Office of Small Credit Union Initiatives

Credit Union Leadership Resource Manual

Second Edition – July 2016

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INTRODUCTION

Come take a journey with us as we explore all things credit union.

First published in 2014, the *Credit Union Leadership Resource Manual*, a publication of the National Credit Union Administration's Office of Small Credit Union Initiatives, is designed to assist credit union professionals with learning more about the credit union system and help address the challenges they face as they work to improve their credit unions and provide excellent service to their members. This second edition includes updated information to assist with reaching these noble goals.

The *Resource Manual* presents and explains contemporary issues, provides tips, and presents opportunities while promoting use of the underlying rules, regulations, and referenced materials. So, don't bypass reading the referenced material when appropriate or relevant to the issues your credit union is facing.

In a very real way, this manual is the "Cliffs Notes" version of the materials presented. Think of it as an easy guide to cost-free yet valuable resources, and a way to generate leads as you work to gain a comprehensive understanding of your chosen course of action, or at least a start to narrowing your choices.

Office of Small Credit Union Initiatives

OSCUI's basic focus is to support the success of small credit unions through training, consulting, grants and loans, and partnership opportunities. We recognize the unique role small, low-income designated, new, and minority depository credit unions play in the lives of their members and communities, and we're committed to helping these credit unions not only survive, but thrive. Visit us at: OSCUI.

Connect With Us

OSCUI offers a number of resources to assist credit unions. For up-to-date information on our resources and programs, subscribe to our monthly e-newsletter and follow the links below to connect with NCUA:

- Subscribe to NCUA Express
- Follow us on Twitter
- Like us on Facebook
- Follow us on LinkedIn
- Follow us on Flickr
- Get updates on RSS

Help Us Improve

Explore this manual and let us know what you think. Are there changes you would like to see? Is it missing anything? Help us improve by sending your comments, materials, and ideas to us at OSCUITraining@ncua.gov.

CREDIT UNIONS

What is a Credit Union?

A credit union is a member-owned, member-controlled, not-for-profit cooperative financial institution formed to permit groups of persons to save, borrow, and obtain related financial services and to participate in its management. Member ownership and member control are what make credit unions unique.

The Birth of the Credit Union Movement

The cooperative movement in financial institutions was born in Europe during the mid-1800s. The first credit union was organized in Belgium in 1848, during a period of severe economic depression. At the same time, cooperative credit societies were being developed in Germany to provide a self-help vehicle for the shopkeepers, urban workers, and farmers who had been forced to pay usurious rates charged by the area money lenders. In all cases, these cooperative institutions were democratically controlled, were open to voluntary membership, and had all capital coming from the savings of the participants.

Credit Unions Come to the United States

By 1900, the financial cooperative idea had spread to Canada, and in 1909, the first credit union was organized in the United States. By 1935, 38 states and the District of Columbia had laws permitting the establishment of credit unions, and more than 3,000 were in existence. For more than 100 years, credit unions have provided financial services to their members in the United States. Learn more about the history of credit unions and review the history timeline.

Basic Structure of a Federal Credit Union

In 1934, Congress passed the Federal Credit Union Act to (among other things) establish a Federal Credit Union System to make credit available to low- to moderate-income people through a national system of cooperative credit. That act, as amended, sets forth the basic structure that governs federal credit unions today:

- Each credit union is funded by shares purchased by its members. The purchase of a share allows the member to become an owner with the right to vote.
- Membership is limited to a group, or multiple groups, each defined in the credit union's charter, each of which have a common bond of occupation or association, or are located within a well-defined neighborhood, community, or rural district.
- Member control is democratically exercised regardless of the number of shares held. No member has more than one vote.
- Management is placed in the hands of volunteers. Only one board officer may be compensated. No other member of the board of directors or any other committee member shall, as such, be compensated.
- Loans, which are the primary investment for credit unions, are made exclusively to members.

Difference Between Federal and State-Chartered Credit Unions

Federally chartered credit unions are easy to identify because each uses the term "federal credit union" as the last three words of its name. Federal credit unions are regulated by the NCUA, while a state supervisory authority regulates state-chartered credit unions. Deposits in federally chartered credit unions are insured by the National Credit Union Share Insurance Fund. Deposits of most state chartered credit unions are also insured by the Share Insurance Fund, but state-chartered credit unions have the option to obtain private insurance for their deposits. For more information, refer to the NCUA Chartering and Field of Membership Manual.

Corporate Credit Unions

A corporate credit union provides services to natural-person (consumer) credit unions. In the credit union industry, they are sometimes referred to as "the credit union's credit union." Corporate credit unions may either be charted by the NCUA or under state authority if permitted under that state's financial services laws.

Corporate credit unions are owned by the credit unions that choose to do business with them. Generally, they provide short- and long-term investments and financial settlement services through the clearing of payments (check clearing), automated clearing house (ACH), electronic funds transfers (EFT). and automated teller machine (ATM) transaction services and networks.

Credit Union Leagues

Credit union leagues are trade associations that provide services and support to individual credit unions at the state level. Many credit union leagues also operate for-profit service corporations, which provide services such as credit card processing, commercial printing, ATM networks, or shared service centers to credit unions and other state leagues.

World Council of Credit Unions

The World Council of Credit Unions is the global trade association and development agency for credit unions. The Council promotes the sustainable development of credit unions and other financial cooperatives around the world to empower people through access to high-quality and affordable financial services.

