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Feb. 22, 2010

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Bill may add consumer office to agencies

Sen. Richard Shelby, R-Ala., the ranking member of the Senate Banking Committee, was working with other committee Republicans last week to draft an alternative to the regulatory reform measure released last fall by panel Chairman Chris Dodd, D-Conn.

Dodd reportedly will release his revised draft this week and could begin hearings in early March.

Shelby has opposed creating an independent Consumer Financial Protection Agency, arguing that consumer practices oversight should not be separated from safety-and-soundness oversight. The Republicans' draft could address this issue by calling for the addition of a consumer office within each of the federal financial institution regulators, an approach NAFCU has been working to advance throughout the past year.

Discussions between Shelby and Dodd disintegrated two weeks ago, and Dodd has now teamed up with Sen. Bob Corker, R-Tenn., to work out a consensus bill.

Corker also opposes creation of a separate CFPA.

☐ CFPA, CRA noted in call-in

During a NAFCU member call-in last week, NAFCU President Fred Becker reiterated NAFCU's opposition to federal credit unions being made subject to any authority of a proposed CFPA. That agency, if created, should focus on the "bad actors" that fueled the economic meltdown, he said.

Becker also said a limited exemption in the House-passed reform package, H.R. 4173, was an exemption "in name only." The measure excludes credit unions with less than \$10 billion in assets from primary CFPA examination authority, but the CFPA would retain back-up authority. All credit unions would also be subject to the regulatory and enforcement authorities of the CFPA.

In other call-in discussion, NAFCU staff said discussion could pick up on the Community Reinvestment Act and how it might be expanded beyond banks to other providers, including credit unions. House Financial Services Chairman Barney Frank, D-Mass., could set hearings or propose legislation, or both, over the next couple of months, NAFCU lobbyists said.

Credit CARD Act rules effective today

Credit CARD Act rules go into effect today that, among other things, require credit unions to consider a member's ability to repay credit card obligations before opening an account or raising the credit limit on an existing one.

Provisions of the Federal Reserve Board's changes to Regulation Z, which implement the Credit CARD Act rules, were detailed last week in a NAFCU webcast.

Other than assessing the borrower's ability to repay credit obligations, some of the key provisions stipulate when rate increas-

es are and are not permissible.

The webcast also focused on Regulation E provisions on overdraft that take effect July 1. The key provisions bar the assessment of overdraft fees on automated teller machine or one-time debit card transactions without the consumer's consent.

Last week's webcast speakers were regulatory compliance counsels Sarah Loats and Steve Van Beek, and Anthony Demangone, director of regulatory compliance for NAFCU. The webcast will be archived for six months; for more, go to www.nafcu.org/archivedwebcasts.

Ditka, Kurtis and Cubs top NAFCU Annual Conference offerings

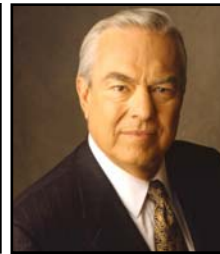
Legendary NFL star and Hall-of-Famer Mike Ditka, acclaimed broadcast journalist Bill Kurtis and a Chicago Cubs baseball game top the lineup of speakers and events at NAFCU's 43rd Annual Conference & Exhibition, July 20-24, at Navy Pier Chicago.

Ditka, a former all-pro tight end for the Chicago Bears and the coach who led them to victory in Super Bowl XX, will provide a general session keynote message July 21 on the fundamentals of winning and effective leadership. Ditka coached the team for 11 years and later joined the NBC network as an analyst on "NFL Line." He is now on "Sunday NFL Countdown," ESPN Radio and SportsCenter.

Conference-goers can spend Friday afternoon at world-famous Wrigley Field,



Ditka



Kurtis

where the Cubs will go head-to-head with their division rivals, the St. Louis Cardinals. Registrants will receive tickets to the game and will be able to purchase additional tickets for guests on a first-come, first-served basis.

Bill Kurtis, host of the Emmy-nominated "Cold Case Files," will keynote the conference's closing brunch the next day. Kurtis, over the past 35 years, has been a documentary host, producer, news anchor

and multimedia production company president. As a network newsmen, he covered the Charles Manson trial and is credited with breaking the Agent Orange story. The company he founded, Kurtis Productions, produces crime and news programs for A&E Television Networks.

"Between Mike Ditka and Bill Kurtis' exciting presentations and the Cubs game, attendees truly will have the quintessential Chicago experience," said NAFCU President Fred Becker.

Other general session speakers include NCUA Chairman Debbie Matz, NCUA Board Members Michael Fryzel and Gigi Hyland, NAFCU Chairman Brad Beal and Becker.

Registration is open to NAFCU members and non-members. For more, go to www.nafcu-annual.org.

NAFCU continues member business lending push

More action on a Senate jobs bill is expected this week, and NAFCU will be pushing for inclusion of an amendment raising credit unions' member business loan cap from 12.25 percent to 25 percent of assets, NAFCU Director of Legislative Affairs Brad Thaler said.

