

## Slight budget increase projected for 2007

The National Credit Union Administration (NCUA) Executive Director J. Leonard Skiles announced October 18, 2006, at NCUA's Budget Briefing and Public Forum that he expects the 2007 budget to reflect a 0.82 percent increase, an overhead transfer rate reduction from 57 to 54 percent, and a modestly reduced operating fee rate. The NCUA Board is expected to consider the 2007 budget at its November 16 meeting.

At the sixth annual Budget Briefing and Public Forum, Skiles introduced the proposed 2007 budget and welcomed representatives from the credit union community who provided their perspectives.

Guest presenters included: Marla Marsh, Kansas CU Association president

and Credit Union National Association representative; Linda Jekel, Washington director of Credit Unions and chair of the National Association of State Credit Union Supervisors; and Fred R. Becker, president and CEO of the National Association of Federal Credit Unions.

Over \$3 million in cost savings will occur in 2007. The bulk, \$2 million, will be saved as staff grades shift with retirements and turnover expected in 2007.

Skiles noted that the average number of hours allocated per examination will increase to accommodate the larger size and complexity of credit unions in 2007 and future years. Management and staff retirements, plus compliance issues and fewer credit unions are also among the issues that will affect future budgets.

## Chairman Johnson on the 2006 Financial Services Regulatory Relief Act



*September 30, 2006 -- Although not as ambitious as earlier versions, the legislation that has finally passed represents progress for credit unions and their*

*members. As the Agency begins the process of drafting corresponding regulations, we will do so in recognition of a marketplace that makes demands on the credit union industry to constantly update its ability to serve the 21st Century consumer.*

The budget presentation is available online at <http://www.ncua.gov/ReportsAndPlans/special/budget/index.html>.



October 18, 2006, Alexandria, Va. – Executive Director Len Skiles (standing) presents the expected 2007 budget to the NCUA Board, public forum participants, staff and guests in the NCUA Board room.

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## Swann and James recipients of Lifetime Achievement Award

The African-American Credit Union Coalition (AACUC) has announced NCUA Region III Director Alonzo Swann and Office of Small Credit Union Initiatives Director Tawana James will be recipients of the Annual Pete Crear Lifetime Achievement Award in 2007.

“Sustained excellence is a hallmark of the awardees. Alonzo Swann and Tawana James are truly deserving of this award. They epitomize exemplary dedication to the credit union movement,” the AACUC said making the announcement.

The prestigious award is presented annually recognizing a credit union professional or volunteer whose career best embodies the African-American Credit Union Coalition’s mission.

## Holly Herman departs



NCUA Chairman JoAnn Johnson announced October 10 that Senior Advisor and Chief of Staff Holly Herman will leave the agency November 10, 2006. Herman, who has been with NCUA since February 2004, will begin to pursue options after separating from NCUA, as set forth by federal law pertaining to post-government employment by senior federal personnel.

“It has been a pleasure to have Holly serving as my chief policy advisor. She has provided invaluable advice to me and staff on a wide range of issues. Her substantive knowledge of the credit union system and operational issues contributed important insight on virtually every policy question to come before this Agency during the past three years. Holly’s dedication to public service is appreciated by all who have had the privilege of working with her, and she will be missed. I wish her the very best,” commented Chairman Johnson.

“My time in the public sector has helped me broaden my understanding of the interaction between government and a regulated industry. I have enjoyed working at NCUA and look forward to applying what I’ve learned. The opportunity to work for Chairman Johnson is one that I will always view as a highlight of my career,” noted Herman, a 17 year veteran of senior executive positions in the credit union industry.

## Nontraditional mortgage risk products issued

### Regulators offer mortgage risk guidance

The federal financial regulatory agencies issued *Interagency Guidance on Nontraditional Mortgage Product Risks* addressing the risks posed by residential mortgage products that allow borrowers to defer repayment of principal and sometimes interest.

