

# Together

Volume 19, Number 22

December 30, 2009

**HAPPY NEW YEAR**

## Headline News: The Year 2009 in Review

- \* Billions of dollars of losses from the March 20 takeover of the U.S. Central Federal Credit Union (FCU) and WesCorp FCU have cascaded down the three tiers of the credit union system: from U.S. Central to its corporate members to the 8,100 natural person credit unions. In June, the National Credit Union Administration (NCUA) implemented corporate credit union stabilization legislation, which impacted the NCUSIF capitalization deposit and the premium assessment.
- \* Delaware credit unions continue to be active in political advocacy. The League mobilized contacts to Congress to preserve members' access to overdraft protection, to prevent a reduction in interchange fees that could force some credit unions to discontinue plastic card services, and to promote raising the member business lending cap.
- \* The year 2009 was a big year for regulation. The initial provisions of the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act went into effect in July, but credit unions lobbied to fix the law so that the 21-day notice period would apply only to credit cards and not to open-end lending in general.
- \* Delaware again met our 2009 fund-raising goal for the Credit Union Legislative Action Council (CULAC) and received the CULAC Capitol Circle Award for outstanding fund-raising efforts. This type of support has moved CUNA's political action committee (PAC) to among the top PACs in the U.S. in funds disbursed to political candidates.
- \* Mergers and charter expansions were prominent in 2009. Newark Delaware City Employees FCU formally merged with Louviers FCU in October; Delpart FCU merged into American Spirit FCU in the summer; Diamond State FCU merged into Sussex County FCU in the spring; and Delaware V.A. FCU merged into DEXSTA FCU at the end of 2008. Delaware State Police FCU expanded its common bond to broaden their service to the law enforcement community. There are now 28 credit unions in the state.
- \* Forty-five leagues are now participating in the Invest in America program. Nationally, almost 2,000 credit unions – including 17 in Delaware – are marketing domestic auto discounts and other purchasing discounts to their members.
- \* Four Delaware credit unions have joined the shared branching network: American Spirit, Chestnut Run, Delaware State Police, and Eagle One.
- \* Two credit unions continued to expand their facilities last year by opening new branches: Del-One opened its seventh branch in Smyrna, and DEXSTA opened in Middletown in August.

\* Risk management and security are increasingly important to Delaware CU operations. Dover FCU was the victim of an attempted robbery in September. Phishers, counterfeiters, and other fraudsters continue to be busy with scams. The League's risk alert system communicates important, time-sensitive information to help keep credit unions and their members from sustaining losses.

\* Delaware CUs again celebrated Credit Union Week by publishing a supplement in *The News Journal*. The 16-page, full-color supplement was published on Thursday, October 15, and was funded with advertising from Delaware credit unions and CU business partners.

\* November 9 marked a milestone in Delaware and for Louviers Federal Credit Union. Working in partnership with the Business Technology Department of Newark High School, Louviers opened a student-run credit union branch for students, staff and faculty – the first of its kind in Delaware.

\* The League certainly misses the services of executive assistant Ruth Lawley, who passed away last December, and Susan Fallon who retired in September. The current staff is comprised of Patrick Mahaney, president/CEO; Jane Bailey, executive vice president; Alice Smith, director of communications and governmental affairs; Bernadette Hines, education director; and Charles Jenkins, financial administrator.

## **COMPLIANCE RECAP**

### **Compliance Headaches in 2010**

Many of the laws that affect credit union operations changed in 2009, and 2010 looks to be just as hectic. Here are some of the "hot topics" that have credit unions scrambling these days.