Common Credit Union Acronyms

Acronyms can be confusing, especially if you're new to CUs (that's credit unions). Appendix A contains a list of commonly used credit union acronyms.

THE NATIONAL CREDIT UNION ADMINISTRATION

History of the National Credit Union Administration

After the Federal Credit Union Act was signed into law in 1934, the new Bureau of Federal Credit Unions was established. First housed at the Farm Credit Administration, regulatory responsibility shifted over the years as the agency moved from the Federal Deposit Insurance Corporation to the Federal Security Agency and then the Department of Health, Education and Welfare.

In 1970, the Bureau became an independent federal agency when the National Credit Union Administration was formed to charter and supervise federal credit unions, and the National Credit Union Share Insurance Fund was established to insure credit union deposits. In the independent credit union spirit, the Share Insurance Fund was created without tax dollars and capitalized solely by credit unions. More on NCUA History.

NCUA Board of Directors

NCUA has a full-time, three-member Board of Directors appointed by the President of the United States and confirmed by the Senate. No more than two Board members can be from the same political party. Members serve staggered six-year terms.

NCUA Organizational Chart

NCUA's organizational chart includes links to each office within the agency and contact information.

National Credit Union Share Insurance Fund

The Share Insurance Fund is the federal fund created by Congress in 1970 to insure member deposits in federally insured credit unions. All deposits are insured to $250,000.

Central Liquidity Facility

The Central Liquidity Facility is a mixed-ownership government corporation created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. Member credit unions own the Central Liquidity Facility, which exists within the NCUA. The president of the Central Liquidity Facility manages the facility under the oversight of the NCUA Board.

The purpose of the Central Liquidity Facility is to improve the general financial stability by providing credit unions with a source of loans to meet their liquidity needs and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.

Membership is voluntary and open to all credit unions that purchase a prescribed amount of stock. There are two types of membership: natural-person credit unions and corporate credit unions. Natural person credit unions may borrow from the Central Liquidity Facility either directly as a regular member

or indirectly through an agent member. Access the Central Liquidity Facility webpage for more information.

NCUA OFFICE OF SMALL CREDIT UNION INITIATIVES

NCUA's Office of Small Credit Union Initiatives focuses on providing guidance, assistance, and information on development opportunities to small, new, minority depository, and low-income designated credit unions nationwide. OSCUI supports the success of these credit unions through four programs: training, consulting, grants and loans, and partnership opportunities. Go to OSCUI's webpage to learn more about the office and these programs.

Consulting Services

OSCUI provides free consulting assistance to credit unions enrolled in our consulting program. Access OSCUI Consulting to learn more about the program, and use the self-nomination form to request enrollment using these instructions.

Grants and Loans

NCUA's grant and loan program, also known as the Community Development Revolving Loan Fund, makes grants and loans to low-income designated credit unions. The CDRLF was established by an act of Congress to stimulate economic development in low-income communities. The grant and loan program consists of Congressional appropriations that are administered by OSCUI.

Urgent needs grants are available year-round to assist low-income designated credit unions with immediate and pressing needs resulting from sudden unexpected costs which—if left unaddressed—will lead to a disruption service to members.

Grant funding rounds for specific initiatives are held periodically throughout the year. Access our grant webpage for information about all NCUA grant and loan programs.

Training – Workshops, Videos and Webinars

OSCUI'S Training Division is committed to bringing timely, free financial education to the credit union community. Its goal is to serve as a conduit of operational and strategic management topics and training and to provide value-added services that strengthen credit unions' ability to thrive. One way the Division accomplishes this goal is through providing videos and webinars you can access at your convenience. Access the library of archived videos and webinars and go to the training events webpage for our training schedule.

Partnerships and Outreach

Working with other federal agencies and non-profit organizations, OSCUI identifies programs and services that help credit unions meet their members' needs. These contacts help broaden credit union access to beneficial resources. Many of these resources are accessible through the Partners webpage.

FOCUS Newsletter

FOCUS, Fundamentals of Credit Union Success, is OSCUI's monthly e-newsletter for credit unions. In each issue we provide information relevant to credit unions, particularly small, low-income designated, minority depository, and newly chartered credit unions. Subscribe to the FOCUS newsletter and access past editions.

The Small Credit Union Learning Center

OSCUI's Small Credit Union Learning Center is designed to provide education on all things credit union. When complete, it will provide a comprehensive training program divided into tracks at the basic, intermediate, and advanced levels. Users will be able to access information at their leisure to explore new topics or simply to refresh their knowledge. In certain specialized areas, users can earn a certificate of completion.

RESOURCES FOR MANAGING A CREDIT UNION

Accounting Manual

The *Accounting Manual* for federal credit unions sets forth comprehensive procedures for the maintenance of accounting records by federal credit unions with under $10 million in assets. It also contains guidelines and requirements for accounting topics of interest, such as investments in credit union service organizations, interest method of amortization, securities, repossessed property, share drafts, and credit cards.

Federal Credit Union Handbook

The *Federal Credit Union Handbook* was created to assist the board of directors in conducting the credit union's affairs. The Handbook covers a wide range of subjects and is intended as a general reference.

Federal Credit Union Act

The Federal Credit Union Act is the source of authority for all federally chartered credit unions. It governs the coverage and terms of insured accounts at all federally insured credit unions. It also determines the structure and duties of NCUA.

