

NCUA News

November 2003 Number 6

Chairman Dollar stresses financial literacy is vital

NCUA Chairman Dennis Dollar told a group of credit union and community leaders in New York City October 17 that financial literacy programs should be a priority at all credit unions, but particularly at credit unions serving low-income communities because they “provide the vital link between access to lower-cost financial services and breaking the vicious payday lending cycle in many low-income neighborhoods.”

“Creative financial literacy programs are indispensable for credit unions seeking to make a positive long-term difference in many low-income communities,” Dollar said before the 2nd Annual Financial Literacy Day program sponsored by the National Federation of Community Development Credit Unions at the St. Mark’s Church and Federal Credit Union in Harlem.

“Providing an 18 percent payday loan is an attractive option that many

credit unions are offering residents of their communities who might otherwise only have the option of a payday or pawnshop loan at 180 percent or more,” said Dollar. “However, the advantages must be communicated in a manner that results in a financial lifestyle change. Financial literacy programs can be a worthwhile public service to a community and a valuable investment in a credit union’s membership and, equally important for the future, a credit union’s potential members in that community.”

Dollar commended the National Federation of Community Development Credit Unions for its leadership in promoting and helping credit unions to put financial literacy programs in place. He also encouraged credit union consideration of the Money Smart financial literacy program developed by the Federal

continued on page 10

October 17, 2003, New York City – Chairman Dennis Dollar addressing the 2nd Annual Financial Literacy Day program sponsored by the National Federation of Community Development Credit Unions at St. Mark’s Church and Federal Credit Union in Harlem.



HIGHLIGHTS

News briefs	2
Fraudulent credit union ads	2
Board actions	3
FFIEC updates handbook	3
NCUA publication list and subscription form	4
Conversations with America	8
PALS MBL workshop	8
Sound corporate governance	9
NCUA hears from industry	10

Region VI relocates

November 1 NCUA moved its Concord, Calif., office to Tempe, Ariz., as part of the agency’s cost-cutting realignment effort. Mail and telephone calls for the Region VI office should be directed to:

1230 West Washington Street,
Suite 301
Tempe, AZ 85281
(Phone) 602-302-6000
(Fax) 602-302-6024
(Email) region6@ncua.gov

Realignment of states and closure of the Chicago office will not occur until the beginning of 2004.

For more information on NCUA’s realignment, please visit <http://www.ncua.gov/news/ReAlignment/index.htm> or contact NCUA’s Office of Public and Congressional Affairs at 703-518-6330.

NCUA responds to GAO report on page 7

News briefs

E-mail subscription service planned – NCUA is developing an e-mail subscription service to provide its stakeholders with the option to receive most information and documents electronically.

Additional CDRLF funding considered – The Senate Appropriation Committee recommended funding an additional \$1.5 million for the Community Development Revolving Loan Fund, with \$800,000 designated for technical assistance and \$700,000 for loans. The House of Representatives has approved \$1 million designated for technical assistance grants. A resolution is expected by yearend.

Accounting Manual changes revision – An update to the accounting manual is underway. A few changes addressed in the specialized topics section are deferred compensation accounting, CUSOs and repossessed and foreclosed assets.

Examiner's Guide update – NCUA is finalizing updates to the following sections of the Examiner's Guide: opinion audits, management, general loan review, loan types, investment analysis, RegFlex, con-

sumer compliance, consumer leasing, report writing, state credit union report reviews, and incidental powers.

NCUSIF deposit adjustments and re-funds processed – Deposit insurance invoice and refund statements were mailed to credit unions with assets of \$50 million or greater September 10. Refunds of \$4.9 million were electronically issued to credit unions with declining insured shares between January 1 and June 30, 2003. Invoices sent to credit unions with share increases totaled \$278.9 million.

Board actions expected

- Revision to Part 748 to add Appendix B – Response Programs for Unauthorized Access to Customer Information and Customer Notice, November
- NCUA Annual Performance Plan 2004 – November
- NCUA FY 2004/2005 Budget – November
- NCUSIF Normal Operating Level for 2004 – December

Newspapers alerted to fraudulent credit union ads

NCUA General Counsel Robert M. Fenner sent a letter to the Newspaper Association of America in late September, which was widely circulated, asking that newspapers across the country be alerted to fraudulent advertisements being placed by entities posing as credit unions.

