

Debbie Matz, Board Chairman
National Credit Union Administration



NCUA Update

Presentation to
Defense Credit Union Council
Dublin, Ireland
May 5, 2015

State of the System: Credit Unions Have Recovered

Current Metrics Reach Pre-Crisis Norms

Credit Union Data from Pre-Crisis to Post-Crisis	U.S. Credit Unions Year-End 2007	U.S. Credit Unions Year-End 2009	U.S. Credit Unions Year-End 2014
Return on Assets	0.63 %	0.20 %	0.80 %
Net Worth Ratio	11.4 %	9.9 %	11.0 %
Loan Growth	6.6 %	1.1 %	10.4 %
Delinquency Ratio	0.9 %	1.8 %	0.9 %
Net Charge-off Ratio	0.5 %	1.2 %	0.5 %
Membership Growth	1.3 %	1.5 %	3.1 %

State of the System: Overseas Subcouncil CU Trends

Performing Better than Most National Averages

Credit Unions' Key Metrics	Subcouncil CUs Year-End 2009	Subcouncil CUs Year-End 2014	All US CUs Year-End 2014
Return on Assets	0.75%	1.09%	0.80 %
Net Worth Ratio	9.4%	11.1%	11.0 %
Loan Growth	1.3%	14.2%	10.4 %
Delinquency	1.4%	0.7%	0.9 %
Net Charge-offs	1.5%	1.0%	0.5 %
Member Growth	6.8%	10.1%	3.1 %

Issues on Our RADAR...

...which should also be on yours

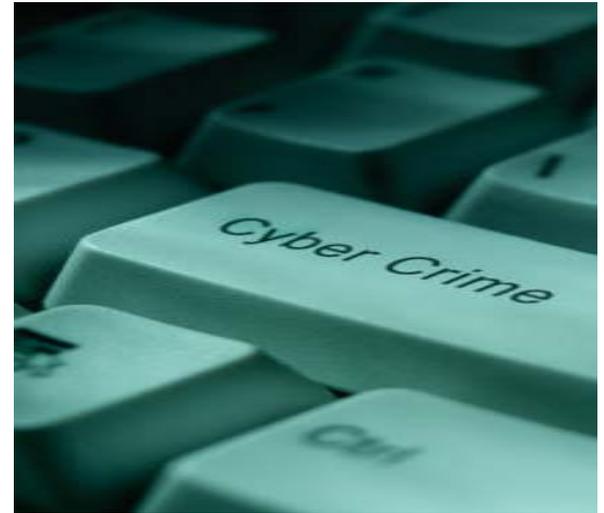


- **Cyber Threats**
- **Capital Outliers**
- **Interest Rate Risk**
- **Possible Rule Changes Governing Financial Services to Military Members**