- **Real estate loans.** Credit unions offering real estate loans are busy preparing for the January 1, 2010, changes to the Real Estate Settlement Procedures Act (RESPA). The changes require new forms and procedures for virtually all residential real estate lending programs.
- **Fees.** Also as of January 1, 2010, the periodic statements sent out to members must show the total amount of fees and charges imposed for paying overdrafts, as well as the total amount of fees charged for returning items unpaid. These totals must be given for both the statement period and for the calendar year-to-date. Are your credit union's statements in compliance?
- **Overdraft protection.** New rules from the Federal Reserve Board will limit overdraft protection fees even further next summer. Credit unions will have to get a member's consent before they can charge a fee for paying an overdraft if it's caused by the member using a debit card at an ATM or making a one-time transaction (like a purchase). The rules take effect July 1, 2010. *See next article.*
- **Check processing.** People are using far fewer and fewer paper checks. The federal government used to process checks in more than 40 locations. By early 2010, all of the nation's paper checks will be processed in just one place – Cleveland. When that is done, checks from across the country will have to be treated as "local." That means credit unions will need to change how fast they make funds available when a member deposits a paper check. Credit unions may need to update their disclosures and lobby posters too.

### Statements Must Comply With New Overdraft Rules

On **January 1, 2010**, all credit unions that offer overdraft services will have to comply with new Truth-in-Savings (TIS) requirements for disclosing aggregate overdraft fees on periodic statements.

Under the National Credit Union Administration's (NCUA's) revised Part 707, all credit unions – not just those that promote overdraft services as previously required – must disclose on periodic statements the aggregate dollar amount totals for "overdraft fees" and for "returned item fees," both for the statement period as well as for the calendar year-to-date. Banks must comply with similar rules under the Federal Reserve Board's Regulation DD.

The regulations require that the periodic statement disclosure be provided in tabular format, as illustrated in NCUA's model form B-12.

“Credit unions have asked whether they can omit the gridlines in the table, or use alternate terminology to describe the fees disclosed,” according to Valerie Moss, CUNA’s director of compliance information.

“According to both the Fed and NCUA, credit unions must follow the model format – including showing gridlines – and use the terms ‘overdraft fee’ and ‘returned item fee,’ even if the credit union doesn’t have a formal overdraft program but still covers overdrafts for a fee,” she added. This is intended to help consumers understand which items are overdrafts honored for a fee and which ones are returned unpaid.

The TIS regulation also requires account balances disclosed through automated systems, such as ATM, website, or telephone response system, to exclude additional amounts the credit union may provide to cover overdrafts. Credit unions may, however, disclose a second balance that includes funds provided by an overdraft service or line of credit, so long as the institution prominently states that the balance includes these additional amounts.

Click on the resource links below for more information. Note that in the December *Credit Union Magazine* article there is an artwork error in Table 1: the gridlines were removed, but should appear in the model form.

#### Resource Links

[December \*Credit Union Magazine\*](#) (need password to access this site)

[NCUA TIS Regulation on Overdraft Programs](#)

[Archived Fed Dec. 10 Overdraft Audio Conference](#)

#### New Disclosure Regulations for Home Loans

New RESPA (*Real Estate Settlement Procedures Act*) regulations will take effect on **January 1, 2010**. HUD has revised its *Settlement Cost Booklet* to incorporate the new regulations. The RESPA regulation generally requires a lender to provide a copy of the HUD’s *Settlement Cost Booklet* to applicants from whom the lender receives an application for a federally related mortgage loan to purchase a home. The booklet is to be given no later than three (3) business days after receipt of the application. The changes also include expansion of a one-page form to three pages. Forms suppliers should have updated forms available. The online version of *Together* contains links to the booklet, good faith estimate, and the HUD 1 settlement sheet. There is also a link to a Power Point presentation on how to complete the good faith estimate.

Here are related links to new RESPA regulations. Either click on the description or the actual link that is provided.

[Settlement Cost Booklet \(pdf\)](#)

<http://portal.hud.gov/portal/page/portal/HUD/documents/Settlement%20Booklet%20December%2015%20REVISED.pdf>

[Good Faith Estimate \(GFE\)](#)

<http://www.hud.gov/offices/hsg/ramh/res/gfeform.pdf>

[Power Point with Explanation on How To Complete GFE](#)

<http://www.hud.gov/offices/hsg/ramh/res/gfeform.pdf>

[HUD 1 Settlement Sheet](#)

<http://www.hud.gov/offices/hsg/ramh/res/gfeform.pdf>

## REGULATORY AFFAIRS

### NCUA: Shorter Community Charter Process

The National Credit Union Administration (NCUA) on December 17 approved a proposed rule that would revise the agency's community chartering policies and more clearly outline the parameters of a community chartered credit union.