The advertisement states the XYZ Credit Union can assist with credit problems by offering auto loans, personal loans, debt consolidation and home equity loans. The advertisement directs people to consult with a loan officer by calling a toll-free 866 number. The loan officer then asks victims to provide personal and financial information, which may lead to identity theft, and victims are directed to make an advance payment via wire transfer through Western Union to secure the loan.

People have reported losses of \$650 to \$15,000 in response to fraudulent advertisements that have appeared in 14 states, from California to New York. Various credit union names have been used, some similar to actual credit unions.

Credit unions asked to assist

NCUA issued *Letter to Credit Unions 03-CU-12* in August alerting

credit unions to this fraudulent activity as well as similar cases of Web site fraud. Please review *Letter to Credit Unions 03-CU-12* and follow its recommendations to monitor local small town newspapers for suspicious advertisements and monitor the Internet for entities that may be using similar or the same domain name as your own. Credit unions can purchase domain rights to prevent misuse of your domain name.

Credit unions are asked to report any suspicious advertisements or other pertinent information to NCUA's Fraud Hotline, 703-518-6550 or 800-827-9650.

Low-income CU designations

1990 to 2003

Low-income credit unions	
December 31, 1990	142
New charters	65
New designations	939
Designations changed, merged or liquidated	(187)
Low-income credit unions	
September 30, 2003	959

NATIONAL CREDIT UNION ADMINISTRATION
NCUA News

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

Dennis Dollar, Chairman
JoAnn Johnson, Vice Chair
Deborah Matz, Board Member

Information about NCUA and its services may be secured by contacting the Office of Public and Congressional Affairs, at 703-518-6330. The weekly Treasury-bill rates are available by calling 800-755-1030 or 703-518-6339.

Clifford Northup, *Director,*
Office of Public and Congressional Affairs
Cherie Umbel, *Editor*
Barbara Walker, *Graphics*

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Board Actions October 23, 2003

NCUSIF quarterly report

Through the first nine months of 2003, the National Credit Union Share Insurance Fund gross income was \$119.8 million, net income was \$33.9 million and operating expense was \$61.9 million. Insurance losses through September were \$24.0 million, with eight credit union failures.

The Fund expects to end 2003 with approximately \$30 million in recorded losses. The Fund provision for credit union losses, or reserves, currently stands at \$66.8 million and monthly additions to unallocated reserves are expected to continue through the end of 2003. Actual spending for operating costs through September 2003 is \$700,000 less than last year at this time.

The NCUSIF equity ratio is 1.28 percent and is projected to be 1.25 percent at year end.

The number of problem credit unions remains the same 211 as reported in 2002, while the total amount of shares in credit unions coded CAMEL 4 and 5 has grown from 0.66 to 0.78 percent.

Freedom of Information Act rule updated

The NCUA Board issued a final rule and a request for comments to update, clarify and centralize the processing of *Freedom of Information Act* (FOIA) requests.

Requests for Office of the Inspector General (OIG) records should be submitted directly to OIG for processing. All other FOIA requests should be submitted to the NCUA Central Office where they will be processed by the Office of General Counsel. To expedite the process, requesters can submit a FOIA request and receive a response electronically if an e-mail address is provided. Information provided to requesters will include all records in existence when the search begins. The final rule has a 30-day comment period, and if no adverse comments are re-

ceived, it becomes effective immediately.

IRPS issued on financial contracts

The NCUA Board approved *Interpretive Ruling and Policy Statement (IRPS) 03-3* to eliminate potential market disadvantages and provide guidance on NCUA's treatment of qualified financial contracts (QFCs) and federal funds (fed funds) in the event NCUA liquidates or conserves a credit union. The guidance, effective 45 days after printed in the Federal Register, covers the timing, form, authority and maintenance of written agreements documenting QFCs and fed funds transactions.

Proposed security rule amendment issued

The NCUA Board issued a proposed amendment to security rule Part 748 with a 60-day comment period. The proposal, coordinated with standards recently issued by the members of the Federal Financial Institutions Examination Council, would require the security

programs of federally insured credit unions to include controls to respond to incidents of unauthorized access to member information.

