

**Debbie Matz, Board Chairman**  
National Credit Union Administration



# NCUA Update

Presentation to  
Credit Union Association of the Dakotas  
Las Vegas, Nevada  
April 15, 2015

---

# South Dakota Credit Union Trends

*Improving Net Worth, Loans, Delinquency & Charge-Offs*

Credit Unions' Key Metrics	South Dakota Year-End 2009	South Dakota 1 <sup>st</sup> -Qtr. 2012	South Dakota Year-End 2014	United States Year-End 2014
Return on Assets	0.22 %	0.71 %	0.69 %	0.80 %
Net Worth Ratio	9.3 %	9.2 %	10.1 %	11.0 %
Loan Growth	8.5 %	(-1.5 %)	8.0 %	10.4 %
Delinquency	1.1 %	0.8 %	0.7 %	0.9 %
Net Charge-Offs	0.4 %	0.3 %	0.2 %	0.5 %
Member Growth	(-1.4 %)	1.7 %	1.7 %	3.1 %

# North Dakota Credit Union Trends

*Performing Better than Most National Averages*

Credit Unions' Key Metrics	North Dakota Year-End 2009	North Dakota 1 <sup>st</sup> -Qtr. 2012	North Dakota Year-End 2014	United States Year-End 2014
Return on Assets	0.82 %	1.09 %	1.09 %	0.80 %
Net Worth Ratio	10.7 %	10.1 %	11.1 %	11.0 %
Loan Growth	8.9 %	2.4 %	10.4 %	10.4 %
Delinquency	1.0 %	0.5 %	0.4 %	0.9 %
Net Charge-offs	0.3 %	0.1 %	0.1 %	0.5 %
Member Growth	0.2 %	3.0 %	1.3 %	3.1 %