These products, referred to as nontraditional, alternative, or exotic mortgage loans, include interest-only mortgages and payment option adjustable-rate mortgages. The loans allow borrowers to exchange lower payments during an initial period for higher payments later. The concern is that some borrowers may not fully understand the risks of these products.

The final guidance offers advice to carefully manage the potential risks created by these loans. Two additional related documents were also issued – *Proposed Illustrations of Consumer Information for Nontraditional Mortgage Products* and an addendum to the *May 2005 Interagency Credit Risk Management Guidance for Home Equity Lending*.

These documents are available online at <http://www.ncua.gov/letters/2006/CU/06-CU-16.pdf>.

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## NCUA News

### National Credit Union Administration

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

JoAnn Johnson, Chairman  
Rodney E. Hood, Vice Chairman  
Christiane Gigi Hyland, Board Member

Information about NCUA and its service may be secured by contacting 703-518-6330.

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## Board actions October 19, 2006

### Share Insurance Fund quarterly report

The National Credit Union Share Insurance Fund (NCUSIF) equity ratio increased to 1.30 percent during September due to an increase in contributed capital. The equity ratio is based on the amount of insured shares to deposits held in the NCUSIF. Insured shares totaled \$532.4 billion at June 30, 2006, and the equity ratio is expected to be 1.30 percent at year-end.

The NCUSIF gross income was \$190.6 million, operating expense was \$62.5 million, net income was \$125.8 million and insurance loss expense was \$2.3 million at the end of the third quarter.

As of September 30, there were 256 problem (CAMEL Code 4/5) credit unions representing 0.68 percent of insured shares, and 12 credit unions had failed in 2006.

### Interim final rule amends loan maturity limits and adds financial services

The NCUA Board issued interim final rule Part 701 to clarify and improve the available services FCUs may provide members and those within their field of membership based on requirements of the Financial Services Regulatory Relief Act of 2006.

The new interim rule extends the general maturity limit on loans from 12 to 15 years and §701.30 permits federal credit unions to provide the following services to those within the field of membership, regardless of membership status:

- Sell negotiable checks including travelers checks, money orders, and other similar money transfer instruments

(including international and domestic electronic fund transfers); and

- Cash checks and money orders and receive international and domestic electronic fund transfers for a fee.

While the Board encourages interested parties to submit comments, the rule is being issued as an interim final rule and is effective upon publication in the *Federal Register*.

### Suspicious activity reporting requirements updated

NCUA issued final rule Part 748.1(c) with a changed title and detailed requirements for reporting and filing suspicious activity reports (SAR).

The final rule, Suspicious Activity Reports, includes information addressing prompt notification of the board of directors of SAR filings, confidentiality of the reports and liability protection. The new final rule seeks to enhance credit union compliance with SAR reporting requirements by providing greater detail on the thresholds and procedures for filing a SAR.

Effective 30 days after publication in the *Federal Register*, the rule clarifies that reportable activity includes suspected crimes and suspicious activity that the credit union knows, suspects or has reason to suspect has occurred.

**Board votes are unanimous unless indicated**

### November Board meeting time change

The time has changed for the November 16 NCUA Board meeting. The open meeting will convene at 9 a.m. and the closed meeting will immediately follow.

Continues from page 2

### Consumer brochure clarifies nontraditional mortgages



NCUA and fellow financial regulators issued a brochure October 18 to help consumers make more informed choices when considering nontraditional mortgage loans.

*Interest-Only Mortgage Payments and Payment-Option ARMs — Are They for You?* features a glossary of lending terms, a mortgage shopping worksheet and a list of additional information sources. This information can help consumers, whether buying a house or refinancing a mortgage, decide if an interest-only mortgage (an I-O mortgage) or an adjustable-rate mortgage (ARM) with the option to make a minimum payment (a payment-option ARM) is right for them.