New Appendix B – Guidance on Response Programs for Unauthorized Access to Member Information and Member Notice – was added to assist credit unions in developing and implementing a security response program to prevent and mitigate member risk or identity theft due to unauthorized access to member account information.

The guidance provided in Appendix B also offers specific controls credit unions should consider when addressing and implementing existing security programs. Additionally, the guidance includes policies and procedures credit unions should consider in the event unauthorized account access occurs and describes corrective measures a credit union may choose to implement to mitigate harm to individual members, which includes, among other guidance, notifying members of unauthorized access.

Votes are unanimous unless otherwise indicated.

FFIEC updates guidance

The Federal Financial Institutions Examination Council (FFIEC), in September, issued revised guidance for examiners, financial institutions, and technology service providers on electronic banking (e-banking), information technology (IT) audits and the FedLine electronic funds transfer application. The guidance is contained in three booklets.

The E-Banking booklet provides guidance on risks and risk management practices applicable to a financial institution's e-banking activities. The Audit booklet provides guidance on the risk-based IT audit practices of financial institutions and technology service providers. The FedLine booklet provides guidance on the appropriate control considerations for financial institutions using the Federal Reserve's FedLine application.

The booklets are the latest in a series of updates to the 1996 FFIEC Information Systems Examination Handbook. The FFIEC is updating the Handbook to address significant changes in technology since 1996 and to incorporate a risk-based examination approach. These booklet updates will ultimately replace all chapters of the Handbook and comprise the new FFIEC Information Technology Examination Handbook. Future booklets will address retail and wholesale payment systems, outsourcing technology services, management, computer operations, and systems development and acquisition.

The booklets are being distributed electronically and are available at www.ffiec.gov/guides.htm.

NATIONAL CREDIT UNION ADMINISTRATION PUBLICATIONS LIST

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 e-mail: publications@ncua.gov. Base prices for each publication do not include changes, which may be purchased at the prices indicated.

Prepayment is required. Payment by check, money order, Visa or Master Card is acceptable.

TITLE	PUBLICATION NO. ISSUE DATE	QTY	PRICE	TOTAL
Decal - Adhesive (7"x3")	1075 (11/86)		\$ 1.00/2	
Decal (in Spanish) - Adhesive (7"x3")	1076S (8/00)		\$ 1.00/2	
Sign (7"x3") with stand	1076 (11/86)		\$ 1.00	
Sign (in Spanish) (7"x3") with stand	1076S (8/00)		\$ 1.00	
Annual Report of the National Credit Union Administration	8000 (2002)		\$ 5.00	
Federal Credit Union Bylaws	8001 (10/99)		\$ 3.50	
Federal Credit Union Handbook	8055 (1999)		\$ 3.50	
The Federal Credit Union Act	8002 (10/98)		\$ 3.00	
Federal Credit Unions (Leaflet)	8005 (5/96)		\$ 7.50/100	
NCUA Rules & Regulations	8006 (8/98)		\$ 20.00	
- Change 1	(12/98)		\$ 5.00	
- Change 2	(2/99)		\$ 2.50	
- Change 3	(9/99)		\$ 2.50	
- Change 4	(4/00)		\$ 3.00	
- Change 5	(8/03)		\$ 2.50	
Chartering and Field of Membership Manual	8007 (1/99)		\$ 6.50	
NCUA User's Guide (Financial Performance Report)	8008 (1998)		\$.50	
NCUA Examiner's Guide ¹	8018 (6/97)		\$ 85.50	
Accounting Manual for FCUs	8022 (2003)		\$ 35.00	
Your Insured Funds	8046 (12/00)		\$ 14.00/50	
Your Insured Funds (in Spanish)	8046S (12/00)		\$ 14.00/50	
Yearend Statistics for Federally Insured Credit Unions	8060 (12/02)		\$ 5.50	
Midyear Statistics for Federally Insured Credit Unions	8060 (6/03)		\$ 5.50	
e-Commerce Guide for Credit Unions \$5.00	8072 (11/02)		\$ 5.00	
NCUA Credit Union Directory	8602 (03)		\$ 15.00	
A Guide to HMDA Reporting	9003 (1/98)		\$ 5.00	
HMDA Notice Poster	3222P (6/97)		N/C	
Supervisory Committee Guide for Federal Credit Unions	8023 (12/99)		\$ 12.00	
Change 1	(11/02)		\$ 3.00	
Suspicious Activity Report Form (2 diskettes per order)				
*Windows & User's Guide Software	9004 (7/96)		\$ 10.00	
*DOS & User's Guide Software	9005 (7/96)		\$ 10.00	
*Windows Package & Documentation	9006 (7/96)		\$ 15.00	
*DOS Package & Documentation	9007 (7/96)		\$ 15.00	
Subscription to NCUA Publications ²	9001 (1/04 - 12/04)		\$125.00	
	(7/04 - 12/04)		\$ 62.50	
FFIEC Information Systems Manual Vol 1&2	9002 1996 Edition		\$ 62.50	
			\$ 50.00	