# Issues on Our RADAR...

---

...which should also be on yours

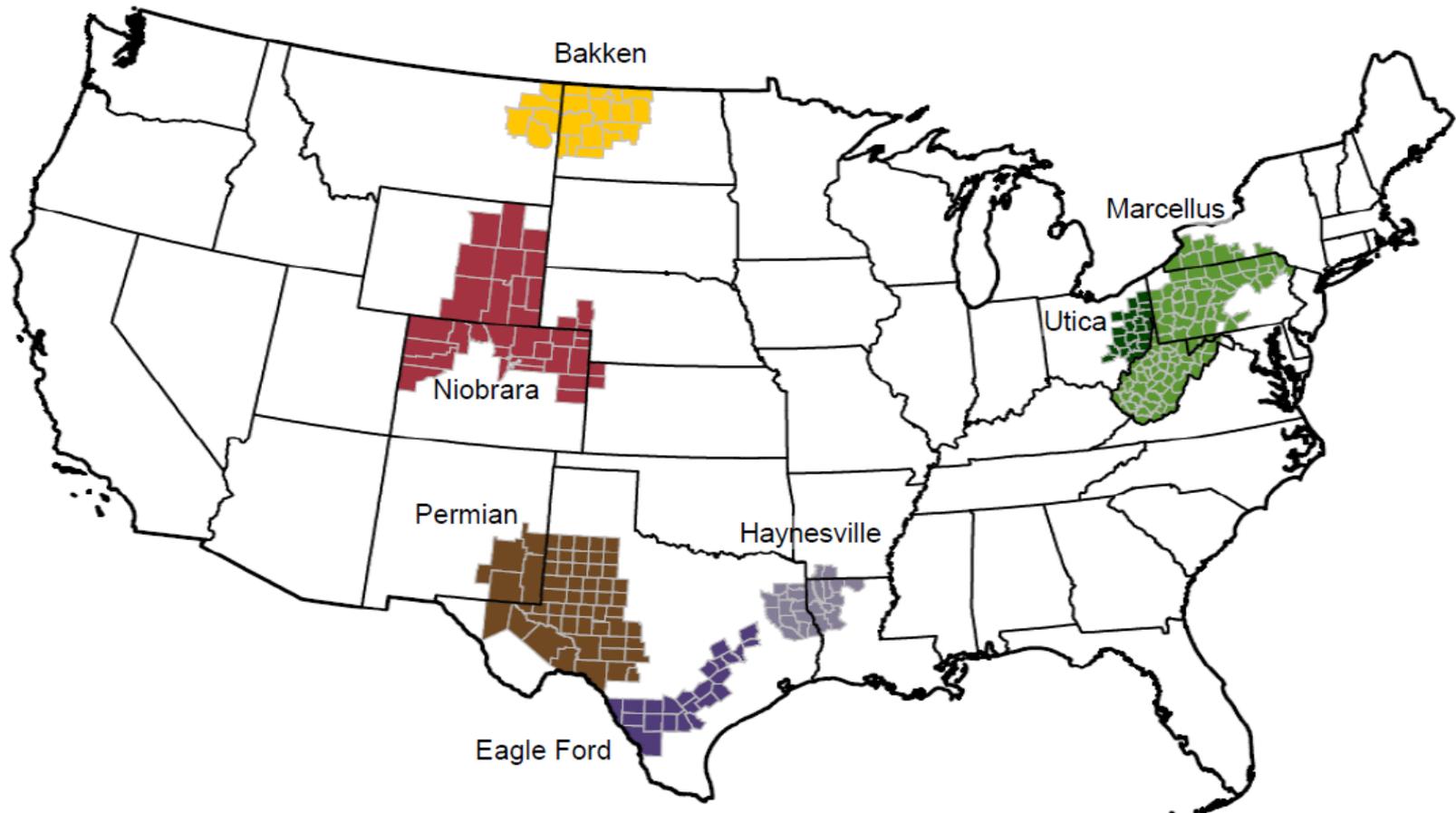


- **Plunging Oil Prices**
- **Falling Farm Prices**
- **Cyber Threats**
- **Capital Outliers**
- **Interest Rate Risk**

# States Sensitive to Oil Prices

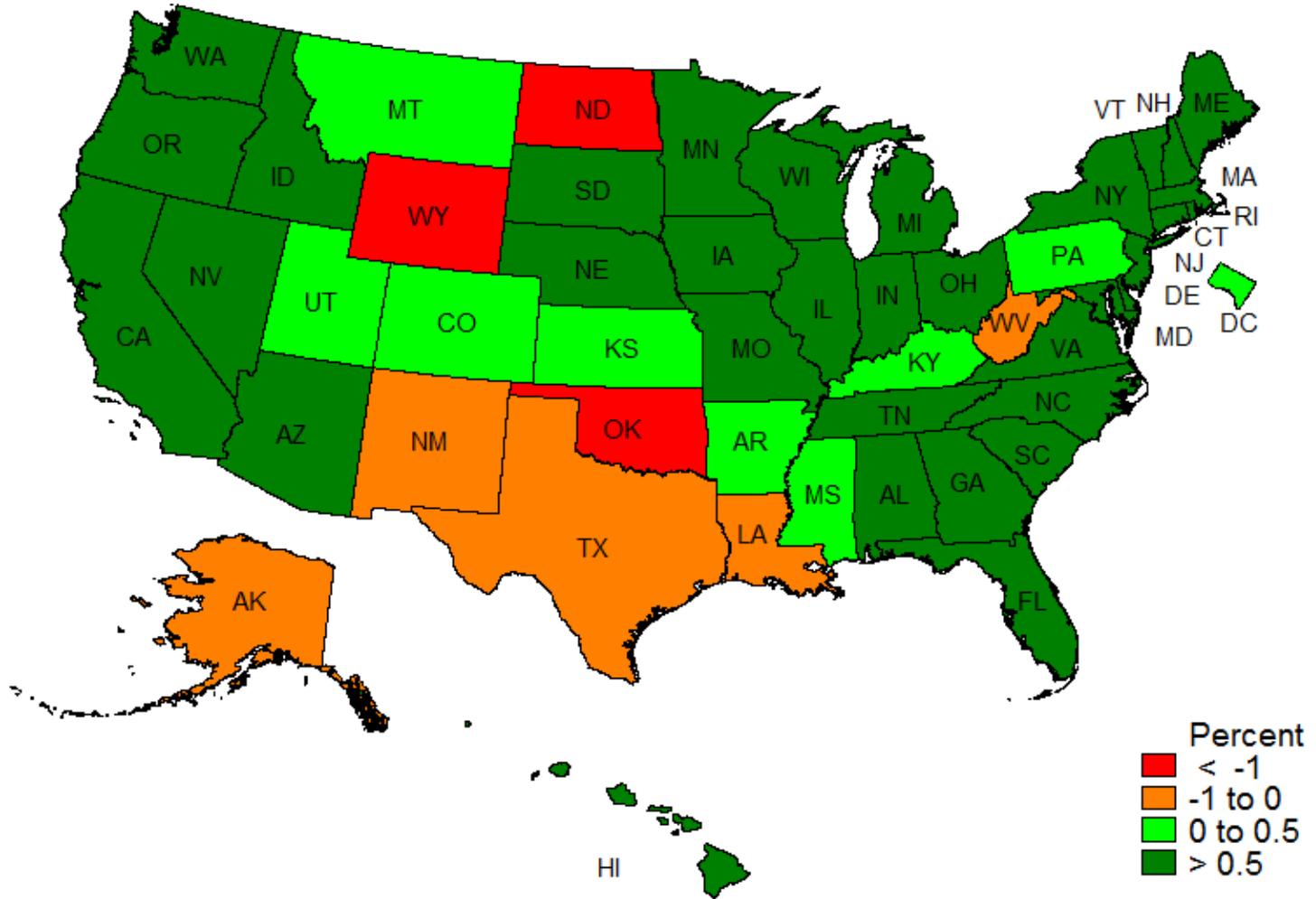
The 7 regions highlighted below accounted for 95% of domestic oil production growth and all domestic natural gas production growth in 2011-2013.

