

Debbie Matz, Board Chairman
National Credit Union Administration



NCUA Update

Presentation to
National Directors Roundtable Conference
Las Vegas, Nevada
October 6, 2015

State of the System: Credit Unions Have Recovered

Current Metrics Near Pre-Crisis Norms

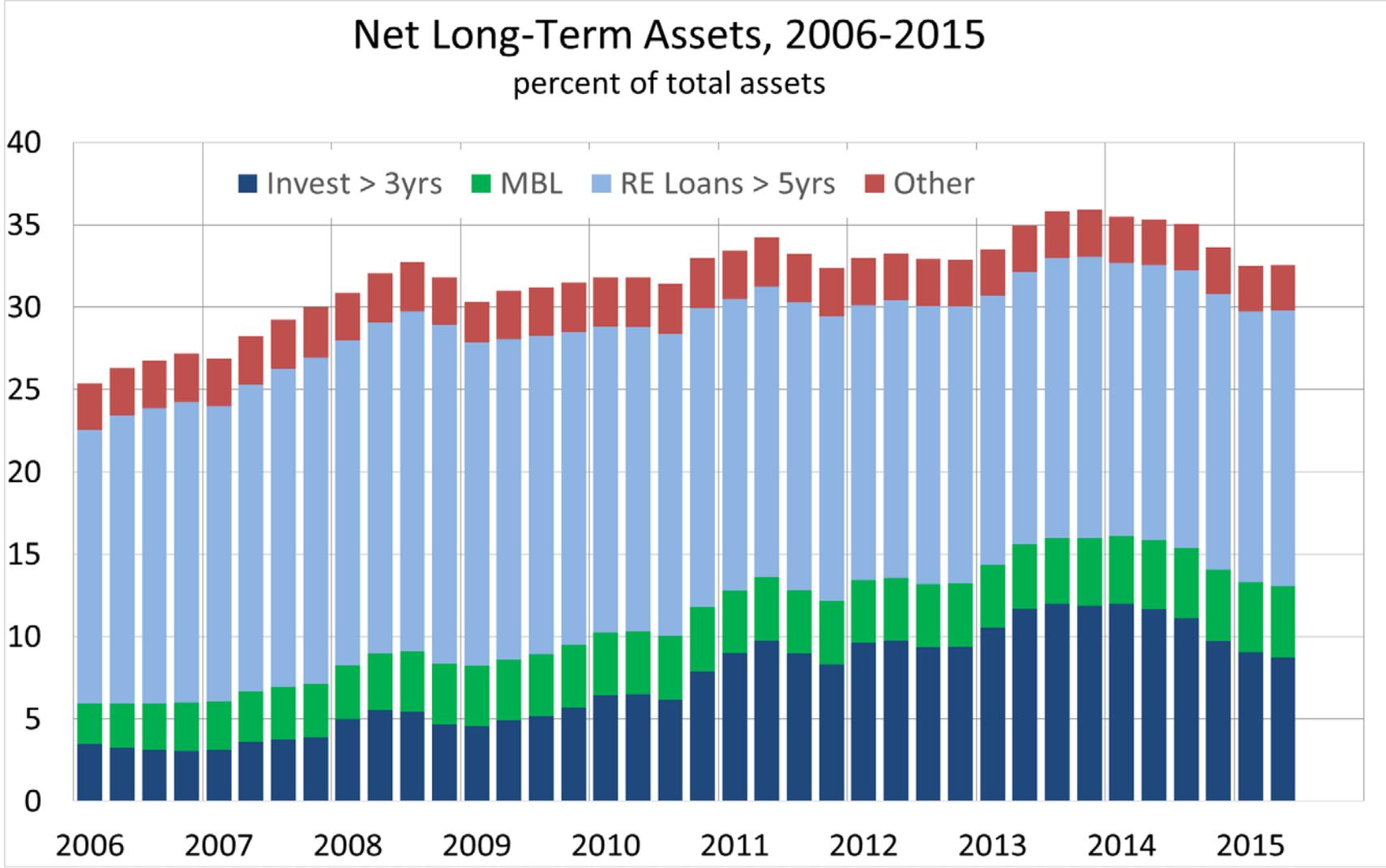
Credit Union Data for 2 nd Quarter	U.S. Credit Unions 2007	U.S. Credit Unions 2009	U.S. Credit Unions 2015
Return on Assets	0.75 %	0.27 %	0.81 %
Net Worth Ratio	11.4 %	10.0 %	10.9 %
Loan Growth	6.3 %	4.0 %	10.6 %
Delinquency Ratio	0.7 %	1.6 %	0.7 %
Net Charge-off Ratio	0.5 %	1.2 %	0.5 %
Membership Growth	1.4 %	1.9 %	3.2 %