Federal Credit Union Bylaws

The Federal Credit Union Act requires the NCUA Board to prepare bylaws for federal credit unions. The Federal Credit Union Bylaws address a broad range of matters concerning a credit union's organization and governance, the relationship of the credit union to its members, and the procedures and rules a credit union follows. The bylaws supplement the broad provisions of: A federal credit union's charter, which establishes the existence of a federal credit union; the Federal Credit Union Act, which establishes the powers of federal credit unions; and NCUA regulations, which implement the Federal Credit Union Act. To access the current version of the bylaws, as well as previous versions of the bylaws and amendments, go here

Board of Directors Duties and Responsibilities

The credit union board of directors leads the credit union and is responsible for the general direction and control of the credit union. Its specific responsibilities are outlined in NCUA Letter to Federal Credit Unions, 11-FCU-02.

Generally, a director must understand the specific activities in which his or her credit union engages. In particular, a director must understand not only how these activities generate revenue for the credit union but also, and perhaps most importantly, the risks associated with these activities that could lead to financial loss. At a minimum, a director should be able to examine the credit union's balance sheet and income statement and be able to answer the following questions:

- What does this line item mean?
- Why is it important to the credit union?
- Is the value of the line item changing over time? If so, what does that change (either positive or negative) mean?
- Is the change important to the credit union?

OSCUI's *What Every Board Member Should Know* seven-part video series is specifically designed for directors of small and medium-sized credit unions, although any director will find the series helpful. The video series features case studies to help board members analyze the kinds of leadership issues they may face in their credit unions. Each module includes an online test users can take to measure what they have learned. Users earn a certificate of completion with a satisfactory test score.

Additionally, OSCUI's library of videos and archived webinars is a great training tool for new board members. Particularly our *Board of Directors: Credit Union Policies and Procedures* video, which explains the role of the board of directors in ensuring the accuracy and clarity of the credit union's key strategic policies.

Supervisory Committee Duties and Responsibilities

NCUA's *Supervisory Committee Guide for Federal Credit Unions* outlines the general duties of the supervisory committee and provides guidance on fulfilling them. It also contains sample worksheets to

assist the supervisory committee with carrying out its duties. Electronic copies of the worksheets are included in the Appendix. Our *Supervisory Committee* videos are a great source for training supervisory committee members.

OSCUI's webinar, "Deterring Employee Fraud" provides real-world case studies that explain how a well-trained, active supervisory committee and strong internal controls are effective means of deterring internal fraud. The "Internal Controls" webinar provides specific guidance on establishing strong internal controls.

Credit Committee Duties and Responsibilities

Not all credit unions have credit committees; some only use loan officers to make lending decisions. Credit committees are either elected by the membership or appointed by the board of directors. Among other things, the credit committee is responsible for reviewing, approving, or denying member loan applications and loan officer actions. Learn more about credit committee duties and responsibilities in this presentation:

Credit Committee PPT .pdf

For additional guidance refer to Article VIII of the Federal Credit Union Bylaws.

PLANNING RESOURCES

Planning for the future is essential and will help ensure a strong, vibrant credit union for current and future generations of members. Below are planning resources to utilize when planning for your credit union.

Strategic Planning

Strategic planning involves envisioning the credit union's future and developing specific programs and plans to achieve that future. Planning is imperative for all credit unions; because the process helps focus officials on the credit union's long-term viability.

Strategic Planning .pdf

Budget Planning

The budget process is essential for a credit union to forecast long- and short-term goals and to recognize where adjustments have to be made in order to maintain the organization's strategic direction. Our "Budget Preparation" webinar discusses the rationale for designing and implementing a budget that captures the strategic mission of the credit union. It also outlines the process for creating a budget,

gathering the required documentation, and identifying other budget preparation issues. OSCUI's budgeting webpage offers additional guidance and resources.

Succession Planning

Succession planning is a critical component of a credit union's overall strategic plan. It ensures the appropriate personnel are available to execute the rest of the credit union's strategic plan and mission. OSCUI's *Succession Planning* video series discusses the importance of establishing an effective succession plan and provides guidance on how to do so.

Business Continuity and Disaster Recovery Planning

The "Business Continuity and Disaster Recovery Planning" webinar outlines effective continuity planning and practices for credit unions, including communicating with members, regulators and vendors; establishing backup and recovery sites in separate locations; restoring IT services; and returning to normal operations. It also includes testimonials from a few credit union CEOs who recounted their experiences with natural disasters like Superstorm Sandy and Hurricane Katrina.

COMPLIANCE RESOURCES

Nearly every functional area in a credit union is subject to either federal or state laws and regulations, or both. Since noncompliance with these laws and regulations can be costly and result in civil liability, reimbursement, or adverse publicity, it is prudent to take steps to assure compliance. OSCUI's videos and webinars and the resources below assist in this effort.

Hot Topics in Compliance Video

OSCUI's "Hot Topics in Compliance" webinar discusses various compliance subjects, including an overview of the Bank Secrecy Act and discussion of requirements and common violations. It also covers Suspicious Activity Reports and the Equal Credit Opportunity Act adverse action notice requirements.

NCUA's Consumer Compliance Resources

The Consumer Compliance Regulatory Resources webpage presents information about consumer lending and deposit laws and regulations, including those arising out of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The webpage provides access to NCUA Regulatory Alerts, Supervisory Letters, webinars, and quick reference guides, as well as to Consumer Financial Protection Bureau rules, compliance guides, and other resources.