The publication stresses the importance of understanding key mortgage loan terms, warns of the risks consumers may face, and urges borrowers to be realistic about whether they can handle future payment increases. If consumers are uncomfortable with these risks, the publication suggests that they ask about other mortgage products.

The interagency information is available on NCUA's website <http://www.ncua.gov/Publications/Index.htm> in PDF (portable document format) that credit unions can download and print for distribution to their members.

# Hood emphasizes HSAs role in a healthy economy



**October 12, 2006, Durham, N.C.** – Vice Chairman Rodney Hood addresses North Carolina credit union managers gathered at Vision Financial Federal Credit Union.

NCUA Vice Chairman Rodney E. Hood visited Vision Financial Federal Credit Union in mid-October to address credit union managers and CEO's from across North Carolina. The Vice Chairman discussed his regulatory philosophy and praised credit unions for stimulating economic growth. He also stressed the importance of quality healthcare in helping maintain our strong economy and encouraged credit unions to explore offering health savings accounts (HSAs) to their members.

"I am very proud of how credit unions empower more and more Americans to own homes and start businesses. However the partnership should not end there," Vice Chairman Hood said. "As members' businesses succeed, they seek ways to best meet the health care needs of their employees. Rising health care costs are a burden, and employers are faced with providing expensive coverage for their employees

or no coverage at all. Rising health care costs may even prevent a small business from hiring employees, truly a detriment to our economy. I believe health savings accounts are a very effective approach for credit unions to help members' small businesses thrive."

Created by the "Medicare Prescription Drug, Improvement and Modernization Act of 2003," signed into law by President Bush, HSAs provide quality health care and offer a tax advantage. Most people covered by a high-deductible health plan can establish an HSA, and those 55 and older can add catch-up contributions as well. Funds held in an HSA belong to the account holder, grow tax-free, are portable, and are distributed tax-free when used for qualified medical expenses. For more information, please visit the Department of Treasury website at: <http://www.ustreas.gov/offices/public-affairs/hsa/pdf/hsa-basics.pdf>

"Credit unions should be leading the way, not following, in meeting the important needs of members. According to a recent report, credit unions have fallen significantly behind banks when it comes to offering health savings accounts. If America's credit unions don't look out for the health of those they serve, who will? The train is leaving

**"President Bush believes that America is strongest when Americans have a stake in their own future."**

Vice Chairman Hood

the station and America's credit unions absolutely must be on board. I can not think of a better way for a credit union to illustrate the 'people helping people' philosophy than by offering their members the opportunity to have ownership of quality health care for their families and employees."



## My Government Listens

**Date:** Thursday, November 2, 2006  
**Who:** Vice Chairman Hood  
**Event:** NACUSO Business Services Collaborative  
**Location:** Chicago, IL  
**Contact:** Sally Ridgely at [sridgely@ncua.gov](mailto:sridgely@ncua.gov) or 703-518-6307

**Date:** Tuesday, November 14, 2006  
**Who:** Board Member Hyland  
**Event:** NFCDCU Financial Literacy Day  
**Location:** New York City, NY  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** Friday, November 17, 2006  
**Who:** Vice Chairman Hood  
**Event:** Hawaii Credit Union League's Government Affairs Conference  
**Location:** Honolulu, HI  
**Contact:** Sally Ridgely at [sridgely@ncua.gov](mailto:sridgely@ncua.gov) or 703-518-6307

**Date:** Saturday, November 18, 2006  
**Who:** Board Member Hyland  
**Event:** Small Credit Union Workshop  
**Location:** Queens, NY  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318



## National Credit Union Administration Publication 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 fax: 703-518-6417. Publications, including a constantly updated Publication List, are available on the NCUA website <http://www.ncua.gov>.