Source: US Energy Information Administration (EIA)



# Dakotas React Differently to Plunging Oil Prices

## Change in Employment After a 20% Decline in Oil Prices

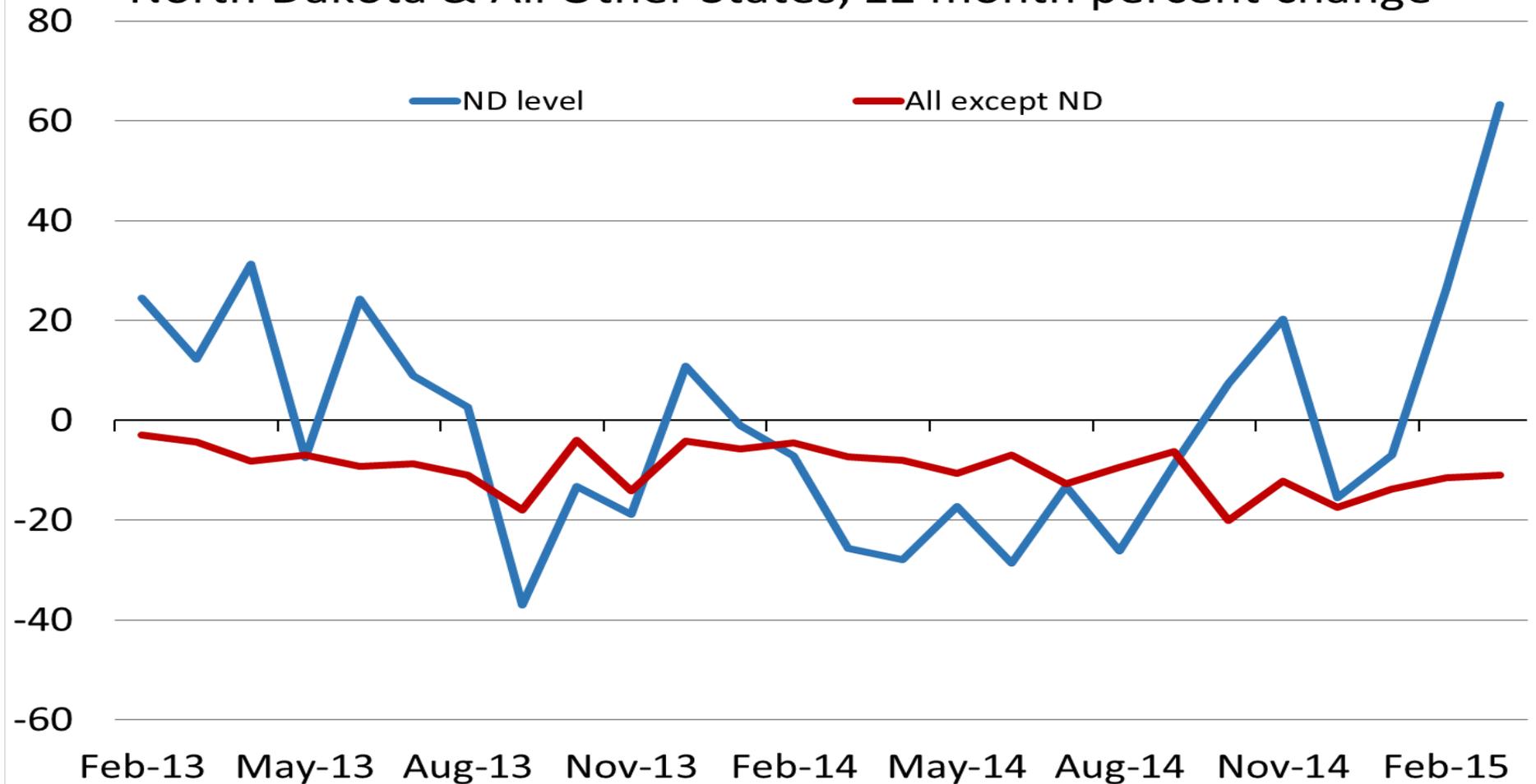


US: 0.4%

From the Council on Foreign Relations, October 2013.

# North Dakota Unemployment Rising

Initial Claims for Unemployment Insurance:  
North Dakota & All Other States, 12 month percent change

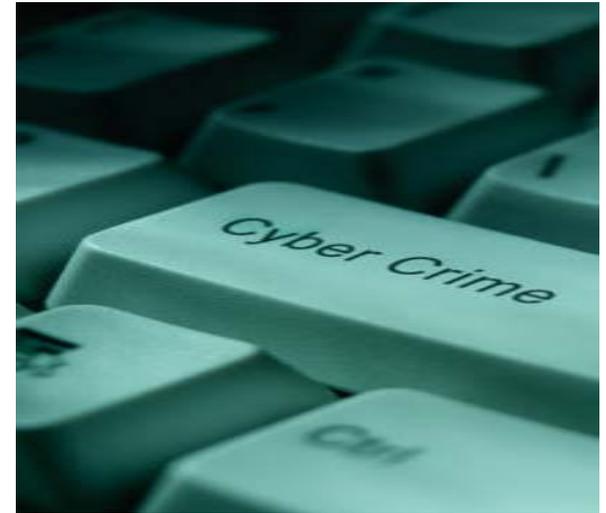


# Cyber Threats

---

- Cyber Thieves

- Target: Large Institutions
- Tactic: Attack Individual Systems
- Objective: Steal Money



- Cyber Terrorists

- Target: Vulnerable Entry Points (Small Credit Unions)
- Tactic: Infiltrate Interconnected Systems
- Objective: Cripple or Destroy the U.S. Economy

# Cyber Security – What Can You Do?

---



## ✓ **Ensure your CU systems are secure.**

- Implement risk mitigation controls: vendor due diligence, strong password policies, proper patch management, employee training, and network monitoring.