The proposal recommends objective, quantifiable criteria to determine a local community and defines the term "rural district." Under the proposed rule, NCUA would evaluate applications for creating or adding a community based on objective criteria. Depending on whether the new area is urban, suburban, or rural, specific numerical standards would be applied.

Applicants would also continue to have the ability to serve areas NCUA had previously determined were local communities. Additionally, the new policy would provide greater clarity concerning business and marketing plan requirements in an effort to ensure that the credit union has the ability to extend service to all potential members.

NCUA staff estimated that the previous application process resulted in an ordeal that took as long as 18 months in some cases. Commenting on the improved timeline, board chair Debbie Matz said that "this proposed rule would dramatically improve the future process for credit unions to apply for community charters – and improve the standards for NCUA to evaluate them."

The proposal was issued with a 60-day comment period. Between today and the effective date of the final rule, NCUA will accept community charter applications based only on single political jurisdictions and other areas NCUA previously determined are local communities. NCUA will accept all community charter applications based on any permitted criteria after the final rule becomes effective.

The NCUA will also allow credit unions that are insolvent or in danger of insolvency to merge with another credit union if its net worth is declining at a rate that will render it insolvent within 24 months or will reduce its total net worth under 2% within one year. The NCUA will also allow a merger if the credit union's net worth is "significantly undercapitalized" under Prompt Corrective Act (PCA) requirements and there is no reasonable prospect of the credit union becoming "adequately capitalized" under PCA within the next 36 months.

### NCUA: Second Mortgage Rule Amended

The NCUA during the meeting also made final a rule that creates a limited exception to the 20-year maturity limit on second mortgage loans. Under the final rule, federal credit unions that take part in the U.S. Treasury Department's Making Home

Affordable (MHA) Program would be permitted to extend second mortgages beyond 20 years to match the terms of modified first mortgages, which can have up to a 40-year maturity. This rule is unchanged from the interim final rule that the Board issued at its June meeting and was effective as of June 24, 2009.

At the same meeting, NCUA Chief Financial Officer Mary Ann Woodson also updated the NCUA on the status of its National Credit Union Share Insurance Fund (NCUSIF) and Temporary Corporate Credit Union Stabilization Fund (TCCUSF). According to Woodson, the NCUSIF's equity level was at 1.27% as of November 30, 2009, and is expected to remain at that level through the rest of the year, Woodson said.

### COBRA Health Coverage Extended

President Obama signed a defense spending bill into law on December 21, which also included an extension of government subsidies for the *Consolidated Omnibus Budget Reconciliation Act*, known as COBRA. The bill extends the nine-month, 65% premium federal subsidy by six months. The change applies to those who are involuntarily terminated through February 28, 2010. Under current law, employees who lose their jobs after December 31, 2009, are ineligible for the subsidy.

The legislation also provides another six months of subsidized coverage for beneficiaries whose nine-month COBRA premium subsidy has run out. In addition, the legislation gives beneficiaries, whose

subsidy expired and who didn't pay the full premium, the opportunity to receive retroactive coverage. For example, a beneficiary whose nine months of subsidized coverage ran out November 30 and who didn't pay the unsubsidized premium for December could pay his or her 35% share in January and receive COBRA coverage for December. The legislation would require employers to notify current and future COBRA beneficiaries of the new 15-month premium subsidy.

COBRA is a federal law that allows workers who leave their jobs to continue their former employer's health insurance coverage for up to 18 months.

## [DELAWARE NOTES](#)

Dave Kuczkowski, CEO of **PROVIDENT FCU**, has announced his retirement, effective January 2010. Francine Wilson will take over the CEO position, effective January 1, 2010. Congratulations to Dave and best wishes for many happy, healthy retirement years. Our best wishes, too, to Francine as she prepares for her new position. Francine has been with the credit union for 10 years and currently serves as operations manager. Prior to that position, she was with WS/EDL in Wilmington for 10 years.