NCUA's Compliance Self-Assessment Guide

The *Consumer Compliance Self-Assessment Guide* is intended for use by anyone responsible for credit union compliance. While the guide covers most federal consumer protection laws and regulations affecting credit unions, it does not address all federal laws or any state laws.

Bank Secrecy Act Resources

In 1970, Congress passed the Currency and Foreign Transactions Reporting Act, commonly known as the "Bank Secrecy Act," establishing recordkeeping and reporting requirements by private individuals, banks, and other financial institutions. The act is intended to safeguard the U.S. financial system and the financial institutions that make up that system from the abuses of financial crime, including money laundering, terrorist financing, and other illicit financial transactions. All credit unions must comply with the Bank Secrecy Act regulations. Resources on our Bank Secrecy Act Resources webpage assist credit unions with their efforts to establish and maintain procedures designed to assure and monitor compliance with the act.

Cybersecurity Resources

The Cybersecurity Resources webpage provides guidance and links to cybersecurity-related content from NCUA, as well as links to information sharing forums and guidance from the National Institute of Science and Technology and other agencies.

Interest Rate Risk Resources

Credit unions can learn how to better manage their operation so they are less vulnerable to future changes in interest rates by using the Interest Rate Risk Resources page.

Fair Lending Compliance Resources

Fair lending laws are designed to provide fair and equal access to credit based on individual creditworthiness, without regard to a prohibited basis such as race, gender, or national origin. In addition to satisfying legal requirements, fair lending compliance is good business practice, and there can be major consequences for noncompliance.

- **NCUA Fair Lending Guide**
  The NCUA Office of Consumer Protection's *Fair Lending Guide* is intended for use by a credit union's board of directors and management, compliance officers, and others responsible for fair lending compliance.

- **Fair Lending Compliance Best Practices for Federal Credit Unions**
  Fair lending best practices can be found at Fair-Lending-Compliance-Best-Practices.

- **NCUA Fair Lending Compliance Program FAQs**
  Fair lending frequently asked questions and answers can be found here.

Small Business Lending Resources

The Small Business Lending webpage provides detailed information about NCUA's member business lending rules and regulations, supervisory guidance, links to the Small Business Administration's loan programs, and related articles.

Proposed Risk-based Capital Rule Resources

Go to the Risk-based Capital Rule Resource webpage to get critical information about the proposed rule, access to a risk-based capital estimator, and view webinars and videos related to the topic.

Financial Literacy Resources

The financial literacy and education resources on the Financial Literacy Resources webpage will assist credit unions in helping members build savings and achieve their financial dreams.

CUBE TV

The Michigan Credit Union League and CUBE TV partnered to bring credit unions the latest information on compliance issues. Their compliance specialists tackle new topics and shine a light on otherwise confusing regulations. Here's a link to Cube TV Online.

FIELD-OF-MEMBERSHIP EXPANSION RESOURCES

General Field of Membership Expansion Guidance

Unlike banks, every credit union has a defined "field of membership," or group of individuals eligible to join. Some have narrow fields of membership limited to a single employee group, association or community; others are broader and include several employer groups, churches, schools, or communities.

A credit union's field of membership is established at its inception but can be expanded to include other groups and organizations. Guidance on how to expand your field of membership is found in the *Chartering and Field of Membership Manual* and on the Chartering and Field of Membership Resources webpage on ncua.gov. NCUA's website contains the forms required for certain field-of-membership expansions and conversions.

But Wait—Is a Field-of-Membership Expansion Really Necessary?

Before expanding your field of membership, first consider ways to reach the potential members within your existing field of membership. Review the presentation below for information on how to attract and expand services within your current field of membership. Then when you're ready to expand, check out the "Field-of-Membership Expansion" webinar,

Adding an Underserved Area

All federal credit unions may include in their fields of membership, without regard to location, communities satisfying the definition of underserved areas in the Federal Credit Union Act.

The Federal Credit Union Act defines an underserved area as a local community, neighborhood, or rural district that is an "investment area" as defined in Section 103(16) of the Community Development Banking and Financial Institutions Act of 2004. Adding an underserved area will not change the charter

type of a federal credit union, and more than one federal credit union can serve the same underserved area.

Guidance on adding an underserved area is located on the NCUA website in the Chartering and Field of Membership Resources section, in Interpretive Ruling and Policy Statement 2006-1, in Letter to Federal Credit Unions 2001-02, and in the Chartering and Field of Membership Manual. NCUA's *Underserved Area Report* identifies the number of underserved areas approved and the number of credit unions expanding into underserved areas. The report is updated quarterly.

Community Charter Conversions and Expansions

A charter conversion is a change in the jurisdictional authority under which a credit union operates. An existing federal credit union may apply to convert to a community charter. Chapter 2 of the *Chartering and Field of Membership Manual* provides guidance on community charter conversions and the special documentation requirements. NCUA Letter to Federal Credit Unions, 11-FCU-03 includes a template business and marketing plan for community charter conversions and expansions. NCUA encourages credit unions to follow the standardized template to ensure it includes the information needed for review and approval. Chapter 4 of the manual provides guidance on charter conversions from federal to state or state to federal.

CREDIT UNION DATA AND APPLICATIONS

NCUA routinely collects and analyzes data on credit unions and uses the information to measure the financial performance of the credit union industry and identify key trends.

Credit Union Online

Credit Union Online is a web-based program used by credit unions and state supervisory agencies to capture and display credit union information. It is comprised of two parts: the Credit Union Profile and the Online Call Report.