## ✓ **Get educated.**

## ✓ **Share cyber-security best practices.**

- Participate in local, state and national information-sharing forums.

# CYBER SECURITY RESOURCES



## NCUA Regulations and Guidance

---



## Federal Government Requirements and Guidelines

---



## Information Sharing Forums on Cyber Threats

---



## Best Practices

---



## Privacy & Protecting Personally Identifiable Information

---



## Additional Resources

---



<http://www.ncua.gov/Resources/Pages/cyber-security-resources.aspx>

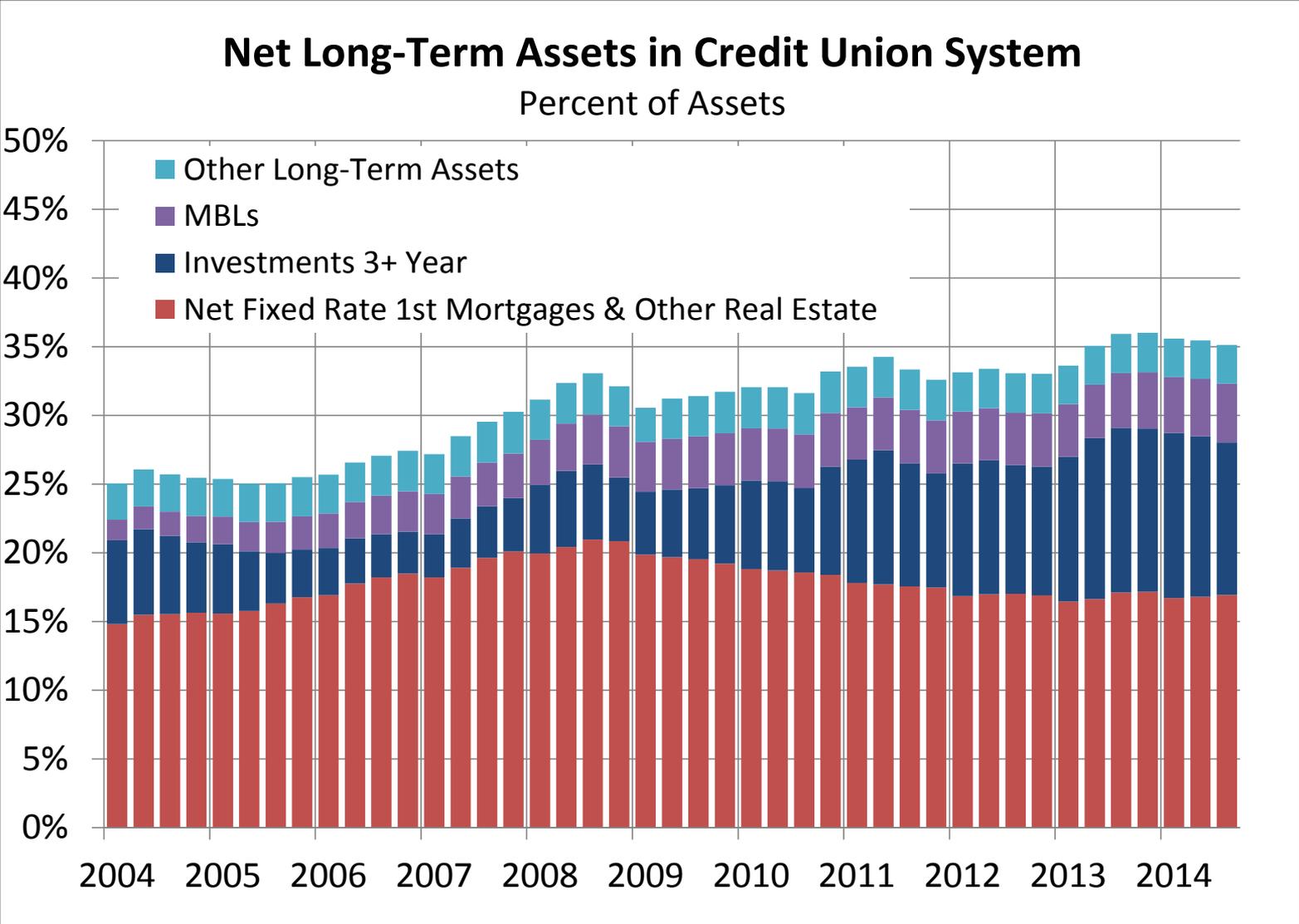
# Questions to Ask about Cyber Security

- What are the potential vulnerabilities of hackers using the credit union as an entry point to gain access to larger interconnected systems?
- Has staff done due diligence to evaluate the cybersecurity of every vendor and every payment system with which the credit union has a digital relationship?
- How could the credit union change cybersecurity protocols based on guidance from FFIEC?
- How could the new national cybersecurity standards further protect the credit union and members?