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

Title	(Pub No/Issue Date)	Price
<u>Accounting Manual for FCU</u>	8022 (01/03)	\$35.00
<u>Annual Report of NCUA</u>		
One free copy is available for credit unions	8000 (2005)	\$ 8.00
<u>Chartering and Field of Membership Manual</u>	8007 (03/03)	\$ 6.50
<u>Consumer Compliance Self Assessment Guide</u>	8059 (12/04)	\$ 5.00
<u>Credit Union Merger &amp; Conversion Manual</u>	8056 (06/05)	\$ 5.00
<u>E-Commerce Guide for Credit Unions</u>	8072 (12/02)	\$ 5.00
<u>Equal Housing Lender Poster</u>	1582	\$ 3.00
<u>FBI Decal</u>	1111	\$ 3.00
<u>Federal Credit Union Act</u>	8002 (10/98)	\$ 3.00
<u>Federal Credit Union Bylaws</u>	8001 (4/06)	\$ 3.50
<u>Federal Credit Union Handbook</u>	8055 (05/06)	\$ 3.50
<u>Federal Credit Union (Brochure)</u>	8005	\$7.50/100
<u>HMDA Poster</u>	3222P	\$ 3.00
<u>HMDA Reporting Guide</u>	9003	\$ 5.00
<u>Internet Pirates (Phishing brochure)</u>	8073 (10/04)	\$22/100
<u>Is A Credit Union Right For Me? (English Brochure)</u>	8071	\$8/100
<u>NCUA Credit Union Directory</u>	8602 (2006)	\$15.00
<u>NCUA Examiner's Guide<sup>1</sup></u>	8018 (06/02)	\$85.50
<u>NCUA Insurance decal-adhesive (English)</u>	1075 (11/19/06)	\$ 3.00
<u>NCUA Insurance decal-adhesive (Spanish)</u>	1075s (12/06)	\$ 3.00
<u>NCUA Insurance sign (English)</u>	1076 (11/19/06)	\$ 3.00
<u>NCUA Insurance sign (Spanish)</u>	1076s (12/06)	\$ 3.00
<u>NCUA Financial Performance Report User's Guide</u>	8008 (09/05)	\$ 2.00
<u>NCUA Rules and Regulations Manual</u>	8006 (2006)	\$20.00
<u>Statistics for Federally Insured Credit Unions - Yearend</u>	8060 (12/05)	\$ 5.50
<u>Subscription to NCUA Publications</u>	9001 (01/07-12/07)	\$125.00
<u>Subscription to NCUA Publications</u>	9002 (07/07-12/07)	\$62.50
<u>Supervisory Committee Manual for FCU's</u>	8023 (12/99)	\$12.00
<u>Supervisory Committee Manual for FCU's Change 1</u>	8023A (03/03)	\$ 3.00
<u>Tips to Safety Conduct Financial Transactions on the Internet</u>	8061 (06/02)	\$20/50
<u>Yearend Statistics for Federally Insured Credit Unions</u>	8060 (12/05)	\$ 5.50
<u>Your Insured Funds Brochure (Being revised)</u>	8046	\$14/50

<sup>1</sup>The Examiners Guide is excluded from the Subscription Service.

# 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 and Accounting Bulletins are among distributed publications.<sup>1</sup>

A subscription begins when payment is received, and back issues of publications are not provided. To receive all publications issued in 2007, payment must be received by Dec. 31 2006.

Subscriptions may be purchased any time and cost as follows:

- 2007 subscription requests received before June 30, 2007, cost \$125.
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# Balanced approach key, Hyland tells NAFCU Caucus



Board Member Gigi Hyland

National Credit Union Administration (NCUA) Board Member Gigi Hyland addressed over 400 participants at NAFCU's Congressional Caucus September 18, 2006, in Washington D.C.

"NCUA's primary function is safety and soundness. We do our job as regulator and insurer best by ensuring the long-term success of credit unions," stated Board Member Hyland. "This requires a balanced approach using sound risk management practices, not an ultra-conservative or no-risk tolerance one. It also means preserving and enhancing the value of the federal credit union charter."

