

# NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION  
1775 Duke Street, Alexandria, VA 22314**

**DATE:** December 2010                      **LETTER NO.:** 10-CU-26  
**TO:** Federally Insured Credit Unions  
**SUBJ:** Evaluating Payment System Service Providers  
**ENCL:** Payment Systems Checklist

Dear Board of Directors:

As many corporate credit unions develop plans to consolidate or restructure in 2011, your credit union may need to make decisions about the critical payment systems you use to serve your members. This letter and the enclosed Payment Systems Checklist provide guidance and resources necessary to successfully analyze these services and make prudent decisions regarding potential changes in service providers.

**It is important that you fully understand each payment service provided by your corporate credit union to make informed decisions before any changes are made to these services. Please refer to this letter and the attached checklist as you analyze these services and perform a due diligence review on your provider of choice.**

## **Payment Services**

Credit unions accept, collect, and process a variety of payment instruments which may include, but not be limited to:

- Share draft settlements,
- ATM and debit settlements,
- Credit card settlements,
- Electronic funds transfer and direct deposit, and
- Wire transfers.

Most credit unions participate in clearing and settlement systems as part of routine business operations. In some cases, credit unions perform all of these tasks independently. However, historically, most credit unions have relied on corporate credit unions to facilitate the processing of these products and services.

## **Risk Exposure**

For many credit unions, retail payment services are vital products provided to the membership. These services are not, however, without risks. Payment system products and services expose credit unions to numerous risks – including legal, compliance, strategic, operational, credit, and liquidity risks. Moreover, they require many “behind the scenes” processes.

Credit unions must work diligently to ensure a safe and sound transition to any new service provider to minimize disruption in the payment services on which members rely.

## **Resources & Training Available**

For credit unions temporarily receiving payment services from “Bridge” corporates, NCUA will be implementing a section within the online Credit Union Profile you can use to track progress in moving payment system services. The addition will be available starting with the June 30, 2011 call report cycle.

NCUA will be hosting a webcast in 2011 for all credit unions to review the Payment Systems Checklist.

In addition, the 2011 workshops hosted by NCUA’s Office of Small Credit Union Initiatives will contain a session designed for credit unions up to \$50 million in assets to discuss the checklist. For workshop dates and locations, e-mail [OSCUITraining@NCUA.Gov](mailto:OSCUITraining@NCUA.Gov).

If you have any further questions, you can also contact your regional office, district examiner, or state supervisory authority.

Sincerely,

/s/

Debbie Matz  
Chairman

Enclosure