



# UPDATE<sup>®</sup>

## Member Call-In Wednesday

**NAFCU members can still register for the Feb. 10 free member call-in.**

For more, go to [www.nafcu.training.org/callin](http://www.nafcu.training.org/callin).

**Feb. 8, 2010**

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**NAFCU's offices are closed Feb. 15,** Presidents Day.

## NAFCU-sought CLF cap lift in budget

NAFCU President Fred Becker lauded President Obama last week for proposing, through his 2011 budget, to continue a NAFCU-sought lift of the arbitrary cap on the Central Liquidity Facility's borrowing authority through fiscal 2011, a move that would ensure credit unions continued access to emergency liquidity should the need arise.

"The CLF has proven its importance anew over the past year, playing a key role in ensuring credit union stability amid the housing finance meltdown, the troubles of the corporate credit union system and pressures on individual credit union members," said Becker. "We are gratified and thank the administration for its support of the CLF and the credit unions it serves."

The Federal Credit Union Act permits the CLF to borrow up to 12 times its subscribed capital and surplus in order to meet credit union liquidity needs. Congress traditionally places a limit on the CLF's use of its borrowing authority. The cap was most recently set at \$1.5 billion, but NAFCU and NCUA successfully lobbied Congress to lift the cap last year in order to maximize credit unions' liquidity sources. The cap lift

is in effect through fiscal 2010, as noted in the budget, and currently allows the CLF access to nearly \$44 billion in borrowing authority.

In other figures, the budget package includes a \$2 million appropriation to the Community Development Revolving Loan Fund for technical assistance grants to low-income-designated credit unions. It proposes \$250 million for the Community Development Financial Institutions Fund.

Becker said NAFCU will urge Congress to support the continued CLF cap lift and added funding for the CDRLF and CDFI Fund in this year's session.

The budget, released Feb. 1 by the White House, includes a revised estimate of the administration's estimated tax "expenditure" related to credit unions' federal tax exemption. That figure has been cut by nearly 58 percent for 2011 to \$650 million and by a similar proportion over the next several years, totaling an estimated \$4.37 billion in 2015.

Also included is the president's proposed fee on financial firms with more than \$50 billion in assets to help recoup costs of the Troubled Assets Relief Program.

## Becker hits plan for excluding CU MBLs

NAFCU President Fred Becker last week noted his extreme disappointment with the administration's continued failure to recognize credit unions as part of the solution to the challenges facing America's small businesses.

On Tuesday, the president released additional details of his proposal to take \$30 billion from the Troubled Assets Relief Program to promote small-business lending by community banks. The money would go to the Small Business Administration, which would use it to provide capital to

small and community banks.

All credit unions want, Becker said, is more member business lending authority, which involves no TARP money and would cost the taxpayer nothing. "While we appreciate the administration's continued attempt to jump-start lending to small businesses, we are extremely disappointed that credit unions continue to be ignored as part of the solution," Becker wrote in a letter to the president that was copied to Treasury Secretary Tim Geithner and SBA Administrator Karen Mills.

## 2010 NAFCU Board election cycle begins

The NAFCU Board will gain at least one new director in this year's election cycle, which will affect two at-large seats and the seats representing Regions II and V.

**Note: The states within these regions are not the same as those currently established by the NCUA (see box).**

NAFCU's nominating committee will select a slate for all four open posts and will mail that slate plus nominating ballots in early March to member credit unions. The seats open in this year's voting include:

- ◆ At-Large Director Bob Marquette of Members 1st FCU (Pa.);
- ◆ At-Large Director Ed Templeton of SRP FCU (S.C.);
- ◆ Region II Director Charlie Thomas of Mid-Atlantic FCU (Md.); and
- ◆ Region V Director Brad Beal of Nevada FCU (Nev.).

Beal is ineligible to run again since he is completing this third consecutive three-year term; that is the limit set under NAFCU's bylaws. The other three incum-

### NAFCU regional lineups\*

#### Region II

Maryland, Pennsylvania, Virginia, West Virginia

#### Region V

Arizona, Alaska, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

\*These lineups differ from NCUA's.

bents are eligible and intend to seek new terms.

Announcements of the election cycle and information on how to get on the Nominating Committee's slate are being sent today to all NAFCU member CEOs and chairs. Applications for inclusion on the slate are due March 8 to the committee chair. The rest of the timeline is as fol-

lows:

- ◆ March 30 - Official nominating ballots are mailed to members.
- ◆ April 13 - Nominating ballots are due back to the NAFCU Secretary.
- ◆ April 26 - Voting ballots are sent to members.
- ◆ May 24 - Ballots are due back to the NAFCU Secretary.

Election results will be officially announced July 22 during the NAFCU Annual Business Meeting, held in conjunction with the Annual Conference & Exhibition in Chicago.

For our online elections information, go to [www.nafcu.org/2010elections](http://www.nafcu.org/2010elections).

## Treasury ups TARP investment in CDFIs

Treasury Secretary Tim Geithner released more details about an initiative unveiled in October to facilitate Troubled Assets Relief Program capital investments in community banks and community development financial institutions, and NCUA said it is working on an implementing rule for credit unions.