- **Credit Union Profile**
  The Credit Union Profile is a collection of information NCUA maintains about credit unions that is only occasionally amended. It includes all information that was originally collected on the Report of Officials as well as some information collected on the Call Report that infrequently changes such as disaster recovery information, emergency contact information, and information systems and technology. With every cycle of the Call Report, credit unions must review and certify their profiles; for guidance refer to the CU Online Profile FAQs.

- **Call Report**
  The CU Online Call Report system is used to collect the quarterly financial information of credit unions. It includes online instructions as well as prior Call Reports that users can edit in real time.

For technical support, contact the Office of the Chief Information Officer at 1-800-827-3255 or csdesk@ncua.gov.

Financial Performance Report

The Financial Performance Report is a financial analysis tool generated from Call Report data credit unions submit to NCUA. It presents the data in the form of ratios, percentages, dollar amounts, and graphs. FPRs also present peer ratios for comparison to credit unions of similar asset size. NCUA, State Supervisory Authorities, and others use the FPR to measure the financial performance of credit unions.

The FPR helps users identify key trends, analyze past performance, and set future goals. You can obtain a customized, multi-cycle picture of the financial trends and operating results for a credit union, or group of credit unions. Access FPRs using the Financial Performance Report Application on NCUA's website. Reference the FPR Users Guide for more information.

Financial Performance Reports are based on reliable sources; however, NCUA does not guarantee data accuracy. NCUA is not responsible for conclusions drawn from these reports.

THE EXAMINATION PROCESS

The principal method by which NCUA carries out its supervisory responsibility is through risk-focused examinations. These exams are designed to determine the risk to the Share Insurance Fund. The primary goal is to ensure the overall safety and soundness of the credit union system.

NCUA's risk-focused examination and supervision program evaluates the degree to which credit union management identifies, measures, monitors, and controls existing and potential risks in their operations. Throughout the exam, it is essential for credit union officials and employees to cooperate fully. This includes making the credit union's books and records readily available to the examiner. With full cooperation, the examination will be completed more quickly and will keep disruption of credit union operations to a minimum.

The Examination is NOT an Audit

It is important to understand the examination is not an audit. Examination objectives include determining whether a credit union is financially sound and whether operations are conducted in compliance with applicable laws and regulations. The Federal Credit Union Act places responsibility for auditing the credit union on the supervisory committee.

Examiner's Guide

The *Examiner's Guide* provides guidance for an examiner regarding NCUA's examination and supervision of credit unions. It is specifically addressed to examiners; however, it offers information credit unions may find useful concerning NCUA's examination and supervision processes.

The CAMEL Rating System

NCUA uses an internal rating system for evaluating the soundness of credit unions on a uniform basis, determining the degree of risk to the Share Insurance Fund, and for identifying institutions requiring special supervisory attention or concern. That system is called the CAMEL rating system. CAMEL is an acronym standing for Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity/Asset-Liability Management.

CAMEL is designed to take into account and reflect all significant financial, operational, and management factors examiners assess in their evaluation of a credit union's performance and risk profile. NCUA Letter to Credit Unions, 07-CU-12, "CAMEL Rating System," provides guidance on the CAMEL rating system. CAMEL ratings are confidential but are disclosed to credit unions in their examination reports.

The Examination Report

The examiner prepares and provides credit unions with a written report highlighting the results of the examination. The examiner will discuss problems or conditions that impair or may impair the safety and soundness of the credit union with the appropriate officials and employees. To derive the greatest benefit from the examination, the board and committee members should review the report carefully. The board is responsible for taking necessary corrective action, and the supervisory committee has the duty to ensure the board corrects identified problems.

LOW-INCOME DESIGNATION

Low-income designation is a classification for credit unions meeting certain membership criteria. The designation entitles these credit unions to legislated benefits. A federal credit union qualifies for the designation when a majority of its membership (50 percent plus 1 member) meet the low-income threshold defined in part 701.34 of the NCUA Rules and Regulations. A state charter may also be eligible for a low-income designation equivalency. Review the low-income designation fact sheet for more information on the designation and guidance on obtaining it.

NCUA Rules and Regulations Section 701.34 govern the low-income designation. Contact NCUA's Office of Consumer Protection, Consumer Access Division at dcamail@ncua.gov with questions about how to receive the low-income designation.

OSCUI's webinar, "Strategic Uses of the Low Income Designation" provides guidance on using the low-income designation to better serve your members.

Secondary Capital

Secondary Capital is an uninsured account best described as a subordinated loan. It allows low-income designated credit unions to temporarily boost their net worth ratio, thereby allowing the credit union to

take in more deposits. However, secondary capital is at risk and in the event of liquidation; all other debt owed by the credit union must be repaid before the secondary capital loan is repaid.

NCUA Rules and Regulations Section 701.34 outlines the rules and conditions under which a low-income designated credit union may accept secondary capital, and OSCUI webinar "Will Secondary Capital Work for You" provides practical advice and guidance on secondary capital accounts.

RESOURCES FOR SERVING LOW- TO MODERATE-INCOME MEMBERS

Individual Development Accounts

Individual Development Accounts or IDAs are targeted savings accounts that offer qualifying low-income individuals both the chance to save and the chance to have their savings matched (at least 1 to 1 and up to as much as 9 to 1 in some programs). These savings accounts and the matching funds must be invested in specific wealth generating assets, such as homeownership, education or vocational training, or business development.