¹NCUA's Examiners' Guide is excluded from the Subscription Service.

²NCUA offers a one-year subscription service for all publications issued to credit unions.

NCUA Publication Subscription Service

Credit unions receive one free copy of NCUA publications. To accommodate our stakeholders, NCUA also offers a paid subscription service that provides the documents customarily distributed to credit unions. *Letters to Credit Unions*, proposed and final rules, NCUA News newsletters, *Accounting Bulletins* and *Interpretive Ruling and Policy Statements* are among the publications distributed.

A subscription begins when payment is received, and back issues of publications are not provided. To receive all publications issued in 2004, payment must be received by Dec. 31, 2003.

Subscriptions may be purchased at any time and costs are as follows:

- A 2004 subscription service request received before June 30, 2004 is \$125.
- A 2004 subscription service request received between July 1, and December 31, 2004, is \$62.50

Subscriptions expire December 31, 2004, regardless of when the request is processed. Renewal notices are sent to subscribers approximately two months before year end.

To place or renew a subscription, please complete then e-mail, fax or mail the form below to:

NCUA Publications
1775 Duke Street
Alex. VA 22314-3428

Phone: 703-518-6340
Fax: 703-518-6417
E-mail: publications@ncua.gov

- \$125.00 (subscription orders received before June 30, 2004)
 \$ 62.50 (subscription orders received after June 30, 2004)

Visa MasterCard Check Enclosed \$ _____

Card No.: _____ Exp. Date: _____

Name on Card (please print) _____

Signature: _____

PLEASE PRINT OR TYPE:

Name: _____

Company/Institution: _____

Address: _____

City: _____ State: _____ Zip: _____

E-Mail Address: _____

Telephone No.: _____ Fax No.: _____

Chairman Dollar responds to GAO Report

Health and stability of CUs significantly improved

“NCUA concurs with the GAO report’s assessment that the overall financial health and stability in credit unions has significantly improved since 1991. NCUA has made notable progress in ensuring the safety and soundness of the National Credit Union Share Insurance Fund (NCUSIF) and in providing proactive oversight of federally insured credit unions,” Chairman Dennis Dollar said in response to the November 4 release of the report from the General Accounting Office (GAO) report entitled *“Credit Unions: Financial Condition Has Improved, But Opportunities Exist To Enhance Oversight And Share Insurance Management.”*

The report points out that problem credit unions have declined 63 percent since 1992, and credit union capital has substantially increased in that same period. Net worth grew 186 percent, adding \$39 billion of protection to the credit union system during the same time frame and assets grew 116 percent. The report identifies the increasing concentration of assets in larger, complex credit unions and notes NCUA’s responding risk-focused examination program and subject matter examiner program have focused efforts on risk and enhanced examiner skills.

As recommended by the GAO, NCUA plans to continue to work closely with the Federal Financial Institutions Examination Council (FFIEC) agencies in an effort to leverage the knowledge and experience of fellow regulators with its risk-focused programs.

Internal controls and third-party vendor review

NCUA concurred with GAO’s recommendation that large (over \$500 million) credit unions should provide an annual management report assessing the effectiveness of the institutions’ internal controls and independent auditor’s attestation to management’s assertions.

NCUA would not oppose legislative authority to examine credit union third-party vendors, although the agency has not experienced insurmountable problems related to this lack of statutory authority

and has maintained a vigilant program of monitoring the usage of third-party vendors by the credit unions NCUA regulates.

