicly disclose the capitalization plans nor comment on its reviews of the plans. Members of corporate credit unions, or credit unions interested in joining, should contact the entity directly to obtain the plans and ask any questions of the plan.

## Credit Union Due Diligence

The NCUA review will not determine the likelihood of a plan's success. This responsibility lies with the members. NCUA therefore encourages corporate members to carefully review proposed capitalization plans.

Credit unions should speak with their respective leadership teams and conduct due diligence to determine if the proposed solution meets their needs. In evaluating these relationships, credit unions need to review the pros and cons and understand the steps involved in transitioning to new partners, if necessary.

Credit unions should also understand NCUA's new rules enable the conditioning of membership, services or pricing on a member's ownership of perpetual contributed capital in a corporate credit union. Credit unions must decide if they wish to continue using the corporate's services, abiding by any changes to its business plan, fees, dividend rates, and possibly contributing capital.

With proper notice, a corporate may now impose higher fees, reduce services or sever membership on those members that do not subscribe to a minimum amount of perpetual capital. Such notice must occur at least six months in advance of such changes. In no case may the changes take place prior to Oct. 20.

Those credit unions opting out of their current relationship should begin searching for a new provider as soon as possible to minimize service disruptions. Credit unions that desire to transition from an existing corporate relationship must conduct adequate due diligence on alternative service providers to recognize any costs, changes in service delivery, and demands on staff to implement the change. Credit unions should also let their corporate know of their plans to help facilitate the transition.

## The Road Ahead

In sum, consumer credit unions need to follow the rules of the road for pedestrians in the weeks ahead when considering their future relationships with corporate credit unions: They need to look both ways before crossing the street with their existing partners. They also need to make sure that the bridge institution's capital plans and service offerings map the correct route for their credit union's future.

*The letter from Scott Hunt as the agent for the conservator can be found linked from the NCUA website's April 20 press release "NCUA Encourages Credit Unions to Carefully Evaluate Corporate Capitalization Plans."*

### Corporate Credit Union Transition Summary Action Timeline

**March 31, 2011**

- All undercapitalized corporates and bridges submit compliance plans to NCUA for review
- Bridge corporates also submit a member-approved plan to preserve services to NCUA

**April 29, 2011**

- NCUA finalizes review of submitted corporate compliance plans and bridge member transition plans

**May 31, 2011**

- Undercapitalized corporates must begin providing compliance plans to the members to start the "capital subscription" process
- Bridge leadership teams also initiate transition plans and alert members of anticipated services and capital plans

**August 31, 2011**

- All undercapitalized corporates and bridges must submit progress reports to NCUA

**September 30, 2011**

- All corporates and bridges must demonstrate sufficient progress with existing capital and capital subscriptions to achieve new capital standards

**October 20, 2011**

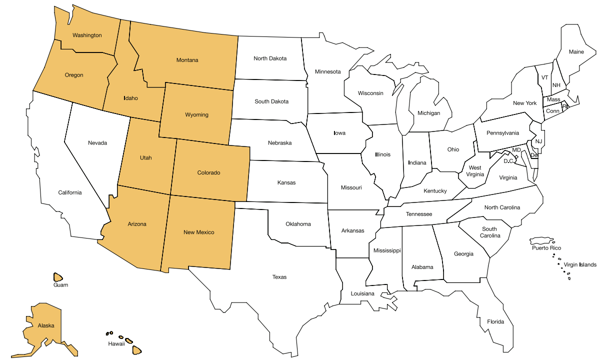
- NCUA's capital requirements become effective for all corporates and bridges

For more details about the Corporate Credit Union Transition Period Timeline, see: http://www.ncua.gov/Resources/CorporateCU/CSR/CSR-40.pdf

# Region V Report

## INTEREST RATE RISK ON THE HORIZON

REGION V




Since 2008, credit unions have faced elevated credit risk due to housing market declines and economic instability. In response, credit unions have tightened their lending standards. Members' flight to safety has produced additional liquidity in the credit union system.