Forward-Looking Risks

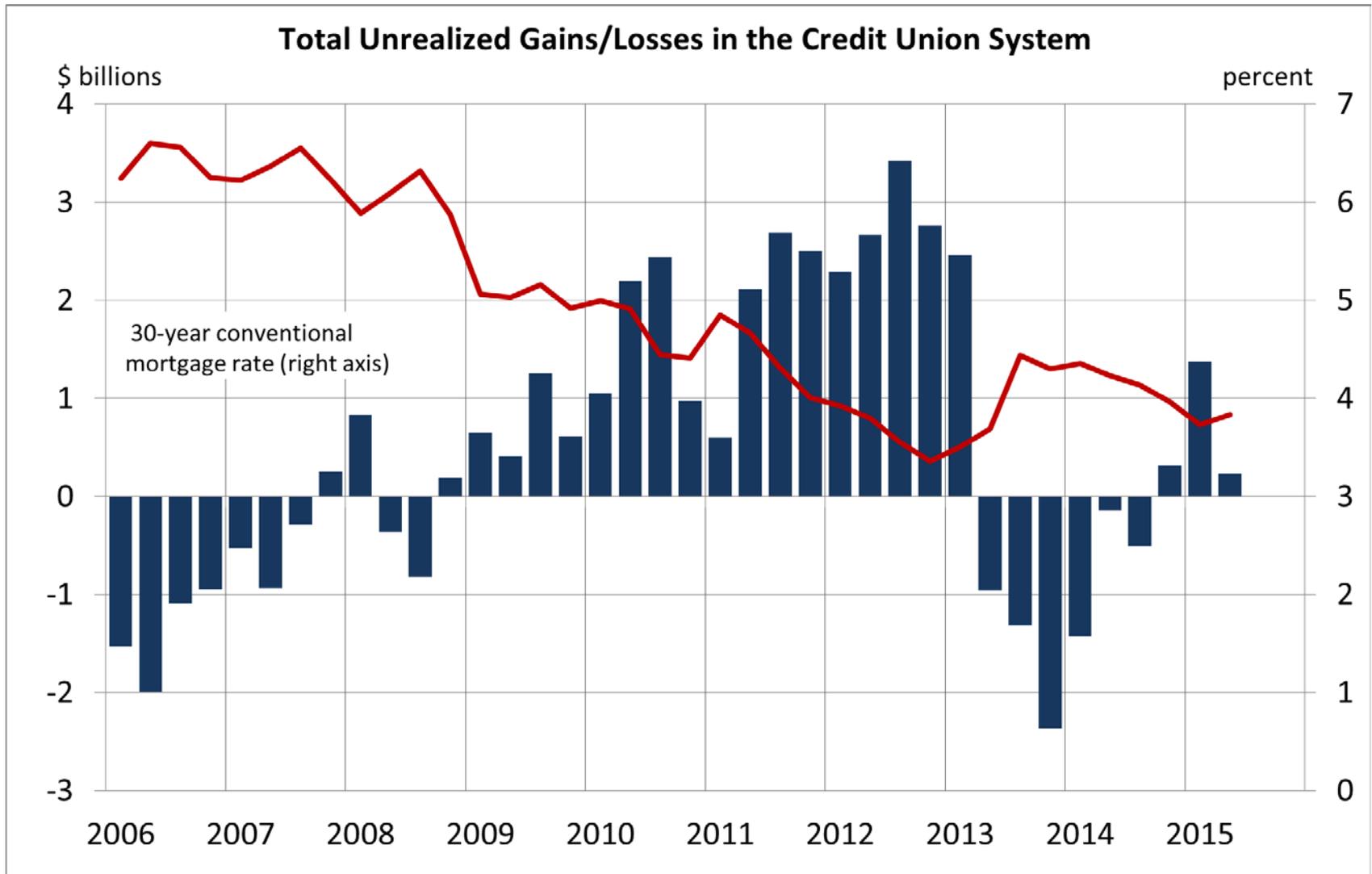


- **Interest Rate Risk**
- **Cyber-Threats**
- **Capital Outliers**
- **Aging Membership**