The TARP initiative continues to target community banks and others, including credit unions, with CDFI certification. The difference is that it may provide more assistance than previously planned.

The capital allowance is higher. For example, in October the administration said CDFIs could apply for capital from TARP equal to as much as 2 percent of risk-weighted assets, but the terms described last week will allow up to 5 percent.

Also, while some CDFIs may not have qualified under regulatory standards before to participate, the program now will allow some matching of private investments if it

would return the institution to viability.

NCUA Chairman Debbie Matz endorsed the initiative, calling it "a bold and innovative proposal" that will benefit both low-income credit unions and their members.

NAFCU President Fred Becker said the administration could greatly enhance its efforts to stimulate small businesses by supporting an increase in the cap on credit unions' member business loan authority.

### NAFCU: Extend 7(a) fee waiver

NAFCU President Fred Becker has urged Congress and the Small Business Administration to extend through 2010 a fee waiver for SBA-backed loans, including 7(a) and 504 loans.

The waiver was extended in December but is due to expire Feb. 28. That waiver and an increase to 90 percent in the 7(a) loan guarantee, both provided under last year's economic recovery act, have been important for credit unions, Becker said.

## AC site 'connects' CUs to Chicago

**Credit unions can "Connect in Chicago"** and get all the information they need to plan for NAFCU's 43rd Annual Conference and Exhibition, July 20-24 at Navy Pier in Chicago, by going to [www.nafcu-annual.org](http://www.nafcu-annual.org).

The new Web site, launched last week, provides details about this year's Annual Conference, including speakers, breakout sessions, exhibitor information and more. This is the third year NAFCU has created an online experience for conference attendees; the two previous sites won *Graphic Design USA* awards.

"With its unique and vibrant feel, this Web site perfectly captures the distinct spirit of Chicago while putting the latest and greatest conference information at attendees' fingertips," said NAFCU President Fred Becker.

As in previous years, NAFCU is responding to the needs of credit unions by offering education sessions that reflect the current state of the industry.

Through the NAFCU's Annual Conference Web site, credit unions can take a look at all the conference offers along several tracks, including executive opportunities, leadership, regulatory and finance, credit union board and committee as well as growth and lending.

Early registration discounts are in effect until June 4. For more information, visit [www.nafcu-annual.org](http://www.nafcu-annual.org)

### NAFCU UPDATE

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## NCUSIF may show 1.24% at 2009 year-end

Final results for the National Credit Union Share Insurance Fund could show the fund ending 2009 at 1.24 percent of insured shares, three basis points below the agency's last projection, NCUA Chief Financial Office Mary Ann Woodson said recently.

Woodson, speaking during the NCUA Board's Jan. 29 open meeting, said the estimate is based on insurance losses as well as share growth exceeding projections. Losses had been projected at \$240 million but totaled \$625.1 million. Share growth had been anticipated to wind up around 8.5 percent for 2009, but she said that may end as high as 9.5 percent. About two-thirds of the decline in estimated fund equity can be explained by the revised year-end insured share base estimate.

There was continued growth in the number of CAMEL code 3, 4 and 5 credit unions, she said, prompting NCUA Chairman Debbie Matz to recap steps the



*NCUA Chairman Debbie Matz (right) listens to NCUA Staff Attorney Tonya Green's presentation on the UDAP rule. (NAFCU photo)*

examination staff is taking to help prevent further problems. These include more frequent contacts for credit unions in at-risk categories and letters of understanding and agreement, which could become public if institutions are not responding to identified issues.

CAMEL Code 3, 4 and 5 credit unions held 19.43 percent of all insured shares as of Dec. 31. The number of code 4 and 5 credit unions grew in December from 328 to 351, and these held about \$40.6 billion

in insured shares, or 5.76 percent of all insured shares. Code 3 credit unions grew from 1,629 to a total of 1,668. They held \$98.7 billion in insured shares, or 13.67 percent of the total.

### UDAP rule withdrawn

The NCUA Board voted Jan. 29 to withdraw its final rule on unfair and deceptive acts or practices, which is rendered unnecessary by the Federal Reserve Board's Credit CARD Act rules.

The decision is effective July 1 even though the Fed regulation is set to kick in Feb. 22. NCUA staff clarified during the board meeting that examiners will not be reviewing credit unions for compliance with the NCUA regulation but only the Fed's Credit CARD Act rulemaking.

As for the differences between the two rules, staff said the regulations were fairly similar, but the Credit CARD Act's provisions for subprime lending offer more protection to consumers.

## NAFCU urges Congress on Fannie, Freddie

NAFCU last week urged the leaders of two key congressional committees that steps be taken to ensure stability for credit unions and the secondary market when Fannie Mae and Freddie Mac transition from conservatorship.

"We realize that Fannie Mae and Freddie Mac will likely transition . . . into a new model," NAFCU Executive Vice President of Government Affairs Dan Berger said. "As Congress considers ways of reforming the current GSE system, we believe it is important that safeguards are in place to make for a smooth transition, and that the important roles that Fannie Mae and Freddie Mac play for credit unions and the secondary market not be compromised."