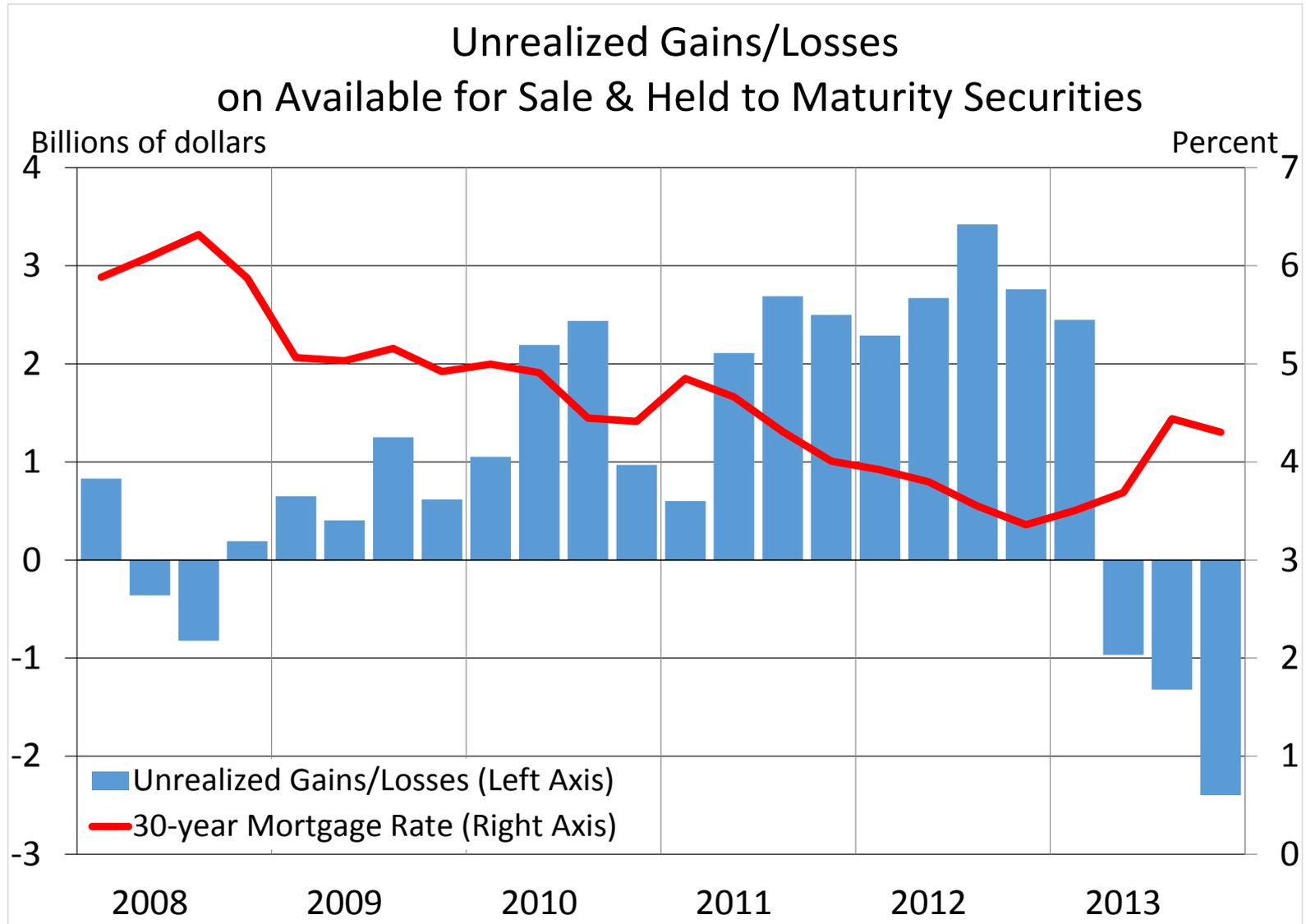
# Major Changes to Risk-Based Capital

- ✓ CUs up to \$100 million are exempt.
- ✓ Risk-based threshold to be “Well Capitalized” is lower (10.0%, not 10.5%).
- ✓ Interest rate risk has been removed from all risk weights.
- ✓ Key risk weights are significantly lower.
- ✓ Effective date will be delayed until 2019.

