

Together

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HEADLINE NEWS

Celebrating for All Our Members' Sakes

Can you imagine a world in which credit unions never existed? For many Americans, their absence might go unnoticed. As their local for-profit financial institutions raised loan rates, lowered interest paid on savings and instituted even more service fees, people might never have missed the positive impact that member-owned financial cooperatives could have had by providing affordable financial services that kept the competition in check.

A credit union-free society doesn't sound like a very good place. Now multiply the negative impact 100 times and you will begin to understand what World Council of Credit Unions (WOCCU) experiences each time it enters a developing country to foster credit union growth. In the developing world, the credit union difference can have a profound impact. We will honor that impact October 15 when we celebrate International Credit Union (ICU) Day.

In Mexico, for example, an innovative WOCCU program called **MatchSavings.org** allows donors worldwide to "match" the meager savings amounts of very poor credit union members, enabling them to pay for necessities like healthcare, home improvements, microbusiness development and education. The program, which will enter its second phase on ICU Day, has already helped more than 100 new credit union members break the chains of poverty.

In Kenya, credit unions play a critical role in the prevention of HIV/AIDs, which is taking its deadly toll throughout sub-Saharan Africa. In addition to building awareness and providing AIDs education, credit unions also help support AIDs orphanages that care for the children of victims, providing them with proper care, good nutrition and chance for survival they otherwise wouldn't have.

ICU Day means many different things. In the U.S., it recognizes the unity that joins us locally in service to members and globally for events like The One Credit Union Conference which WOCCU will host jointly with the Credit Union National Association (CUNA) in Las Vegas next July. We celebrate on behalf of our members, whose lives our credit unions have improved.

This October 15, I hope you will also recognize the impact our movement has had in developing countries. Our lives may have been better served by credit unions, but in developing countries members' lives may actually have been saved thanks to their credit unions' efforts.

I can think of no better reason to celebrate. Can you? *Pete Crear, President and CEO of WOCCU.*

For more information on WOCCU programs and ICU Day, please visit the official WOCCU website, at <http://www.woccu.org/>.

How Is Your CU Helping to Stop the Spread of Flu?

Governmental agencies are providing many resources for non-healthcare employers to use in an effort to decrease the spread of seasonal influenza and the H1N1 virus during the 2009-2010 flu season.

The League would like to recognize the efforts of **DELAWARE ALLIANCE FCU** in this regard. CEO Dawn Sutcliffe informed the League that she works with the Christiana Care Occupational Health Services to provide an on-site flu vaccine clinic for her staff members. Credit unions with fewer than 20 employees pay \$27 per shot and \$55 for the nurse to administer the shots. The administration fee is waived for larger groups. Dawn states that the CU also has a flu/pandemic preparedness plan in place.

For more information on Christiana Care's program, contact Alice Smith at the League. We also suggest that your CU periodically visits <http://www.flu.gov/> for updated guidance and information.

COMPLIANCE RECAP

New Fair Lending Guidance May Help Credit Unions Comply

On September 11, 2009, National Credit Union Administration (NCUA) Chairman Deborah Matz encouraged credit unions to use recently updated interagency fair lending examination procedures to design "appropriate compliance programs" that will meet the standard of "all laws and regulations applicable to fair lending."

The regulatory alert, which is accompanied by updated interagency guidance that was first published in 2000, addresses some of the "risks and potential fair lending implications associated with using brokers or other third party entities for various aspects of lending operations." The guidance also contains best practices for ensuring that lenders are not steering borrowers to higher priced loan products.

Click on this link for the NCUA regulatory alert and the interagency guidance:
<http://www.ncua.gov/news/express/xfiles/09-RA-09.pdf> .

NCUA: Foreclosed-Property Tenants Have 90 Days to Relocate

Credit unions that take control of foreclosed real estate must grant tenants of the property 90 days of notice before those tenants can be made to move, NCUA has advised. Under the terms outlined in the Helping Families Save Their Homes Act of 2009, financial institutions must also allow so-called "bona fide" tenants to occupy the foreclosed property until their existing lease expires. However, the 90-day eviction rule would still apply once the foreclosed property is purchased.