In her remarks, Hyland briefed caucus attendees on three key areas of focus for NCUA in the coming months:

## Data collection pilot

Board Member Hyland noted that all data was collected by the August 31, 2006, deadline and the task now before the agency is to place the data into the appropriate framework and context in order to be responsive to the inquiries from the House Ways and Means Committee and the Government Accountability Office (GAO).

"While we will provide GAO with the raw data the agency collected, such data will be accompanied by a full analysis and report that effectively responds to the questions asked of the agency and reflects the ways credit unions are reaching out to all of their members," stated Board Member Hyland.

## Field of membership

Field of membership issues will continue to be at the forefront for the credit union system," Board Member Hyland said. "It's a bit ironic that the agency is being asked to statistically verify credit unions' outreach to all segments of their membership, especially people of modest means, yet the primary tool to do such outreach – adding an underserved area to a field of membership – is not available to all federally chartered credit unions. How can credit unions be expected to reach out to serve the underserved when the law prevents them from having access to the underserved?"

Board Member Hyland also challenged credit unions to look within their existing field of membership to discover opportunities to provide more services which will meet the unique needs of groups within their membership, and she stressed the importance of vision to a credit union's success. "It is the size of a credit union's vision, not assets, that will determine its future," stated Board Member Hyland.

## Data security

Board Member Hyland noted that data security, identity theft and credit card fraud will also be ongoing issues.

"Credit unions need to assure that they work with their data processing vendors to incorporate robust protection mechanisms in order to protect members' identities and personal financial data," Board Member Hyland said.



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- Data security and consumer protection

Participating federal agencies included the Department of Justice, Department of Treasury, and the U.S. Small Business Administration. Presenters also included representatives from the Virginia Credit Union League, Neighbor Works America, CUNA Mutual Group, Marine Federal Credit Union, Chartway Federal Credit Union, Coastal Federal Credit Union, Community Federal Credit Union, CoVantage Credit Union, and Newport News Shipbuilding Employees Credit Union.

"I commend those at the summit for their active interest in finding new and better ways to serve their members. The very essence of credit unions is member service, and I am hopeful that credit union officials in attendance will use information gained at our Access Across America meeting to enhance their outreach. Credit unions already do much, and I am confident they can do more to help consumers achieve their goals," noted Chairman Johnson.

Keynote speaker Congresswoman Thelma Drake praised credit unions for their commitment to service, especially to the military community.

"I appreciate Congresswoman Drake for recognizing the important role credit unions have in the lives of our brave men and women in uniform," said Chairman Johnson. "Her service on the House Armed Services Committee has truly highlighted the importance of maintaining the financial well being of the military community. Congresswoman Drake did an outstanding job encouraging and motivating the guests to continue striving to serve credit union members."

# NCUA hosts Access Across America Summit

*Chairman JoAnn Johnson, Congresswoman Thelma Drake and federal officials highlight the importance of credit unions, especially to the military*

NCUA Chairman JoAnn Johnson hosted the second Access Across America Economic Empowerment Summit of 2006 in Norfolk, Va., October 3. The summit highlighted resources available to credit unions to expand financial services to their members by partnering with federal agencies and non-profit organizations. Serving the unique needs of the military was emphasized throughout the summit.

Chairman JoAnn Johnson was joined by Congresswoman Thelma Drake (R-VA) and officials from the federal government and the private and non-profit sector to discuss issues important to the credit union system. Credit union officials from Virginia, Maryland, North Carolina, South Carolina, Florida and surrounding states attended the free event.



**October 3, 2006, Norfolk, Va. – Congresswoman Thelma Drake (R-VA) with Chairman JoAnn Johnson at the Access Across America Summit.**

Access Across America promotes credit union partnership opportunities with federal agencies and facilitates the extension of affordable financial services to individuals, communities and under-

served areas across America.

Featured panels included:

- Serving military and underserved areas
- Lending and saving best practices
- Health savings accounts

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