Overhead transfer rate

NCUA also concurred with GAO recommendations that improvements are needed in the process that determines the overhead transfer rate (OTR). NCUA is currently researching a more consistent, updated method for calculating the OTR, incorporating a thorough, revised, ongoing time survey that will enable the rate to be set annually.

Serving people of modest means

NCUA did not concur with the report recommendation that the agency collect extensive data above that presently being collected from federal credit unions on their service to low and moderate income members in underserved areas. Implementing this recommendation would, in the opinion of the agency, impose significant and unnecessary reporting burdens on credit unions, especially small credit unions with limited resources that rely heavily on volunteers and operate primarily in low and moderate income areas. Congress has specifically rejected Community Reinvestment Act requirements for credit unions, and NCUA feels that imposing significant reporting requirements on credit unions that expand into underserved communities might actually result in a disincentive to those credit unions electing to extend their service to the very low-income communities and neighborhoods that need it most.

In analyzing service to limited income individuals, the GAO report drew its conclusions based on limited mortgage lending data and demographic data tied primarily to occupational based credit union members (thus employed and tending to have better income levels). NCUA’s Access Across America initiative and applications from a growing number of credit unions converting to community charter and expanding to service low-income areas provide ample evidence that credit unions seek to serve and

are indeed serving the unbanked and low and moderate income members. Currently, 10.2 percent of federally insured credit unions are designated as serving low-income areas and the membership growth rate in underserved area credit unions increased an average 4.80 percent from 2000 through 2002, a 92.8 percent higher growth rate than the 2.49 percent growth rate of credit unions nationwide.

Risk-based pricing for share insurance

In lieu of the GAO’s recommendation that NCUA adopt a risk-based pricing scheme for share insurance premiums tied to a credit union’s CAMEL rating, NCUA stated its concern about this recommendation on smaller credit unions. NCUA stated a preference to use an approach that would also impose a more responsible discipline on the industry by better bringing risk factors into the prompt corrective action (PCA) calculations. Converting to a prompt corrective action (PCA) system based on risk-based net worth levels tied to an institutions risk profile would provide for a more complete picture of the risk factors at each individual credit union and impose a more reasonable approach to monitoring risk than by tying share insurance premiums to a credit union’s CAMEL rating.

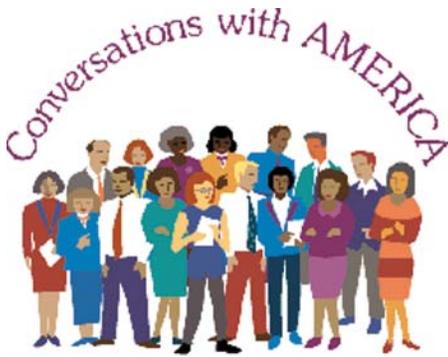
Insurance Fund loss estimation methodology

NCUA is always interested in applying best practices in determining the amount of liability for losses or reserves to set aside for losses and will evaluate the GAO findings in this regard. NCUSIF loss reserve funding is consistent with generally accepted accounting principles and, since its capitalization, the Fund has never been materially underfunded. Currently the FDIC is revising its reserving procedures and NCUA plans to review the details of FDIC revisions and integrate viable improvements within the NCUSIF reserve process.

Private share insurance

NCUA concurred with the GAO report’s identification of possible sys-

continued on page 9



My Government Listens

Who and What: Board Member Deborah Matz will participate on the opening panel CUNA's 2003 Volunteer Leadership Institute.

When: 9:00 a.m., November 3, 2003

Where: Half Moon Resort, Montego Bay, Jamaica

Why: Board Member Matz will emphasize the important roles played by credit union volunteers in determining the future of the credit union movement. She will also solicit volunteers' feedback on NCUA policies and initiatives.

Contact: Patty Jenkins at 703-518-6318, or pjenkins@ncua.gov.

Who and What: Board Member Deborah Matz will address the Oregon Credit Union League during the League's 67th Annual Business Meeting.

When: 10:30 a.m., November 13, 2003

Where: Marriott Doubletree Jantzen Beach Hotel, Portland, Oregon

Why: Board Member Matz will update credit unions on her Partnering and Leadership Successes (PALS) initiative, Small Credit Union Working Group, and issues that affect the credit union movement.

Contact: Patty Jenkins at 703-518-6318 or pjenkins@ncua.gov.