Assets for Independence Program

The U.S. Department of Health and Human Services' Administration for Children and Families' Assets for Independence program is a community-based approach for giving low-income families a hand up out of poverty. AFI uses individual and community assets to strengthen communities from within through financial education and the use of IDAs. It also provide grant funding opportunities to promote IDA accounts. Learn more at Assets for Independence Program Summary.

First-Time Homebuyers Assistance

The federal government, through the Department of Housing and Urban Development, offers Federal Housing Administration loans to first-time homebuyers. Check out HUD/U.S. for more information. The Neighborhood Economic Development Corporation also offers a first-time homebuyers assistance program, and some states offer a reduce interest rate for individuals purchasing their first home. Both of these institutions are government-sponsored enterprises created to facilitate home ownership.

Fannie Mae

Fannie Mae has several programs designed to serve underserved groups, such as low- and moderate-income buyers, minorities, central city and rural residents, and individuals with special housing needs who traditionally have not been well-served by the mortgage industry. Fannie Mae will partner with financial institutions to support and promote flexible, innovative underwriting models and low-down payment mortgages. For more information about the products Fannie Mae offers, go to their website for lenders at Fannie Mae.

Freddie Mac

Freddie Mac offers several programs designed to serve underserved groups, such as low- and moderate-income buyers and those with less than perfect credit. Lenders associated with Freddie Mac may offer these mortgage products to their members. In addition to their lending products, Freddie Mac also offers the Credit Smart Program to help consumers understand, build, and maintain better credit. You can obtain more information about the products Freddie Mac offers at Freddie Mac

Electronic Transfer Accounts

The Electronic Transfer Account is a special account designed by the U.S. Department of the Treasury for anyone who receives a federal benefit, wage, salary, or retirement payment. This low-cost, federally insured account lets the member enjoy the safety, security, and convenience of automatic payments, even if the member doesn't have a checking or savings account. Obtain more information about offering ETAs by visiting the following websites: ETA or Find an ETA Provider.

Micro-enterprise Lending

Micro-enterprise lending is a vehicle that allows members to obtain financing for starting small businesses. This type of lending is offered through the National Federation of Community Development Credit Unions and also through the Small Business Administration. Visit the Federation's website at NFCDCU to obtain more information on this and other programs they offer to NFCDCU member and non-member credit unions, and visit the SBA website for information about their micro-enterprise lending programs.

International Remittance Network

This service was originally launched on Dec. 1, 2000, as a pilot site for the World Council of Credit Unions. With IRnet, members have an economical way to wire money to family and friends outside the United States. IRnet wires are sent through an international money transmitting company to more than 37 countries across five continents. Visit WOCCU's website, Remittances, for additional information.

Volunteer Income Tax Assistance

An Internal Revenue Service initiative to increase awareness of the Earned Income Tax Credit, asset building opportunities, and financial education services, the VITA program offers free tax preparation services for individuals and families with low- to middle-income, senior citizens, individuals with disabilities, and those with limited English proficiency. For more information about the VITA initiative, email the IRS at partner@irs.gov. Written inquiries may be sent to: Internal Revenue Service, 401 W. Peachtree Street, Atlanta, Georgia 30308, Stop 49-WI.

MERGERS

NCUA's *Credit Union Merger and Conversion Manual* provides guidance on the merger process and includes the forms needed to facilitate a merger.

OSCUI Merger Webinar

In OSCUI's *Merger* video series, industry professionals address the realities of merger from strategic, economic, and financially driven perspectives.

FINANCIAL LITERACY AND CONSUMER EDUCATION RESOURCES

MyCreditUnion.gov and Pocket Cents

Committed to providing financial literacy materials to people of all ages, NCUA's MyCreditUnion.gov and Pocket Cents websites offer practical tips to help consumers make better decisions for their lifestyles and goals.

Geared towards adults, MyCreditUnion.gov offers several financial education tools and resources to help them avoid financial traps and develop healthy financial habits.

Pocket Cents introduces young people to the benefits of credit unions and the importance of setting financial goals. Pocket Cents provides access to tools and information designed to teach school-aged youth positive financial habits. The website offers important lessons about the value of a dollar and allows youth to explore the different currencies from around the world, using an interactive map.

Asset Platform

Asset Platform provides financial education, coaching, and asset development services to non-profit and not-for-profit organizations. It delivers products and services (including training, calculators, assessment tools, consumer-friendly financial products and links to experts) to the desktops of front-line staff, so they can more effectively serve their communities.

Building Native Communities: Financial Skills for Families

This curriculum was developed through a partnership between First Nations Development Institute and the Fannie Mae Foundation and is designed to enhance the capacity of individuals, tribes, and Native Organizations to better manage their financial assets. Tribal organizations, non-profits, and credit unions can use this curriculum to improve consumer financial literacy.