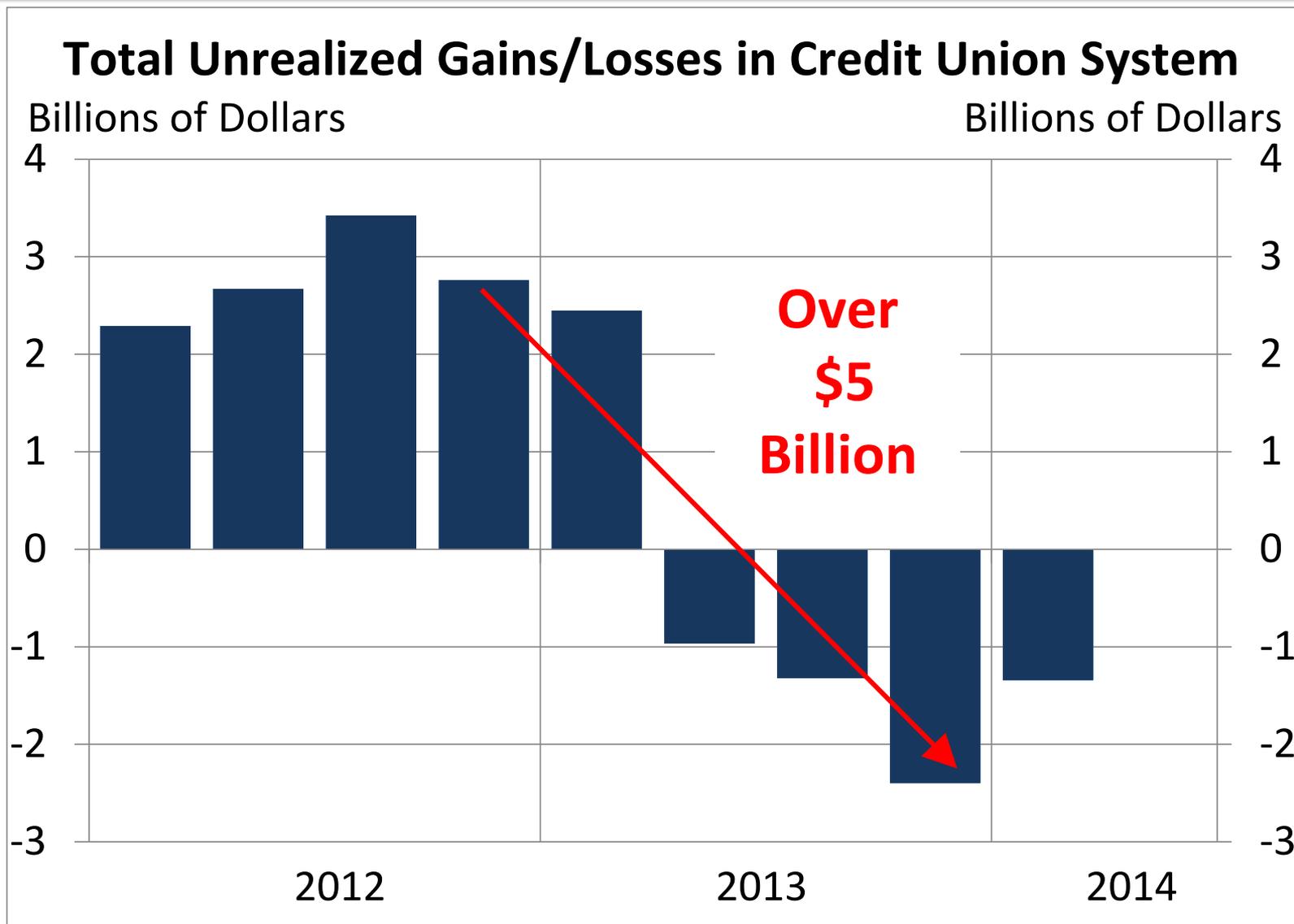
# Interest Rate Risk is Higher than Pre-Crisis



# Interest Rate Spikes Led to Unrealized Losses

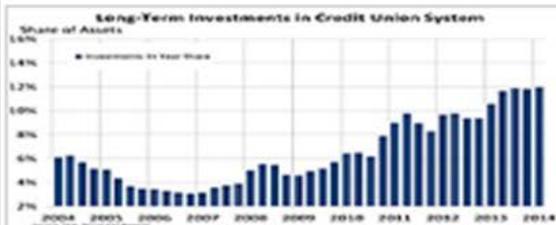


# Credit Union Losses Tied to Rising Rates



# INTEREST RATE RISK RESOURCES

## Now Playing... Interest Rate Risk Videos



*New!!! Interest Rate Risk Video (2014)*

## Interest Rate Charts



Net Long-Term Assets in Credit Union System

## NCUA Rules and Regulations



*Final Rule, Parts 703, 715 and 741*

## The NCUA Report

### Office of the Chief Economist Report DESPITE FED ACTION, INTEREST RATE EXPOSURE REMAINS



*NCUA Report, Jan. 2013 "Despite Fed Action, Interest Rate Exposure Remains"*

## Letters to Credit Unions



*Supervisory Focus for 2014*

## Additional Resources



*Advisory on Interest Rate Risk Management*

<http://www.ncua.gov/Resources/Pages/interest-rate-risk-resources.aspx>

# Questions to Ask about Interest Rate Risk

- How is the credit union measuring interest rate risk exposure?
- What has been learned from shock testing?
- What changes should be considered in the credit union's balance sheet, product pricing or investment strategy to avoid excessive interest rate risk?
- How should the CU's interest rate risk policy be updated to reflect the new Fed interest rate forecast?
- What internal controls ensure the CU will follow the board's interest rate risk policy?