Who and What: Vice Chair JoAnn Johnson will attend the opening of the Fayetteville Branch of the Latino Community Credit Union.

When: Monday, Nov. 17, 2003

Where: Fayetteville, N.C.

Why: Vice Chair Johnson will participate in the credit union's opening ceremonies.

Contact: Heather Graham at 703 518-6309 or hgraham@ncua.gov.

Who and What: Vice Chair JoAnn Johnson will address the CUNA Supervisor and Audit Committee Conference.

When: Thursday, Dec. 4, 2003

Where: Las Vegas, Nev.

Why: Vice Chair Johnson will share her insight into credit unions and the future direction of NCUA.

Contact: Heather Graham at 703 518-6309 or hgraham@ncua.gov.

Who and What: Board Member Deborah Matz will address the Credit Union Executives Society's 2003 Direc-

tors Conference.

When: 8:30 a.m., December 11, 2003

Where: Paris Las Vegas, Las Vegas, Nev.

Why: Board Member Matz will emphasize the important roles played by credit union directors in determining the future of the credit union movement. She will also update directors on her Partnering and Leadership Successes (PALS) initiative and issues that affect the credit union movement.

Contact: Patty Jenkins at 703-518-6318 or pjenkins@ncua.gov.

PALS workshop helps CUs serve small businesses

Over 200 credit union representatives gathered in Washington on International Credit Union Day to hear from fellow credit unions, NCUA, the Small Business Administration and industry experts to get specifics on how to make member business loans.

The workshop was a part of the Partnering and Leadership Successes (PALS) initiative introduced by NCUA Board Member Debbie Matz. Ms. Matz and Vice Chair JoAnn Johnson worked together to develop the new regulation that became effective Oct. 31, 2003. Both reminded participants that while member business lending is not for every credit union, with proper due diligence it provides a valuable service for member business owners.

"Business lending is an opportunity for credit unions to reach many different types of members with services most simply can't get elsewhere," Matz pointed out.

"One of the most important points made by the panelists is that the biggest risk could be the missed opportunity of not making member business loans," Johnson noted.

A panel of various size credit unions shared some relevant philosophical reasons to make member business loans, including:

- Build relationships with local businesses;
- Keep capital in their communities;
- Improve members' quality of life; and
- Raise credit unions' standing as good corporate citizens.

In addition, credit union panelists said quality member business loans bring financial benefits such as: increased loans and deposits; higher net yields; and diversified credit risk and interest rate risk to their portfolios.

continued on page 9

2nd MBL workshop planned

Based on excellent feedback from conference participants, Board Member Matz and Vice Chair Johnson are putting together another PALS workshop on member business lending planned for March 25, 2004, in San Francisco.

Before then, a PALS workshop is scheduled in Dallas Jan. 26 to share best practices for offering alternatives to predatory financial practices. Workshop information is available online at www.ncua.gov



October 17, 2003, Wash., D.C. – NCUA Vice Chair JoAnn Johnson and Board Member Deborah Matz open the PALS member business lending workshop in Washington, D.C.

PALS workshop

continued from page 8

Most panelists also offered similar advice for successful business lending programs:

- Develop a thoroughly researched, realistic business plan;
- Hire a business lending expert;
- Establish adequate reserves;
- Expect 2 years before profitability;
- Mitigate risk with sufficient collateral; and
- SBA loans can be key to small businesses.

Panels of government experts and business loan consultants offered advice on how to safely manage member business lending risks and comply with all legal requirements.

When the new regulation took effect October 31, presentations from the workshop, on a free CD, became available on the PALS website at www.ncua.gov.

Dollar responds to GAO Report

continued from page 7

temic risk that could be associated with inadequately capitalized or improperly managed private share insurance which lacks the full faith and credit banking of the federal government. Also, the high rate of failure to disclose the lack of federal share insurance noted in the GAO report confirms a conclusion in their previous report, Federal Deposit Insurance Act – FTC Best Among Candidates to Enforce Consumer Protection. This report stated that members of privately-insured credit unions may not be adequately informed that their savings are not federally insured and Congress should remove the prohibition in the Federal Trade Commission's appropriation that prevents their enforcing these legally required disclosures.