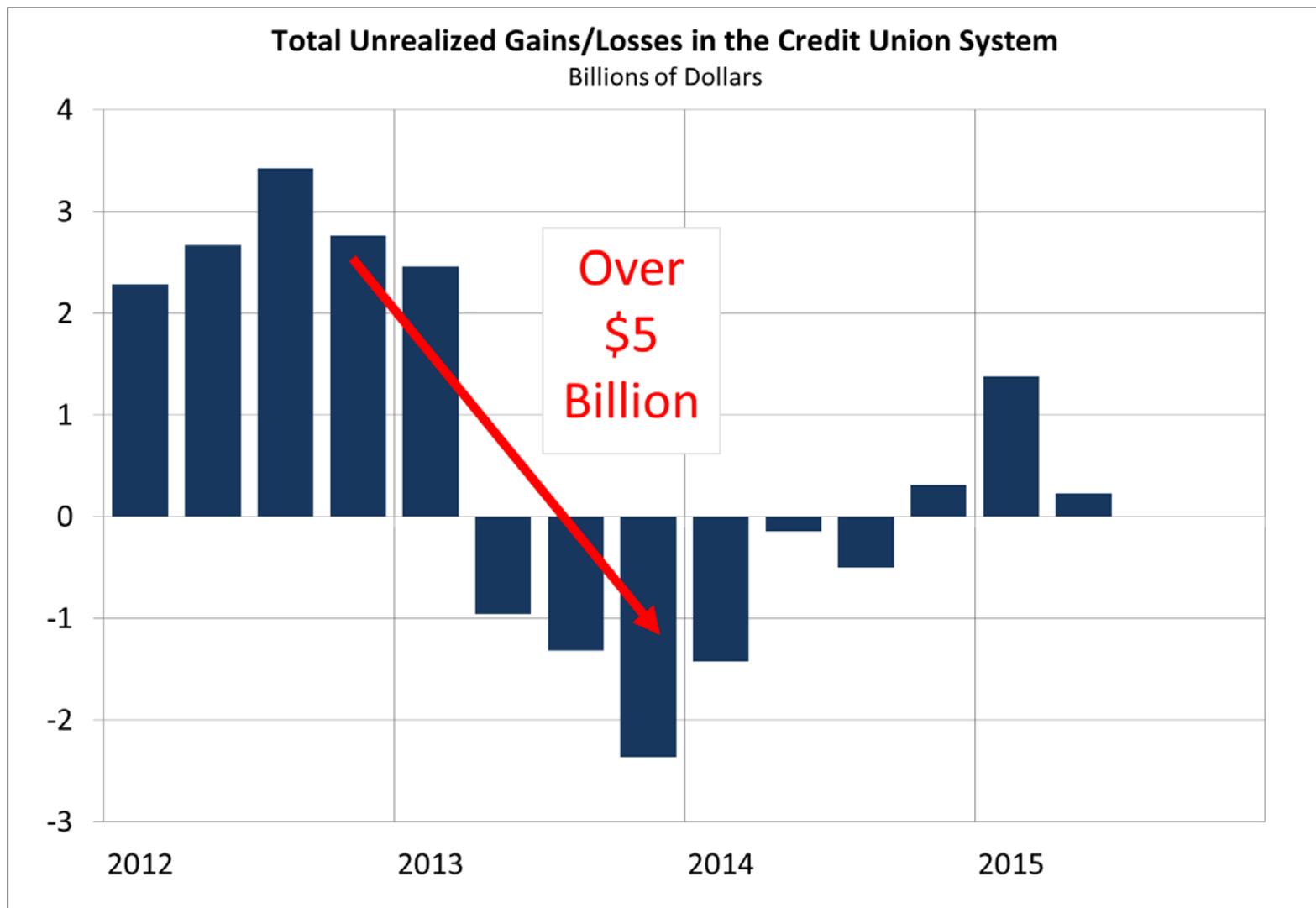
Interest Rate Risk is Higher than Pre-Crisis