So, what's happening to the overall balance sheet? Continued growth in net long-term assets has resulted from credit unions in Region V extending the maturity of their balance sheet to increase yield in a very low-rate environment. As of Dec. 31, the region's net long-term assets ratio stood an all-time high of slightly more than 30 percent.

However, as outlined in the table below, Region I and Region II have more interest rate risk than Region V, while the other NCUA regions have slightly less risk. Nationally, credit unions have a net long-term assets ratio of 33 percent.

Because overall loan growth is negative in Region V, credit unions have invested the surplus funds. Agency-related securities constitute 42 percent of all investments. Mortgage-related securities grew 22 percent over 2009 levels. In addition, commercial mortgage-backed securities have increased more than 74 percent, which is an added concern.

Although loan growth is negative, fixed-rate real estate loans still pose the most interest rate risk for credit unions. As of Dec. 31, fixed-rate real estate loans comprised 23 percent of the loan portfolio. The current large concentrations make it difficult for credit unions to evenly match the balance sheet for asset/liability management.

Modified real estate loans have been increasing, too. Interest rate concessions cause interest rate risk to rise in the short term.

Expanding the long-term real estate and investment portfolios may pose an above average level of interest rate risk. Credit unions, however, still have time to restructure their balance sheets to mitigate the increased interest rate risk. What should a credit union do?

First and foremost, credit union officials should adopt a specific, all encompassing interest rate risk policy. In March, the NCUA Board issued a proposed rule that would require credit unions most likely to encounter interest rate risk to adopt policies for managing that risk.

After adopting an acceptable policy, credit unions need to implement it. The strategic plan will ensure the balance sheet structure meets the measures and limitations set forth in the policy.

One way credit unions can mitigate interest rate risk is selling real estate loans on the secondary market. First mortgage sales have slowed considerably since 2008. Selling creditworthy mortgages into the secondary market is a start to restructuring the balance sheet to handle rising interest rates.

Another approach to mitigating interest rate risk is balance sheet diversification. Credit unions should set a reasonable level of long-term, fixed-rate mortgage loans and make the level commensurate with the balance sheet and capital structure.

A well diversified loan and investment portfolio should allow credit unions to weather different types of interest rate environments without suffering major income fluctuations. Keep in mind, with rates at all time lows, assets should be repositioned to reprice in shorter periods in order to move along with rising rates.

In sum, to succeed in the long term credit unions need to diversify in the short term by putting their eggs in more than one basket. Credit unions need an asset/liability management program with accurate measurement tools and which is commensurate with the size and complexity of the credit union. Credit unions must also constantly evaluate the efficiencies in operations and the evaluation of all operating costs in order to stay balanced over the long term.

### Interest Rate Risk of Credit Unions — A Regional Perspective

| | REGION I | REGION II | REGION III | REGION IV | REGION V | NATIONWIDE |
|---|---|---|---|---|---|---|
| Number of Credit Unions | 1,271 | 1,656 | 1,502 | 2,191 | 719 | 7,339 |
| Total Assets | $ 150 B | $ 277 B | $ 178 B | $ 189 B | $ 120 B | $ 914 B |
| Percent of Industry Assets | 16.4% | 30.3% | 19.5% | 20.6% | 13.1% | 100.0% |
| Net Long-Term Assets Ratio | 37.8% | 37.0% | 30.6% | 27.1% | 30.8% | 33.0% |

## Future NCUA Board Meeting Calendar

| DATE | TIME | LOCATION |
|---|---|---|
| 5/19/11 (Thurs) | 10:00 am | Alexandria, VA |
| 6/16/11 (Thurs) | 10:00 am | Alexandria, VA |
| 7/21/11 (Thurs) | 10:00 am | Alexandria, VA |
| NO AUGUST MEETING | | |

| DATE | TIME | LOCATION |
|---|---|---|
| 9/22/11 (Thurs) | 10:00 am | Alexandria, VA |
| 10/27/11 (Thurs) | 10:00 am | Alexandria, VA |
| 11/17/11 (Thurs) | 10:00 am | Alexandria, VA |
| 12/15/11 (Thurs) | 10:00 am | Alexandria, VA |

BOARD ACTIONS (FROM PAGE 3)

include the service categories of information technology and asset liability management. The Board took this action after NCUA staff determined these activities pose minimal risks to the NCUSIF.