Thanks to **DEL-ONE (Delaware FCU)** and **AMERICAN SPIRIT FCU** for being the first two credit unions to submit their 2010 membership dues to the League. Invoices for the 2010 League membership dues were mailed to managers in November. Submission of membership dues is due to the League by January 31, 2010.

The recent record-breaking 18 inches of snow did not stop **DOVER FCU** from delivering 3,318 cookies (276 ½ dozen) to the troops at Dover Air Force Base. Staff and volunteers at branches throughout Delaware baked and collected the large assortment of cookies as a contribution to "Operation Cookie Drop" to thank the troops for their commitment and sacrifices on behalf of our nation, almost doubling the 180 dozen cookies delivered in 2008. "We know that being away from family is not easy, especially during the holidays," said David Clendaniel, President/CEO. "Operation Cookie Drop is an opportunity for our families to show our heartfelt thanks to our Air Force family here for everything they do for us."



*Troops at Dover AFB unload cookies from Dover Federal Credit Union*

Did your CU hold any special events for your members or participate in community outreach for the holidays? If so, please email information and pictures to Alice Smith at [alice@dcu.org](mailto:alice@dcu.org) for the January 15 issue of *Together*.

## EDUCATIONAL OPPORTUNITIES

### January QuickBites Teleconferences

One-hour sessions run from 11 a.m.-noon:

- 1/07 Interpreting Credit Reports for Sales Opportunities
- 1/14 Robbery Prevention and Response Strategies
- 1/21 Creating ROI with Generation X & Y
- 1/26 Website Compliance

This two-hour session runs from 11 a.m.-1 p.m.

- 1/12 Reg CC – Check Availability and Holds

The fee for the one-hour sessions is \$99; the two-hour session fee is \$169. The deadline to register with Bernadette Hines: one week before the session.

### January Webcasts

- 1/06/10 Dealing with Power of Attorney & Living Trust Documents
- 1/13/10 Top 10 Reasons Your Member May Not Be Fully Insured by NCUSIF
- 1/14/10 Suspicious Activity Reports (SARs)
- 1/20/10 Mortgage Lending Compliance
- 1/27/10 New ACH Authorization & Return Rules (effective date March 19, 2010)

The webcasts are 90 minutes. The \$189 registration fee is for EITHER the “live” webcast or the recorded CD-ROM of the complete session. When registering, you must indicate your preference. The \$219 registration fee covers both the “live session” and the CD-ROM recording. CD-ROMS will be mailed via First Class USPS by our network provider directly to the registrant within 10 business days of the “live” session date. CD-ROMS include the handouts and the speaker’s original visual presentation synchronized with the audio recording of the live session. “Live” webcast registrants will receive handouts and login instructions 3 days prior to the session via e-mail.

### **Plan Ahead in 2010**

- CEO Summit – January 17-20, Key Biscayne, FL
- Credit Union Bowl – February 5, 7-10 p.m., New Castle – Bowlerama. \$45 per person includes dinner, two hours of bowling, shoe rental, and bowling ball use. Registration deadline: January 22.
- DCUL Annual Meeting and Trade Show, April 29-May 1, Clarion, Ocean City, MD
- Volunteer Leadership Conference – Oct. 22-24, Clarion, Ocean City, MD

**TOGETHER** is published on the 15<sup>th</sup> and 30<sup>th</sup> of each month by the Delaware Credit Union League, 4 Quigley Boulevard, New Castle, DE 19720. Information to be published should be sent or phoned into the League no later than the Monday of the week preceding the publication date. Telephone: (302) 322-9341 or (800) 292-7875. This newsletter can also be found on the League website: [www.dcul.org](http://www.dcul.org). Hard copies of the newsletter will be mailed to each credit union CEO/manager for distribution to those without computer access. Readers can receive a reminder when the newest edition is posted to the Web by emailing Editor Alice Smith ([alice@dcul.org](mailto:alice@dcul.org)).