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>

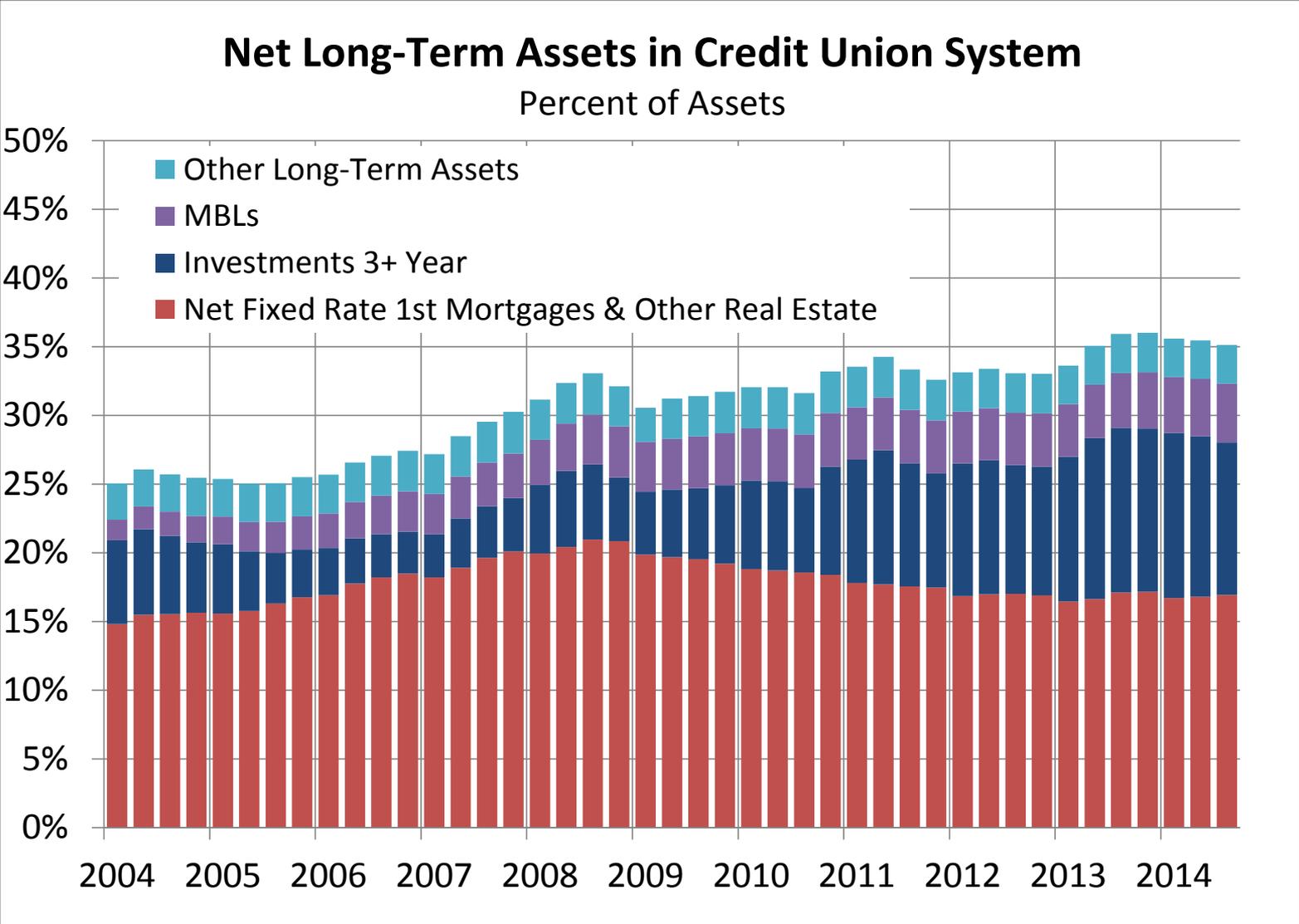
Questions to Ask about Cyber Security

- 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?