According to the NCUA, a "bona fide" tenant is one that does not own the property nor is a parent, spouse or child of the property owner. Also, the law "does not cover tenants facing eviction in a non-foreclosed property, tenants with a fraudulent lease, tenants who enter in lease agreements after a foreclosure sale, or homeowners in foreclosure." The law does not impact state or local laws aimed at protecting the rights of tenants. For the full NCUA release, go to <http://www.ncua.gov/news/express/xfiles/09-RA-08.pdf>.

Regulation C/HMDA Reporting Change – **Effective Date: October 1, 2009**

In October 2008, the Federal Reserve Board approved final amendments to Regulation C that revise the rules for reporting price information on higher-priced mortgage loans. The changes are intended to improve the accuracy of data reported under the Home Mortgage Disclosure Act.

Regulation C currently requires lenders to collect and report the spread between the annual percentage rate (APR) on a mortgage loan and the yield on a Treasury security of comparable maturity if the spread is greater than 3.0 percentage points for a first lien loan or greater than 5.0 percentage points for a subordinate lien loan. This difference is known as a rate spread. Under the final rule, a lender will report the spread between the loan's APR and a survey-based estimate of APRs currently offered on prime mortgages of a comparable type ("average prime offer rate") if the spread is equal to or greater than 1.5 percentage points for a first lien loan or equal to or greater than 3.5 percentage points for a subordinate-lien loan.

The changes to Regulation C conform with the threshold for rate spread reporting to the definition of higher-priced mortgage loans adopted under Regulation Z (Truth in Lending Act) in July 2008. Compliance is mandatory for loan applications taken on and after October 1, 2009, and for loans that close on and after January 1, 2010 (regardless of their application dates).

2009 ACH Audit Deadline Is Approaching

The National Automated Clearinghouse Association (NACHA) requires all financial institutions that use a national ACH system to perform an annual ACH Audit by December 1 each year. This requirement applies to both Originating and Receiving Depository Financial Institutions.

The League reminds credit unions that effective September 18, 2009, new ACH rules require all international transactions to carry the International ACH Transaction (IAT) standard entry code. IAT transactions must include specific data elements defined within the *Bank Secrecy Act* Travel Rule so that all parties to the transaction have the information necessary to comply with the U.S. law, which includes the programs administered by Office of Foreign Assets Control.

CU SYSTEM NEWS

Go Direct: Safety Month Good Time for Direct Deposit Promotion

The U.S. Treasury Department's "Go Direct" campaign is again telling partnered credit unions to educate their members on the safety benefits of using direct deposit for Social Security payments.

The Go Direct promotional campaign is taking place during October, which is National Crime Prevention Month. The campaign, which is entering its fifth year, promotes the use of electronic delivery for government benefits checks. Using electronic delivery reduces the risk of identity theft and helps reduce stolen checks and forgeries, according to the release.

The release also highlights free educational tools that credit unions can use to help their members, including PowerPoint slides and talking points and other communications materials.

Over 485,000 Social Security and supplemental security income (SSI) checks were reported lost or stolen, and \$64 million in checks issued by the Treasury were fraudulently endorsed during 2008, according to the release.

The Credit Union National Association is a national partner of the Go Direct campaign, and supports the goals of the program. Use this link for more Go Direct information: [GO Direct campaign info](#).

New Resource from Consumer Credit Counseling Service

Consumer Credit Counseling Service of MD & DE publishes a resource that might be beneficial to your members: the *Client Tell* newsletter. CCCS is a 501(c)(3) nonprofit agency that has served the local community since 1966. Each year, they help thousands of individuals and their families gain financial skills and resolve personal finance and housing issues through counseling and education. *Client Tell* was developed to provide CCCS clients with relevant "news you can use" and program information. Each issue contains money management and housing articles that may be of help to your credit union, staff, or those you serve.

To review past issues of *Client Tell* or learn more about CCCS of MD & DE, visit their website at <http://www.cccs-inc.org/>.

Consumer Credit Counseling Service of MD & DE also provides free financial literacy workshops on a variety of personal finance and housing topics. To schedule an educational seminar for your group, please call or email CCCS Director of Education Jim Harris at 410-747-2050 or jharris@cccs-inc.org.