Interest Rate Spikes Led to Unrealized Losses

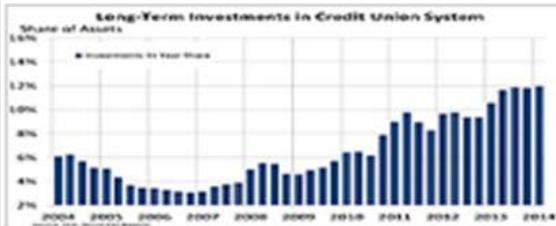


Credit Union Losses Tied to Rising Rates



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

Since issuing the Federal Reserve's announcement of its new monetary policy guidance, to place its target federal funds rate at its long-run neutral rate, the NCUA has been working to inform its members about the implications of the Fed's actions and the NCUA's response. The NCUA has also been working to inform its members about the implications of the Fed's actions and the NCUA's response. The NCUA has also been working to inform its members about the implications of the Fed's actions and the NCUA's response.

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>

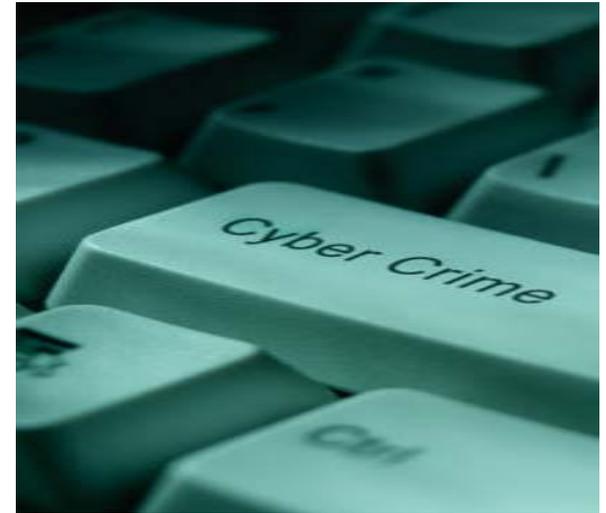
Questions to Ask Management about Interest Rate Risk

- How is management measuring the credit union's interest rate risk exposure? What have they learned from shock testing?
- Should they consider changing 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?

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?

✓ Use FFIEC's Cybersecurity Assessment Tool.

- Determine your CU's risk, and address vulnerabilities.



✓ Ensure your systems are secure.

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

✓ Learn 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 Management 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 your 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 should you consider changing cybersecurity protocols based on guidance from FFIEC?
- How will you prepare for an examination on the FFIEC Cybersecurity Assessment Tool in 2016?