Senate Majority Leader Harry Reid, D-Nev., surprised many on Capitol Hill when he recently ditched a comprehensive jobs package in favor of a bill much smaller in scope. The smaller bill would include a one-year extension of a highway law, a Build America bonds provision, a small-business tax program and a small-business

tax credit bill. It currently does not include an MBL cap lift. The Senate is expected to vote today on limiting debate on the bill.

During a NAFCU member call-in last week, Thaler said there is bipartisan support in the Senate for a jobs package and that NAFCU sees this as "the best opportunity" so far to get such a measure passed. "We think a jobs bill will be a good vehicle to put this measure forward," he said.

NCUA Chairman Debbie Matz, during an online town hall meeting on corporate credit union and FOM rules, said the MBL cap should be eliminated and NCUA made responsible for regulating the activity.

Becker writes Frank in opposition to CRA

Instead of applying the Community Reinvestment Act to credit unions, Congress could help underserved communities more by expanding credit unions' ability to serve underserved areas and make member business loans, NAFCU President Fred Becker said in a recent letter to House Financial Services Chairman Barney Frank, D-Mass.

The NAFCU president wrote that since credit unions must serve all those within their membership fields, they "should not be shackled with regulatory requirements and arbitrary benchmarks that detract from the services that they provide to their mem-

bers."

NAFCU "does not support credit unions being subject to any type of Community Reinvestment Act (CRA) type requirements," he said.

Frank has said that he wants to take a look at the CRA and see how it may be applied beyond the banking industry.

Becker, in the Feb. 12 letter, also said that Congress could help facilitate greater private investment in low-income communities and improve the credit union charter by revising the Federal Credit Union Act to permit any credit union, regardless of charter type, to add underserved areas.

Biliouris named special assistant

Matthew Biliouris has been named special assistant to NCUA's executive director and takes his new post March 8, the agency said last week.

Biliouris was most recently serving as a program officer in the Office of Examination and Insurance.

As special assistant to the executive director, David Marquis, he will serve as a senior assistant and program specialist with policy and strategic responsibilities. He will also serve as Marquis' advisor.

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LICUs have until April to request CDC funds

Low-income credit unions have until April 2 to apply for funds from the Community Development Capital Program at Treasury, but they have until April 16 to obtain the required certification as community development credit unions.

These deadlines were noted during a staff briefing for the NCUA Board last Thursday on a recent interim final rule on low-income credit unions' secondary capital. The interim rule is meant to facilitate the credit unions participation in the CDC Program.

Effective upon publication in the *Federal Register*, the rule will be subject to a 30-day comment period.

The CDC Program is a component of the Troubled Assets Relief Program. CDFI-certified credit unions can receive capital under the program up to 3 percent of total assets, and they can pay all the funds back within eight years at a low interest rate of 2



Pamela Williams (left) of NCUA's Office of Small Credit Union Initiatives answered questions from Board Member Gigi Hyland on the Community Development Capital Program. (NAFCU photo)

percent. After the eight years are up, the rate jumps to 9 percent.

The NCUA rule permits the low-income credit unions, with the approval of their NCUA regional director, to redeem all or part of government-funded secondary capital, and matching secondary capital, at any time after it has been on deposit for two years. It also revises loss distribution rules by making CDC Program capital senior to any required matching secondary capital.

NCUSIF losses, code 4 and 5 CUs up

NCUA is budgeting for a possible \$750 million in insurance losses in 2010, a figure exceeding last year's estimated losses by nearly \$125 million, according to data released during the NCUA Board's Feb. 18 open meeting.

Barring any premium income, the fund is also expected to close 2010 with a net loss of \$652.8 million.

January data show the number of CAMEL code 4 and 5 credit unions continued to grow that month, rising by six to a total of 357 and up from 271 one year ago. Code 3 institutions were down by three, to a total of 1,665, up from 1,425 a year ago.

Percentages of insured shares held by these institutions are up, with code 3 credit unions holding 13.69 percent (\$98.8 billion) of total insured shares (\$721.6 billion) as of Jan. 31; and code 4 and 5 credit unions holding 5.82 percent (\$42 billion). That compares with 10.09 percent and 2.67 percent one year ago.

Mary Ann Woodson, NCUA's chief financial officer, reported two credit union failures in January, with the cost expected to total \$5.7 million.

Woodson said final data for 2009 will be ready for next month's open meeting. Meanwhile, the agency's estimate of a 1.24 percent NCUSIF operating level at Dec. 31

is unchanged, and that figure was repeated in the Jan. 31 preliminary data.

As of Jan. 31, the fund had \$758.7 million in its provision for losses in natural person credit unions; this is an estimate of future losses. So far, NCUA has reported a net decrease of \$32.3 million in that provision due to credit union losses in January.

NCUA Chairman Debbie Matz emphasized again that examiners are being "unusually rigorous" in their scrutiny of credit unions coded 3 or worse, focusing on the institutions' due diligence especially with respect to indirect lending, member business loans and loan participations; and interest rate risk with respect to 30-year mortgages. This is being done with an eye toward mitigating future losses, she said.