CUNA Mutual Introduces New Liability Insurance

CUNA Mutual Group has introduced Management and Professional Liability (MPL) insurance, a new policy designed to protect credit unions and the personal assets of their directors, officers, volunteers, and employees from a growing number of litigation exposures related to operating a credit union.

The new MPL policy is offered as an alternative for credit unions renewing their Special Insurance Package on or after January 1, 2010, in most states. MPL insurance provides protection from lawsuits arising from errors, omissions, misleading statements, breach of fiduciary duty, and other management and services-related issues.

For more information about MPL, call 800-356-2644, or e-mail cuprotection@cunamutual.com.

New Stuffers on ICU Day, Membership, e-Statements

CUNA is offering three new stuffer brochures featuring the 2009 International Credit Union (ICU) Day theme and design. This year's ICU Day will be held October 15. The brochures are:

- "Choose a Credit Union," which explains how credit unions work for their members and offer better rates, fees and service. The brochure targets potential members and current members; Stock #29104.
- "Choose Green," which describes the benefits of going paperless, including tips for monitoring and reconciling; Stock #28105; and
- "Choose a Secure Future," which explains how credit unions avoided many of the problems banks experienced in the financial crisis; Stock #29106.

To order, call 800-356-8010, press 3. The stuffers cost between \$.11 and \$.13 each. The stuffers can be customized with a credit union's logo and message.

DELAWARE NOTES

Congratulations to the members, volunteers and staff of **CHESTNUT RUN FCU**, which is celebrating its 50th anniversary on October 2.



League president Pat Mahaney presents 50th anniversary plaque to board chair Deborah Harmon

Kudos to **DELAWARE ALLIANCE FCU** for adding to its health initiatives (see flu clinic article on page 1). Five of the staff participated in the 2009 Summer Blood Challenge organized by the Blood Bank of Delaware (one of the credit union's select employee groups).

DEXSTA FCU held its grand opening celebration at its new branch office at 110 Sandhill Drive in Middletown on August 29. Approximately 250 people attended the event, which was publicized through a postcard mailing to the 19709 zipcode. Twelve individuals had their names drawn for an opportunity in the money booth, with two individuals who won over \$100. One of those winners promptly took his newly won cash and opened an account at the branch. Other prizes included a flat screen TV, a Wii gaming system, and two Apple iPods. While volunteers outdoors were manning the hot dog cart and prize wheel and directing folks with their entry forms, staff indoors at the branch were very busy as well. A total of 25 new member accounts were opened that day, and special loan rates were in effect.



DEXSTA FCU vice president of operations Peg Conway supervises the grand opening money booth.

Position Posting

Del-One offers an excellent opportunity for a **licensed** Financial Advisor to join their team. Interested candidates can learn more about this position and the skill set required for this opportunity by logging onto the credit union website at <https://www.del-one.org/careers.html>.

EDUCATIONAL OPPORTUNITIES

October QuickBites Teleconferences

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

- 10/06 Marketing Tips for Small CUs
- 10/15 Hot Topics for Compliance
- 10/28 Generational Marketing

The 1 ½ hour session runs from 11 a.m.-12:30 p.m.

- 10/20 Safe Deposit Box Fundamentals

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

- 10/22 Organizing an ALM Process

The fee for the one-hour session is \$99; the 1 ½ hour-session - \$129; and the two-hour session fee is \$169. The deadline to register with Bernadette Hines: one week before the session.

Upcoming League Council Sessions

- October 6 – Mortgage Council: Appraisals and Credit Reporting Issues
- October 14 – Collection Council: EFLEX e-Filer Training with Delaware Justice of the Peace Courts. (This session starts at 9 a.m.)
- October 28 – Lending Council: Student Loans

- November 4 – Human Resource Council: Criminal Background Checks for Employment

The councils (except where noted) run from 10 a.m.-noon at the League office. There is no fee for council members; non-member fee: \$100 per person. Register one week prior to the event.