# NCUA Regulatory Relief

---

- ✓ **Exempting Small Credit Unions**
- ✓ **Adding Supplemental Capital**
- ✓ **Expanding Fields of Membership**
- ✓ **Removing Fixed Asset Limits**
- ✓ **Easing Member Business Lending**

# Proposed Regulations

[Home](#) > [Regulatory, Publications, and Reports](#) > [Legal & Regulatory Resources](#) > Proposed Regulations

Chairman Matz shares tips on writing effective comment letters:

Chairman Matz' Tips on Writing Effective Comment Letters



*Due dates for comments run from the date the proposed regulation is published in the Federal Register. Specific due dates for the comments are listed below, as well as set forth in the Federal Register link for each proposed regulation.*

*Comments should be directed to Gerard Poliquin, Secretary of the Board Mail or hand-deliver comments to:*

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

*or*

*Fax comments to (703) 518-6319*

*or*

*Email comments to [regcomments@ncua.gov](mailto:regcomments@ncua.gov)*

***Please send comments by one method only.***

*Public Inspection: All comments on proposed regulations will be posted to the agency's Web site as submitted, except as may not be possible for technical reasons.*

***Public comments will not be edited to remove any identifying or contact information.***

*To find out if a proposed rule has become a final regulation, visit the [Final Regulations page](#).*

(View Recent Final and Interim Final Regulations here)

Regulation Part / Federal Register Notice	Description	Date Board Issued	Due Date for Comments	Comments
12 CFR Part 701	Federal Credit Union Ownership of Fixed Assets	03/19/2015	TBD	N/A
12 CFR Part 791	IRPS 15-1; Promulgation of NCUA Rules and Regulations	02/19/2015	5/4/2015	<a href="#">Click Here</a>
12 CFR Part 702	Capital Planning and Stress Testing—Schedule Shift	01/15/2015	03/27/2015	<a href="#">Click Here</a>
12 CFR Parts 701, 702, 703, 713, 723 and 747	Risk-Based Capital	01/15/2015	04/27/2015	<a href="#">Click Here</a>
Part/Federal Register Notice: 12	Regulatory Publication and Review Under the Economic Growth and	12/11/2014	03/19/2015	<a href="#">Click Here</a>

# Contacting the Office of the Chairman

---

Feel free to contact our office with questions or comments.

**Chairman:**

Debbie Matz

[dmatz@ncua.gov](mailto:dmatz@ncua.gov)

**Chief of Staff:**

Steve Bosack

[sbosack@ncua.gov](mailto:sbosack@ncua.gov)

**Senior Advisor:**

Buddy Gill

[bgill@ncua.gov](mailto:bgill@ncua.gov)

**Asst./Scheduler:**

Angela Sanders

[asanders@ncua.gov](mailto:asanders@ncua.gov)

**Phone:**

**703-518-6301**

# Newsletters

[Home](#) > [News, Media and Events](#) > Newsletters

# The NCUA

# R E P O R T

NATIONAL CREDIT UNION ADMINISTRATION



*The NCUA Report is NCUA's flagship publication that highlights important NCUA Board actions and key issues that credit union volunteers and management need to know. It is a one-stop resource to learn not just the "what" but also the "why" behind NCUA's actions.*

*Every NCUA Report includes articles from the Chairman and each of the Board Members regarding their take on current topics. You'll also find topical articles from NCUA office and regional directors.*

*Click on the month below to see the NCUA Report for this year. There's also a link to see NCUA Reports and Newsletters from prior years.*

*Beginning in November 2011 "The NCUA Report" is presented in a new digital format. This premier format uses superior technology to convert the printed page into vivid online text and imagery, and adds reader-friendly features to appeal to today's growing market of online and mobile readers. With it, NCUA hopes to achieve a wider distribution of our key messages geared toward credit union leaders. As always, your direct feedback is appreciated. Send a message to "The NCUA Report's" editor at [PACAMail@ncua.gov](mailto:PACAMail@ncua.gov).*

To view the NCUA Report Newsletter from prior years: [Click Here](#)

### In this month's newsletter:

- Office of Examinations and Supervision Report: Funnel Accounts: A Funny Name, But a Serious Concern
- Chairman's Corner: Volunteers: Inspire and Question Management
- Loan Growth at a Nine-Year High
- Vice Chairman Metsger's Perspective: Charter Choice and the Law of Natural Selection
- Board Member J. Mark McWatters' Perspective: True Transparency and Real Regulatory Relief

http://www.ncua.gov/Pages/NCUAExpress.aspx

View Favorites Tools Help

Home > NCUA Express Email Subscriptions

**NCUA Express** NCUA's Express system allows anyone interested in credit union issues to receive NCUA communications via e-mail. Within hours of publication, press releases, Letters to Credit Unions, Regulatory Alerts, and various other communications can be sent to your e-mail. Subscribers will receive an e-mail message containing a brief description of the publication along with a link to download the publication from the [www.ncua.gov](http://www.ncua.gov) web server. There is no cost for this service and it is available to anyone. To subscribe or change your selection options please select from the options listed below.