Dollar's comments were included in the GAO Report available at:

<http://www.gao.gov/new.items/d0491.pdf>

Letter to FCUs addresses sound corporate governance

NCUA issued *Letter to Federal Credit Unions 03-FCU-07* last month to provide a summary of certain provisions within the *Sarbanes-Oxley Act of 2002* that NCUA believes a federal credit unions (FCU) may wish to consider.

While the Sarbanes-Oxley Act and the Securities and Exchange Commission's (SEC) implementing regulations do not specifically apply to FCUs, FCUs may consider certain provisions as beneficial.

The Sarbanes-Oxley Act was designed to improve corporate governance (ensure that state requirements are met along with the practices and procedures that comply with applicable federal law), and improve financial disclosures and auditing relationships of public companies (companies with securities registered with the SEC or a federal banking agency).

FCUs are encouraged to consider the guidance provided and are urged to periodically review their policies and procedures as they relate to matters of corporate governance and auditing.

The summary is divided into three columns: the first column summarizes specific provisions within Sarbanes-Oxley and identifies any implementing regulation; Column 2 provides a description of related, existing statutes, regulations, or issuances applicable to FCUs; and Column 3 provides comments concerning sound corporate governance practices that FCUs may wish to implement based on credit union size, complexity, and risk profile.

Find the letter on NCUA's Web site at <http://www.ncua.gov/ref/letters/letters.html>

NCUA hears from industry at 3rd annual budget briefing and open forum

Executive Director J. Leonard Skiles presented NCUA's proposed 2004 budget at the agency's third annual budget briefing and public forum October 10. If adopted as proposed, NCUA's 2004 budget will total \$150.4 million, a modest 2.99 percent increase over 2003. The proposed 2004 budget includes belt-tightening saving measures and a potential average 4.1 percent merit pay increase for agency employees.

Payroll expenses, a major expense category for NCUA, is projected to decline in 2004 due to reductions in the number of full-time employees; however, employee benefit, travel, administration, labor relations and contracting expenses are projected to increase.

Chairman Dennis Dollar initiated the annual budget briefing and public forum when he became agency head in 2001, and the briefing has been well-received by agency stakeholders at the federal and state levels.

"A more open NCUA budget process facilitates a better understanding between the regulator and the regulated," Dollar said. "Although we are an independent agency and always maintain an arm's length relationship with those we regulate, we recognize that credit unions fund our agency. We should be good stewards of those dollars and make sure our stake-

holders are aware of our efforts to use those dollars wisely and have the safest and soundest credit union system possible for the over 80 million Americans who depend on their credit unions."

The NCUA Board initially reduced the 2003 budget by one-half percent from its original level and at mid-year 2003 reduced the budget an additional \$3.3 million. The agency's Accountability In Management (AIM) program efficiency goals have yielded impressive results. NCUA's regional realignment plan, which will be completed in 2004, is projected to save \$27 million over the next 10 years.

The public witnesses who provided their views on agency expenses and priorities for 2004 included representatives from the Credit Union National Association, National Association of Federal Credit Unions and the National Association of State Credit Union Supervisors. Written statements and comments on the budget were accepted through November 10. The NCUA Board will consider both

the oral and written comments, and plans to vote on a final 2004 agency budget at its scheduled November 20 meeting. NCUA's budget briefing PowerPoint presentation is available on the Internet at www.ncua.gov/budget.

Dollar stresses financial literacy vital

continued from page 1

Deposit Insurance Corporation and endorsed by the NCUA as a part of an Access Across America partnership with other federal agencies.

"There are a number of quality financial literacy programs available in the market," he said. "No credit union has to re-invent the wheel in order to offer a financial literacy program. However, some credit unions are developing their own programs and having great success. Either way, whether through a pre-packaged program or one developed specifically for an individual credit union, financial literacy should be a priority at all credit unions."

Check out NCUA's
**Share Insurance
Estimator** accessible at
www.ncua.gov.



Are your funds insured? Click the NCUA sign to calculate your coverage and learn more about insurance protection.



NATIONAL CREDIT UNION ADMINISTRATION

NCUA News

National Credit Union
Administration
1775 Duke Street
Alexandria, VA 22314-3428

PRESORTED
FIRST CLASS MAIL
POSTAGE AND FEES PAID
NCUA
PERMIT No. G-88