Corporate CUSOs may now engage in the following activities:

- Brokerage services;
- Investment advisory services;
- Clerical, professional and management services;
- Data processing services;
- Lending and deposit services;
- Information technology services; and
- Asset-liability management services.

A comprehensive list of corporate CUSO service categories and the specific approved activities can be found on NCUA's Corporate Credit Union webpage at: *http://www.ncua.gov/Resources/CorporateCU/CUSO/ApprovedCCA.aspx.*

Corporates providing such CUSO services, however, must comply with certain obligations, including regular reporting requirements and ongoing assessments of their financial condition.

The Board approved the changes without dissention. NCUA will continue to review and consider whether to approve corporate CUSO activities not contained on the preapproved list.

### NCUA Supervisory Review Guidance Consolidated; Credit Union Appeal Rights Increased

With the adoption of an Interpretive Ruling and Policy Statement addressing NCUA's Supervisory Review Committee (IRPS 11-1), the Board continued its efforts to consolidate and streamline NCUA's rules and regulations. Consisting of three senior NCUA staff members, the Supervisory Review Committee hears credit union appeals on a variety of issues.

In brief, the new interpretive ruling combines two prior statements into one document addressing the operations of the Supervisory Review Committee. The changes also add denials of technical assistance grant reimbursements to the types of determinations that a credit union may appeal to NCUA's Supervisory Review Committee.

By a 3-0 vote, the Board approved the final guidance without any changes. NCUA had previously issued this guidance on an interim basis effective Jan. 20.

### NCUSIF Equity Ratio Remains Steady

The NCUSIF remains steady, ending March with an equity ratio of 1.29 percent for the sixth straight month. The NCUSIF ended the month with a $1.19 billion reserve balance.

During the first three months of 2011, the NCUSIF had total income of $57.1 million and total expenses of $27.5 million, resulting in year-to-date net income of $29.6 million. Through March 2011, five credit unions have failed at a cost of $34.4 million.

In March, 366 federally insured credit unions, with assets of $42 billion and shares of $37.3 billion, had CAMEL code 4 or 5 designations. Additionally, 1,798 CAMEL code 3 credit unions had assets of $149.4 billion and shares of $132.2 billion. Overall, CAMEL code 3, 4 or 5 credit unions held approximately 21 percent of all credit union assets, down slightly for the third consecutive month.

TCCUSF total liabilities and net position stood at $391 million at the end of March, about $6 million higher than the end of February.

Financial data reported for both the NCUSIF and the TCCUSF are preliminary and unaudited.

**All Board Action Memorandums are available online at www.ncua.gov under *Agency Leadership/NCUA Board and Actions/Draft Board Actions.* NCUA rule changes are posted online at www.ncua.gov under *Resources & Publications/Legal/Regulations, Legal Opinions and Laws.***

## The tool to make smarter financial decisions:

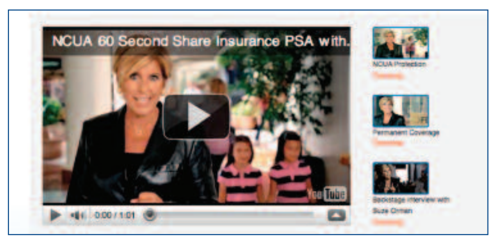
# MyCreditUnion.gov

Created by NCUA's Office of Consumer Protection, the interactive **MyCreditUnion.gov** provides consumers with important material that complements the information for credit unions found at **www.ncua.gov**.

- Obtain financial literacy advice to make better financial choices
- Access educational topics such as keeping your money safe, managing credit, protecting savings and more.
- Get guidance about purchasing a home, buying a car, and fighting identity theft.
- Access information on share insurance protection.

Contact the Office of Consumer Protection at 703.518.1140, or email **ocpmail@ncua.gov** if you have comments about or suggestions for the new website.



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