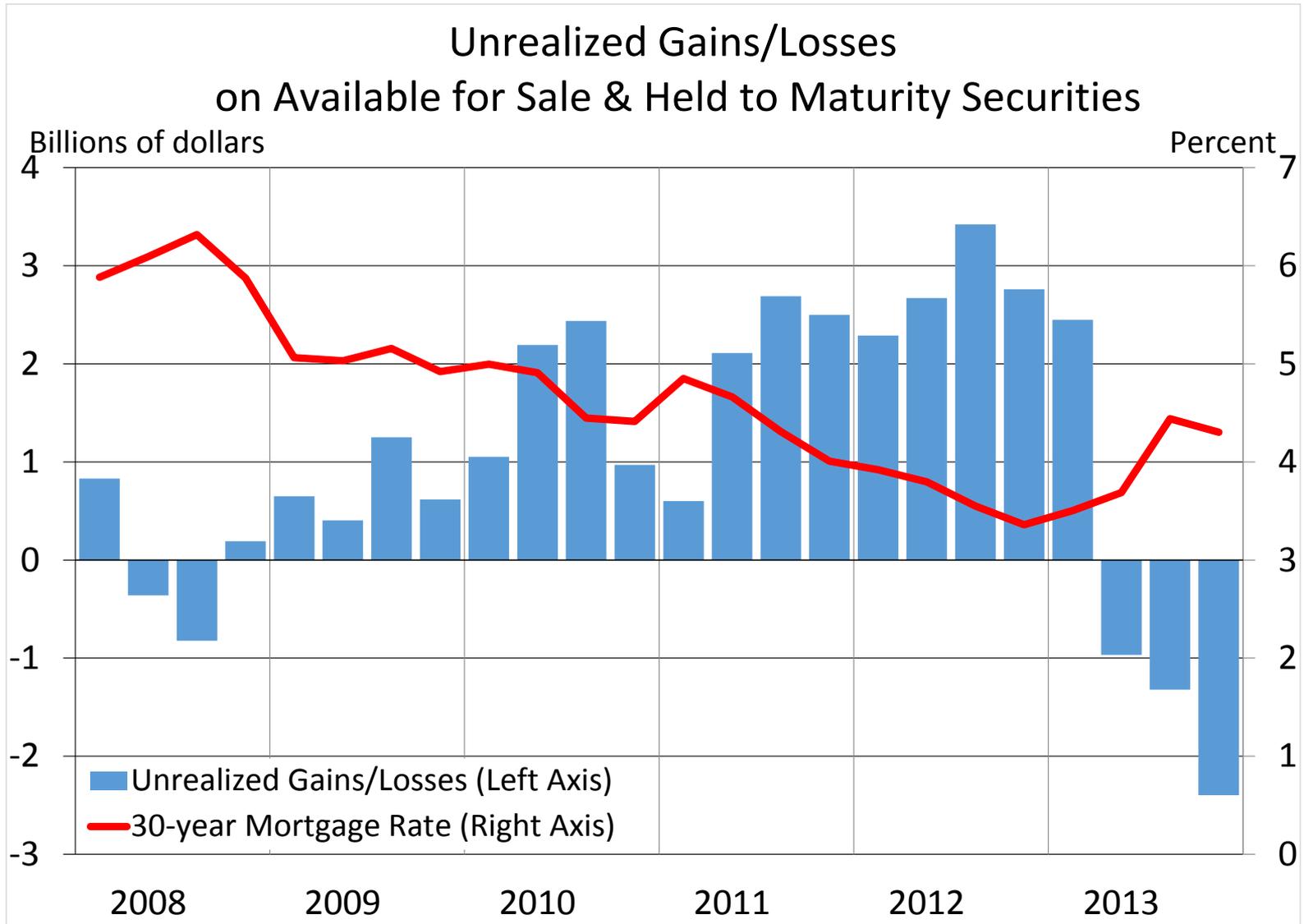
Major Changes to Risk-Based Capital

- ✓ 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.
- ✓ Examiners will not be authorized to raise any individual CU’s capital requirement.
- ✓ Effective date will be delayed until 2019.