He added that, since credit unions are only able to raise capital from their members, "having additional sources of liquidity is of key concern to our members."

The letters went to House Financial Services Chairman Barney Frank, D-Mass., and Ranking Member Spencer Bachus, R-Ala.; and Senate Banking Chairman Chris Dodd, D-Conn., and Ranking Member Richard Shelby, R-Ala..

Frank has said he would like to see Fannie and Freddie replaced.

Last week, Ed DeMarco, acting director

of the Federal Housing Finance Agency, said the agency plans to release a proposed rule setting housing goals for Fannie Mae and Freddie Mac. The goals, he said, will include a framework for ensuring that the GSEs' participation in the mortgage market includes support for affordable housing segments, consistent with safety and soundness.

He also noted that his agency is focusing on conserving the entities' assets and stabilizing the housing market. He said the two together own or guarantee about half the nation's mortgages.

### Housing finance hearing set

House Financial Services Chairman Barney Frank, D-Mass., said the panel will hold a hearing March 2 to begin considering the future of housing finance, including all private and public entities that support the mortgage market.

Frank said the hearing will look at the Federal Housing Administration, Ginnie Mae, Fannie Mae, Freddie Mac, the Federal Home Loan Banks and private lenders and securitizers. Treasury Secretary Tim Geithner, Housing and Urban Development Secretary Shaun Donovan and others have been invited to testify.

## Free NAFCU-Fannie alliance webcast

**What CUs must do to become Fannie Mae-approved lenders will be detailed Feb. 11** during a NAFCU webcast that will also address the benefits NAFCU members enjoy through the NAFCU-Fannie Mae Alliance.

This free webcast is exclusively for NAFCU members. Fannie Mae Affinity Relationship Manager Tammy Trefny and Credit Risk Manager Tom Ruggieri will discuss the process for becoming a Fannie Mae-approved lender.

The webcast is from 2-3:30 p.m. Eastern. For more, visit [www.nafcu.org/fanniema](http://www.nafcu.org/fanniema).

## More time to comment

**April 15 is NCUA's new comment deadline regarding proposed community chartering rule changes.** This is a 45-day extension from the original March 1 deadline.

NAFCU also extended to Feb. 19 its deadline for members' input to the association's official comment. For our regulatory alert, go to [www.nafcu.org/regulation](http://www.nafcu.org/regulation).

## Webcast delves into risk, tolerance

Credit unions that viewed last week's NAFCU webcast were told that it's difficult for any institution to maintain profitability without some degree of risk.

Webcast speaker Emily Moré Hollis, a partner for ALM First Financial Advisors, said avoiding risk doesn't guarantee survival. Instead, risk should be managed, and staff, board members and regulators should be informed of the risks being undertaken.

"You can't broad-brush risk," Hollis said. "You should not overlook all means of serving members, earning incremental income and enhancing capital just because failures have occurred."

She suggested that credit unions determine their risk tolerance, build teams of



*Hollis (right) and NAFCU Associate Director of Education and Events Cara Zarcone chat prior to last week's webcast. (NAFCU photo)*

experts, price their risk appropriately, slowly venture into new arenas and educate themselves about risks they plan to pursue.

Hollis also said asset/liability management modeling is imperative for credit unions that are considering 30-year mortgages as a product offering. She warned that if interest rates

increase rapidly, products that credit unions once thought posed moderate risk can quickly move up to the high-risk category. Therefore, she strongly urged ALM modelers to conduct a forward net economic value analysis.

This webcast will be archived for six months. For more, visit [www.nafcu.org/archivedwebcasts](http://www.nafcu.org/archivedwebcasts).

## Treasury, HUD revise HAMP guidance

The Treasury and Department of Housing and Urban Development have released updated guidance that refines documentation requirements under the Home Affordable Modification Program in an effort to move more trial mortgage modifications into permanent ones.

The guidance requires that servicers participating in HAMP obtain key documents, including proof of income, prior to evaluat-

ing borrowers for a modification. The agencies said the guidance will ease conversions of trial modifications to permanent arrangements. It takes effect June 1, but servicers can implement it sooner.

More than 850,000 homeowners have begun trial mortgage modifications since the program began, and more than 110,000 have been approved for permanent modifications as of Dec. 31.

## BSA Advisory Group applications due Feb. 24

**The Financial Crimes Enforcement Network is taking applications until Feb. 24** to fill openings on the Bank Secrecy Act Advisory Group.

The advisory group, chaired by the FinCEN director, advises the Treasury secretary of BSA operations.

There are 11 openings to fill, including three banking industry vacancies and a banking trade vacancy. Credit unions are included within the "banking" classification.

NAFCU members interested in being nominated by the association should e-mail Dillon Shea, NAFCU's associate director of regulatory affairs, at [dshea@nafcu.org](mailto:dshea@nafcu.org), or dial (703) 522-4775, ext. 212.

## Whitehead to Region V

**Elizabeth Whitehead is now director of Region V**, replacing Jane Walters, who has resumed her previous post as director of Region II.

The NCUA Board lauded Whitehead for her experience in credit union supervision. Whitehead joined NCUA in 1988 as an examiner and has also served as a senior supervision analyst and principal examiner.