Credit Smart Program

The Credit Smart Program is a curriculum offered by Freddie Mac to help consumers understand, build, and maintain better credit. To learn more, visit Freddie Mac

Jump$tart Coalition for Personal Literacy

This organization maintains a clearinghouse of resources that seek to promote financial literacy. To learn more, go to the Jump$tart Coalition

Money Math

Money Math is a curriculum supplement launched by a diverse partnership of private companies, non-profit organizations, and the Treasury Department. This program is for students in grades 7–9 and addresses mathematical concepts using real-world financial scenarios. To learn more, visit Treasury Direct

Money Smart

Money Smart is a free adult financial education program developed by the Federal Deposit Insurance Corporation. To learn more, visit Money Smart

National Endowment for Financial Education

NEFE offers a free high school financial planning program. This seven-unit program provides teens with a greater understanding of and ability to manage their personal finances. The program focuses in the areas of goal setting, budgeting, investing, saving, building credit, using credit wisely, and insurance. For more information, visit NEFE

The NeighborWorks Network

- **Financial Fitness Training Program** teaches the basics of finances and consumer skills by addressing topics such as setting financial goals, managing assets and liabilities, and using financial institutions wisely.
- **Predatory Lenders and Other Sharks in the Financial Waters Program** is a curriculum designed to be used in a workshop or by itself. It helps consumers target and avoid some financial products that may pose threats to them, possibly resulting in the loss of their homes.

To learn more, visit NeighborWorks America

U.S. Small Business Administration

The SBA administers the Small Business Development Center's program to provide management assistance to current and prospective small business owners. There are more than 1,000 SBDCs nationwide. To learn more, visit the SBA

GRANT OPPORTUNITIES FOR CREDIT UNIONS

NCUA Grant Program

NCUA offers grants under various initiatives, as well as low-interest loans, to low-income designated credit unions. Detailed information is available on the OSCUI Grants and Loans Page.

Association of Credit Union Leagues

The Association's focus is to support and strengthen the ability of credit union leagues to provide mission-critical functions for member credit unions. Learn more on their website at AACUL.

Community Development Financial Institutions Fund

A division of the U.S. Department of the Treasury, the CDFI Fund was created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. Grants in the form of Financial and Technical Assistance, loans, and non-member deposits are offered to certified or certifiable CDFIs through the CDFI Fund. Refer to CDFI's website for certification requirements and grant information CDFI Fund.

Credit Union League Foundations

Many credit union league foundations offer grants and scholarships to their member credit unions. Check your league's website at least annually to obtain current funding information.

Federal Commons

This is an internet grant management portal serving the grantee organization community. The website provides information about several different types of grants around the country. Go to Catalog of Federal Domestic Assistance, and click on Programs link for more information.

The F.B. Heron Foundation

The F.B. Heron Foundation was created with the mission of helping people help themselves. The Foundation supports organizations that help low-income people create wealth and take control of their lives. The Foundation makes grants and investments in urban and rural communities engaged in wealth creation strategies such as home ownership. For more information access their website at F.B. Heron Foundation.

The Ford Foundation

The Ford Foundation is a resource for innovative people and institutions worldwide. You can find more information on their website at Ford Foundation.

The Foundation Center

The Foundation Center website provides information about foundations in each state. Visit the Foundation Center for more information.

National Community Investment Fund

The National Community Investment Fund is an independent trust and certified CDFI intermediary that reinvests in community development-oriented, insured depositories. Its primary funding source at this time is secondary capital. You can obtain more information at NCIF.

National Credit Union Foundation

The Foundation does not require an NCUA low-income designation or equivalency to participate in its grant opportunities as long as the grant purpose matches the Foundation's grant funding proposal.

National Federation of Community Development Credit Unions

NFCDCU works to strengthen credit unions that serve low- and moderate-income people and communities. It has several programs and services available to assist member credit unions in meeting the needs of the communities the credit unions serve. Available grant programs include equity (capital) grants, community development relief and rebuilding fund grants, alternatives to payday lending grants, and bridge project grants. The Federation also has a non-member deposit program and provides training to credit union officials and staff. Learn more at NFCDCU.

Service Corp of Retired Executives

This is a non-profit association dedicated to encouraging the formation, growth, and success of small businesses nationwide through counseling and mentor programs. You can obtain more information by visiting their website at SCORE.

U.S. Department of Agriculture

The USDA has several loan and grant programs, such as the Rural Business Opportunity Grant Program and the Rural Business Enterprise Grant Program, available for activities associated with agriculture. Check out their website at USDA and learn more at Rural Development.

U.S. Small Business Administration

The SBA enables its lending partners to provide financing to small businesses when funding is otherwise unavailable on reasonable terms. It does this by guaranteeing major portions of loans made to small businesses. The SBA generally does not have funding for direct loans, nor does it provide grants or low-interest rate loans for business start-up or expansion.

However, the SBA offers some grant programs, generally designed to expand and enhance organizations that provide small business management, technical or financial assistance. These grants generally

support non-profit organizations, intermediary lending institutions, and state and local governments. You can obtain more information at SBA.

U.S. Department of Housing and Urban Development

HUD awards grants to organizations and groups for a variety of purposes. You can obtain more information at HUD.

Other Grant Opportunities

Grants.gov houses information regarding federal grant opportunities. Funding opportunities may not require NCUA's low-income designation or its equivalency.

OTHER CREDIT UNION INDUSTRY RESOURCES

Credit Union Development Education

Development Educator training is open to everyone from new employees who need a credit union orientation to seasoned executives who need to recharge. Learn more at CUDE.

Credit Union Executives Society

CUES is an international membership association for credit union executives, directors, and future leaders. CUES offers a variety of resources to promote and foster efficiency in credit unions. Browse the tools for CUES resources at CUES.

Credit Union National Association

CUNA is a trade organization supporting the credit union movement. In partnership with state credit union leagues, CUNA provides many services to credit unions, including representation, public relations, continuing professional education, and business development. Check CUNA's website at CUNA to obtain current information regarding its support services.