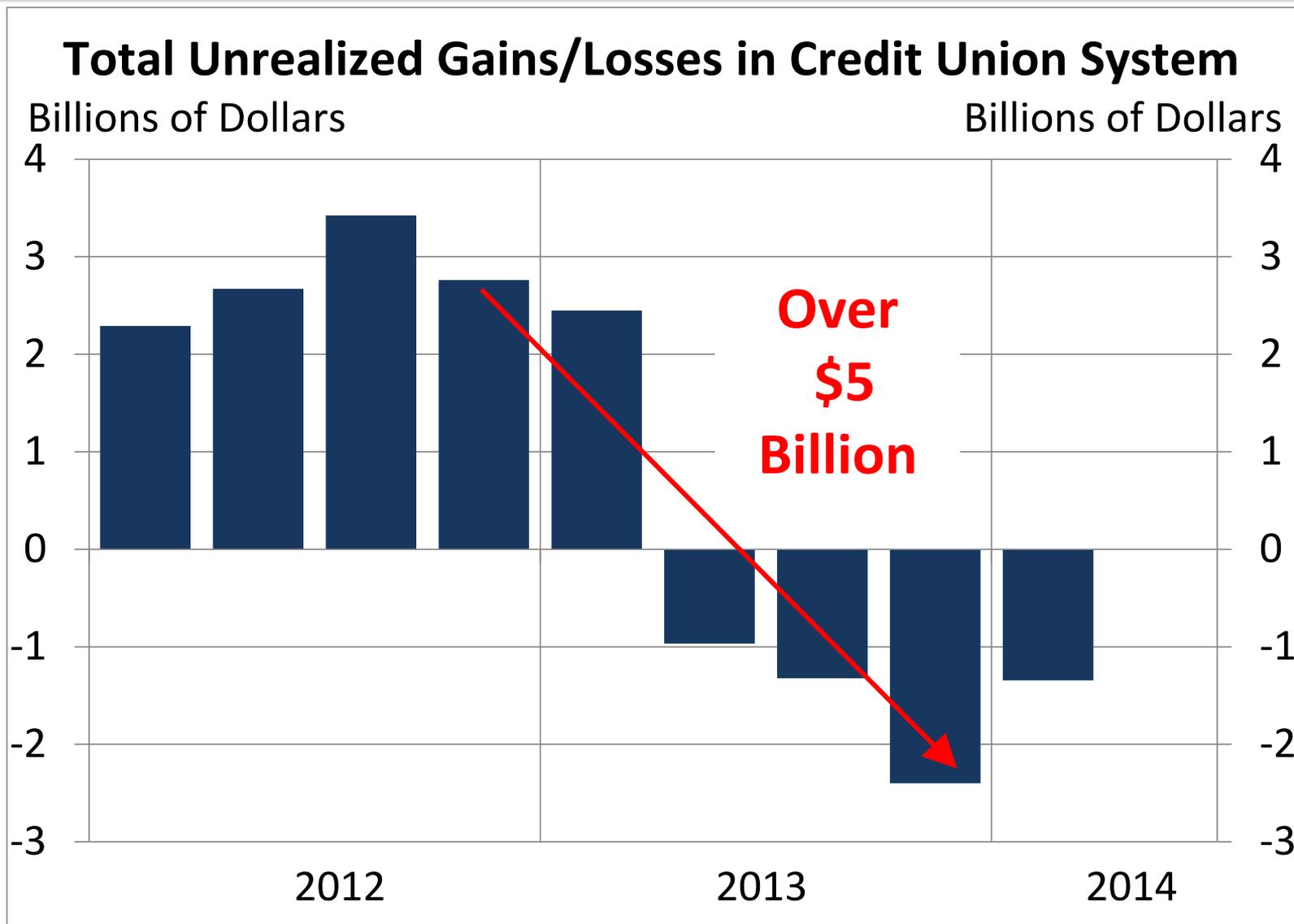
Interest Rate Risk is Higher than Pre-Crisis



Interest Rate Spikes Led to Unrealized Losses

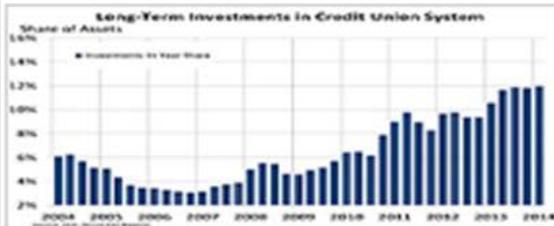


Credit Union Losses Tied to Rising Rates



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?

Proposals Affecting the Military

- **Department of Defense: Proposed Rule to Implement the Military Lending Act**



- **Consumer Financial Protection Bureau: Potential Proposed Rule to Limit Payday Lending**

NCUA Regulatory Relief

- ✓ **Adding Supplemental Capital**
- ✓ **Expanding Fields of Membership**
- ✓ **Removing Fixed Asset Limits**
- ✓ **Permitting Asset Securitization**
- ✓ **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

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	Click Here
12 CFR Part 702	Capital Planning and Stress Testing—Schedule Shift	01/15/2015	03/27/2015	Click Here
12 CFR Parts 701, 702, 703, 713, 723 and 747	Risk-Based Capital	01/15/2015	04/27/2015	Click Here
Part/Federal Register Notice: 12	Regulatory Publication and Review Under the Economic Growth and	12/11/2014	03/19/2015	Click Here

Contacting the Office of the Chairman

Feel free to contact our office with questions or comments.

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Newsletters

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The NCUA REPORT

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.

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

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 **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**



- 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

Credit Union Locator 

Search this site... 
Advanced Search

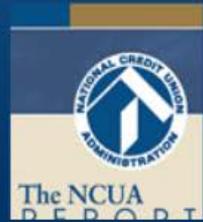
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Credit Union Data and Applications

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




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](#)

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