NAFCU: Clarify reverse mortgages

NAFCU has urged regulators to prioritize what information must be disclosed in a lender's promotional materials, including advertisements, under proposed guidance on reverse mortgages.

The proposal, issued in December by the Federal Financial Institutions Examination Council, lists 10 specific items that must be addressed. NAFCU is suggesting that the FFIEC pare some of that down based on the type of material affected.

Corporates' legacy assets still under review

NCUA is still reviewing how it will address – and define – legacy assets for corporate credit unions, and the agency has yet to determine when that review will be completed, according to senior staff in NCUA's Feb. 18 online town hall meeting.

NCUA Deputy Executive Director Larry Fazio said these assets are considered generally to include those which have caused the greatest trouble and loss to the credit union system – mostly mortgage-backed securities on the books of the conserved U.S. Central FCU and Western Corporate FCU that were once rated as AAA but are now underwater.

NAFCU is preparing its official comment on the corporate regulation. It is meanwhile monitoring NCUA's actions regarding legacy assets to ensure any plan results in the least cost to the National Credit Union Share Insurance Fund.

On Thursday, NCUA representatives said these assets have left U.S. Central and WesCorp with combined unrealized losses of \$17 billion. NCUA is continuing to encourage credit unions to help keep liquidity in the system so the corporates are not forced to sell these securities at losses greater now than might be necessary later, after some value has been recovered.

NCUA Chairman Debbie Matz said NCUA will seek input from the credit union community before it carries out any definitive action on these assets. General Counsel Robert Fenner said that could be handled on its own, as part of a second round of public comments on the current proposed rule or in connection with an amendment later to the final rule.

Matz said it's not definite, but the agency still expects it may have a final rule completed this summer.

Asked if NCUA might extend the March 9 comment deadline, she said it's too early to say.

Flash respondents say compliance costs rising

Nearly all respondents to NAFCU's February *Flash* survey said they expect overall compliance costs to rise this year, with 69.8 percent projecting more staff time required.

However, a much smaller portion are taking mitigating action in response to new credit-card rules that take effect today.

Results of the survey were published in the NAFCU February *Flash Report*. They showed that 16.4 percent of respondents expect compliance costs in 2010 to be the same as last year's; none expects such costs to decline.

The survey also looked at how credit unions are being affected by upcoming compliance burdens, such as the Federal Reserve Board rules implementing the Credit CARD Act:

- ◆ Just 16.7 percent of responding credit

unions said they shifted their credit card plans from fixed-rate to variable-rate under Credit CARD Act provisions taking effect Feb. 22 under Regulation Z.

- ◆ Just 14.6 percent said they increased the annual percentage rate, or APR, for credit card accounts in response to those rules.

- ◆ 34.6 percent of credit unions' overdraft fees are covered by the Fed's overdraft rule changes (under Regulation E).

- ◆ 17.7 percent of non-interest income is affected by the overdraft rule changes.

The respondents also said they expect less of an impact than before under the Credit CARD Act's over-the-limit fee restriction. On average, they expect 17.2 percent of credit card fees and 1.2 percent of overall non-interest income to be affected.

To download the the *Flash Report*, visit www.nafcu.org/flash.

CUs, CULookup.com touted in Kiplinger's

The March 2010 issue of *Kiplinger's Personal Finance* magazine includes a brief item on the aggravation of megabanks' fees and provides consumers links for researching better deals, including CULookup.com.

The item notes a recent Bankrate.com checking survey that shows bank fees are on the rise. Then it adds, "Credit unions and online banks generally charge fewer fees and offer better customer service than megabanks do."

The article quotes a student at Columbia University frustrated at the fees he's paying at JP Morgan Chase. *Kiplinger's* quotes him saying he's likely to open an account with his credit union. It then points consumers to places where they can learn more, including CULookup.com, a credit union finder site created by NAFCU Services.

CULookup.com has been covered extensively via national news outlets and, among other places, on The Huffington Post Web site, www.huffingtonpost.com.

Revised, restructured GSE housing goals eyed

Federal housing goals in 2010 and 2011 for Fannie Mae and Freddie Mac would be revised, restructured and only factor in conventional mortgages under a proposal released last week by the Federal Housing Finance Agency.

The proposal will affect how many and which types of mortgages can be sold on the secondary market through these two enterprises by credit unions and other lenders.

In a departure, the proposal will not include overall goals covering all of each enterprise's mortgage purchases. Instead, there would be four separate goals for purchases of single-family mortgages and two for purchases of multifamily mortgages. FHFA says many of the changes are required under the Housing and Economic Recovery Act.

With only conventional loans factored in, some Federal Housing Administration-backed loans, such as home equity conversion mortgages, would no longer count toward the housing goals.

The FHFA plans to accept comments for 45 days following the proposal's publication in the *Federal Register*.