 **Email Subscriptions**

---

*Subscribe to NCUA Email lists and receive messages when a new item related to that category is added to the NCUA website.*      *Stay current with NCUA news, updates, and events.*

---

**All Email Lists**  
 If you want to subscribe to all of our email lists below, then use this form to subscribe. Otherwise, you can make individual selections below.

 **All Email Lists**

---

**NCUA Newsletter**  
 NCUA's flagship publication highlights important NCUA Board actions and key issues that credit union volunteers and management need to know. Need a concise, one-stop resource to learn not just the "what" but also the "why" behind NCUA's actions? Then sign up for the monthly NCUA Report!

 **NCUA Newsletter** **New!**

---

**Accounting Bulletins**  
 The Accounting Bulletins provide period accounting guidance to Credit Unions and section amendments to the Accounting Manual for Federal Credit Unions.

 **Accounting Bulletins**

# NCUA Express

- Automatic email notifications from NCUA website postings
- Replaces most paper mailings
- You can choose which NCUA communications you receive.
- All you need to sign up is an email address.
- **Sign up free of charge at:**  
[www.ncua.gov/Pages/NCUAExpress.aspx](http://www.ncua.gov/Pages/NCUAExpress.aspx)

Credit Union Locator 

Search this site...   
Advanced Search

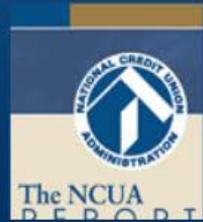
About NCUA

Credit Union Data and Applications

Credit Union Resources and Information

Regulations, Publications and Reports

News, Media and Events



**Proposed Risk-based Capital Rule Resources**  
Get a better understanding of NCUA's proposed risk-based capital rule with our new resource page and Estimator.

**Credit Union Resources**

Most Requested Information:

5300 Call Report Quarterly Data

**Consumer Resources**

*My* CREDIT UNION

pocket cents

**News & Press**

Mar 25, 2015  
NCUA Warns Consumers about "Spoofing" Scam Mimicking Agency's Telephone

Mar 24, 2015  
NCUA to Host Credit Union Webinars

# Corporate System Resolution Costs

[Home](#) > [Credit Union Resources and Information](#) > [For Corporate Credit Unions](#) > Corporate System Resolution Costs

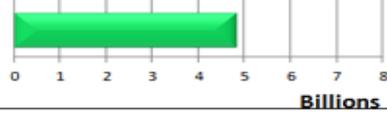
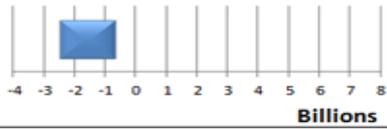
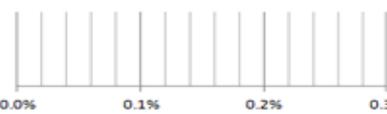
## Introduction

This website provides transparency into the actual and projected costs incurred by federally-insured credit unions\* as part of the Corporate System Resolution Program (Resolution Costs).

Managing to the least long-term cost consistent with sound public policy is one of the core principles established by the NCUA Board as part of the Corporate System Resolution. The NCUA Board uses the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) to pay only the costs associated with stabilizing and resolving the corporate credit union system, which improves the transparency of NCUA's stabilization actions. The legislation creating the Stabilization Fund allows repayment of those costs over the life of the fund (currently June 2021).

In addition to the information disclosed on this website, the audited financial statements for the Stabilization Fund can be found at the following link: [Stabilization Fund Financial Statements](#).

Since the launch of the Corporate System Resolution Program, the NCUA has consistently communicated that assessments are subject to the current year's cash requirements as well as projected losses on the Legacy Assets. Further, the NCUA noted that cash requirements would be higher in the initial years due to repayment of the Medium Term Notes (MTNs) by the Asset Management Estates (AMEs). The table below indicates the actual and projected assessments as of December 2014.

Actual assessments to credit unions, 2009 - 2014	\$4.8 Billion	
Projected range of future assessments	-\$2.5 to -\$0.7 Billion	
NCUA Board formal estimate of 2015 assessment	None	

Notwithstanding a major, unexpected development, such as a severe economic downturn, the assessment is expected to be zero for 2015. However, if adverse conditions develop, the NCUA Board may have to reconsider an assessment.

[Corporate System Resolution Costs](#)

[Resolution Costs Detail](#)

[Stabilization Fund Net Position](#)

[Borrowing Costs](#)

[Frequently Asked Questions](#)

[Q&A Costs & Assessments](#)

[Glossary](#)

[Contact Us](#)