Capital Adequacy

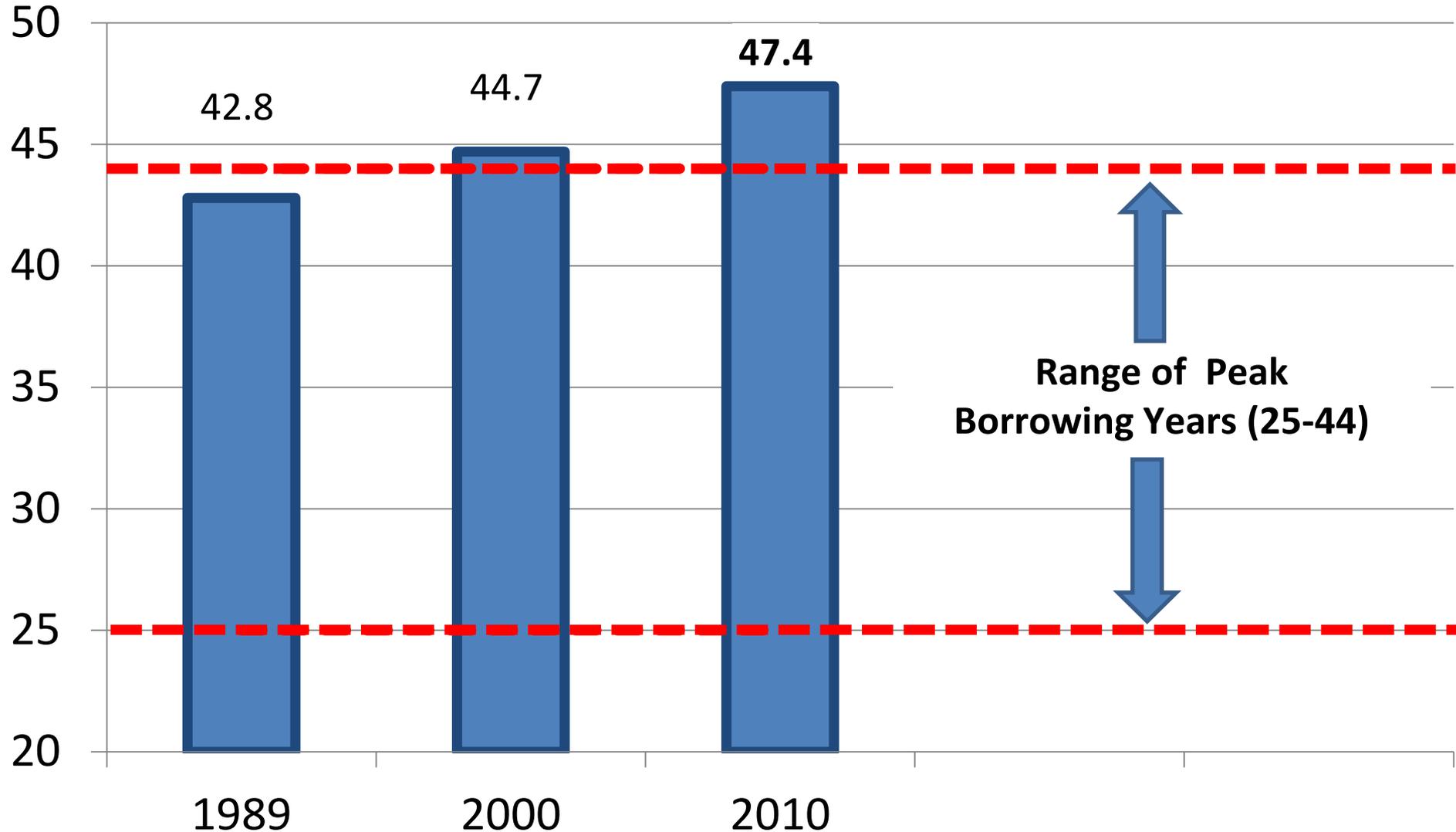
Average Net Worth of Credit Unions 24 Months Before Failure over the Past 10 Years	Average Net Worth of Credit Unions that Survived Today	Credit Unions' Statutory Net Worth Requirement
12.1%	10.9%	7.0%

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.

Aging Credit Union Membership

Average Age of Adult Credit Union Members



Source: CUNA's *National Member Survey Reports*, 1990 – 2011

Attract Younger Members



Offer New Technology



Questions to Ask Management about Reaching Younger Members

- How can your credit union reach more members in their prime borrowing years?
- How will young people learn that your credit union can help secure their future?
- How can your credit union use the technology needed to attract younger members?
- What new media can your credit union use to reach young people?

2015 NCUA Regulatory Relief Initiatives

- ✓ **Adding Supplemental Capital**
- ✓ **Expanding Fields of Membership**
- ✓ **Removing the Fixed Assets Limit**
- ✓ **Permitting Asset Securitization**
- ✓ **Easing Member Business Lending**
- ✓ **Exempting Small CUs up to \$100M**

Newsletters

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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.

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

In this month's newsletter:

- Office of Examinations and Insurance Report: New FFIEC Assessment Tool Can Strengthen a Credit Union's Cyber Defenses
- Chairman's Corner: Behind-the-Scenes View of Regulatory Relief Deliberations
- Office of National Examinations and Supervision Report: A Strong Verification Process Protects Apple Pay Users

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

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



Contacting the Office of the Chairman

Feel free to contact our office with questions or comments.

Chairman:

Debbie Matz

dmatz@ncua.gov

Chief of Staff:

Steve Bosack

sbosack@ncua.gov

Senior Advisor:

Buddy Gill

bgill@ncua.gov

Scheduler:

Angela Sanders

asanders@ncua.gov

Phone:

703-518-6301