National Association of Federal Credit Unions

NAFCU is a direct membership association committed to advancing the credit union community through its focus on membership value in representing, assisting, educating, and informing its member credit unions and their key audiences. Learn more at NAFCU.

REAL Solutions

REAL Solutions is the signature program of the National Credit Union Foundation. Working through state credit union leagues or associations, the program's intent is to help credit unions provide new products and services to meet the financial needs of low-wealth households.

APPENDIX A – Commonly Used Credit Union Acronyms

AACUL	American Association of Credit Union Leagues
ABA	American Bankers Association
ACCU	Association of Corporate Credit Unions
ACH	Automated Clearing House
AIRES	Automated Integrated Regulatory Examination System
ALCO	Asset Liability Committee
ALLL	Allowance for Loan and Lease Losses
ALM	Asset Liability Management
APR	Annual Percentage Rate
APY	Annual Percentage Yield
APYE	Annual Percentage Yield Earned
ARM	Adjustable Rate Mortgage
ASI	American Share Insurance Corporation
ATM	Automatic Teller Machine
BBB	Better Business Bureau
BSA	Bank Secrecy Act
C&D	Cease and Desist
CAMEL	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity/Asset-Liability Management
CCCS	Consumer Credit Counseling Service
CCUE	Certified Credit Union Executive
CD	Certificate of Deposit
CDCU	Community Development Credit Union
CDFI	Community Development Financial Institution
CDRLF	Community Development Revolving Loan Fund
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIP	Customer Identification Program
CPA	Certified Public Accountant
CLF	Central Liquidity Facility
CMO	Collateralized Mortgage Obligation
COO	Chief Operating Officer
CRA	Community Reinvestment Act
CTR	Currency Transaction Report
CU	Credit Union
CUDE	Credit Union Development Educator
CUES	Credit Union Executives Society
CUMAA	Credit Union Membership Access Act
CUMIS	Credit Union Mutual Insurance Society

CUNA	Credit Union National Association
CUSIP	Committee on Uniform Security Identification Procedures
CUSO	Credit Union Service Organization
DOR	Document of Resolution
ECOA	Equal Credit Opportunity Act
EDS	Economic Development Specialist
EFT	Electronic Funds Transfer
EFTA	Electronic Funds Transfer Act
EIN	Employer Identification Number
FACTA	Fair and Accurate Credit Transaction Act
FASB	Financial Accounting Standards Board
FCC	Federal Communication Commission
FCRA	Fair Credit Reporting Act
FCU	Federal Credit Union
FCUA	Federal Credit Union Act
FDCPA	Fair Debt Collection Practices Act
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation (Freddie Mac)
FICO	Fair Isaac Company
FICU	Federally Insured Credit Union
FinCEN	Financial Crimes Enforcement Network
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act
FISCU	Federally Insured State-Chartered Credit Union
FNMA	Federal National Mortgage Association (Fannie Mae)
FOM	Field of Membership
FPR	Financial Performance Report
FRB	Federal Reserve Board
FTC	Federal Trade Commission
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAP	Guaranteed Asset Protection
HELOC	Home Equity Line of Credit
HMDA	Home Mortgage Disclosure Act
HUD	Housing and Urban Development Department
IDA	Individual Development Account
IRA	Individual Retirement Account
IRPS	Interpretive Ruling and Policy Statement

IRR	Interest Rate Risk
LID	Low Income Designation
LTV	Loan to Value
LUA	Letter of Understanding and Agreement
MICR	Magnetic Ink Character Recognition
MIS	Management Information System
MSR	Member Service Representative
NACHA	National Automated Clearing House Association
NACUSO	National Association of Credit Union Service Organizations
NADA	National Automobile Dealers Association
NAFCU	National Association of Federal Credit Unions
NASCCU	National Association of State Chartered Credit Unions
NASCUS	National Association of State Credit Union Supervisors
NCUA	National Credit Union Administration
NCUF	National Credit Union Foundation
NCUSIF	National Credit Union Share Insurance Fund
NFCDCU	National Federation of Community Development Credit Unions
NSF	Non-Sufficient Funds
NWRP	Net Worth Restoration Plan
OCC	Office of the Comptroller of the Currency
OCCU	Office of Corporate Credit Unions
OCP	Office of Consumer Protection
OFAC	Office of Foreign Asset Control
OSCUI	Office of Small Credit Union Initiatives
PCA	Prompt Corrective Action
PFI	Primary Financial Institution
PII	Personally Identifiable Information
POS	Point of Sale
PWL	Preliminary Warning Letter
RESPA	Real Estate Settlement Procedures Act
ROA	Return on Assets
ROAA	Return on Average Assets
ROE	Return on Equity
ROI	Return on Investment
SAR	Suspicious Activity Report
SAS	Statement of Auditing Standards
SC	Supervisory Committee
SCRA	Servicemembers Civil Relief Act
SEG	Select Employee Group
SFAS	Statement of Financial Accounting Standard

SSA	Social Security Administration
SSA	State Supervisory Authority
SSI	Supplemental Security Income
SSN	Social Security Number
TCCUSF	Temporary Corporate Credit Union Stabilization Fund
TILA	Truth in Lending Act
TIN	Taxpayer Identification Number
TISA	Truth in Savings Act
UCC	Uniform Commercial Code
VA	U.S. Department of Veterans Affairs
WOCCU	World Council of Credit Unions

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