Looking Ahead: Strategies for CU Survival in a Mean World (for CUs under \$100M in assets) – Wednesday, October 7, from 5-8 p.m. at the League office. Fee: \$60. Call today to see if space is still available.

PLAN AHEAD

October 15	Golf Outing for Educational Scholarship Funds (Sign up by October 9!)
October 23-25	Volunteer Leadership Conference – Clarion, Ocean City, Maryland Hotel reservation deadline: Call to see if space is available Conference registration deadline: October 9
November 18	IRA Basic Training*
November 19	IRA Advanced Training*

*Both sessions run from 9 a.m.-4:30 p.m. at the League office. Early bird fee is \$199 before 10/15.

Recent Legal Opinions from NCUA

The following is a brief summary of the legal opinions published by the National Credit Union Administration's Office of General Counsel issued from May-August 2009. The number in parentheses after the subject is that given to the letter by NCUA, as well as the date of issuance, and can be used when requesting copies of the letters. NCUA opinion letters are available on NCUA's website (www.ncua.gov) or by calling Alice Smith at the League office.

CUSO Purchase and Servicing of Non-Performing Loans (09-0349; May 28, 09) – In this National Credit Union Administration (NCUA) legal opinion letter, the agency addressed a query regarding which restrictions apply to credit union service organizations (CUSOs) that purchase and service delinquent loans. A CUSO engaged in the purchase and collection of nonperforming loans under 12 C.F.R. §712.5(j)(5) can restructure delinquent debts that it owns so long as the credit union made the original underwriting decision and no new credit is being extended to the borrower. Permissible changes could include changing the terms, payment schedule or interest rate. CUSOs remain prohibited from originating new consumer loans other than credit card line of credit, residential mortgage loans, and student loans. A CUSO should not restructure a loan in any manner inconsistent with FCU lending restrictions, according to NCUA Associate General Counsel Sheila Albin.

Federal Credit Unions Are Not "Trusts" of Union Sponsors (09-0547; July 6, 2009) – In this opinion letter, NCUA responded to an inquiry about whether a federal credit union is obliged to provide financial information to its sponsor labor union for the union's annual Department of Labor (DOL) report for labor trusts. NCUA stated that a federal credit union is not a trust within the meaning of the applicable DOL rule and, therefore, should not provide the financial information for the report. The inquiry was sparked by a recent DOL rule requiring labor unions to file a disclosure, Form T-1, for any trust "to which they contributed money or otherwise provided financial assistance or over which they exercised managerial control." The NCUA's legal opinion noted that three elements determine whether an entity is a trust for the purposes of a T-1 filing. They are:

- An entity must have been created or established by the labor organization, or the labor organization must have selected a member of the trust's governing board;
- Its primary purpose must be to provide benefits to the members of the labor organization; and
- The labor organization must select a majority of the board of directors or comprise 50% or more of an entity's receipts over the course of the year.

In the letter addressed to CFO Jeff Hampton of Operating Engineers Local Union No. 3 FCU, Livermore, California, NCUA Associate General Counsel Sheila Albin wrote that none of the three elements are satisfied.

Requirement to Advertise Abandoned Property (09-0621; July 7, 2009) – This letter discusses NCUA’s requirement to publicly advertise real estate property for sale after the FCU has abandoned it for four years (e.g. property that was purchased by the FCU with the intention of expanding the financial institution). It is NCUA’s view that listing the property with a real estate agent, where the property will be included in a commercial listing service, and posting a “for sale” sign in front of the property should be sufficient to satisfy the regulatory requirement.

Imposing Late Fees on Open-End Credit Accounts After the Due Date (09-0756; August 5, 2009) – In this opinion letter, the agency said that a so-called “courtesy period” that follows the payment due date for a credit account does not constitute a grace period under the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act. NCUA Associate General Counsel Sheila Albin wrote that the CARD Act prevents creditors from treating credit account payments as late unless the creditor has “reasonable procedures” to ensure that account statements are delivered to the consumer “at least 21 days before the payment due date or the date on which the grace period expires.” The CARD Act and recent amendments to Regulation Z (Truth in Lending) also do not require federal credit unions “to disclose any period after the payment due date before which late fees are actually imposed,” Albin wrote.

Non-member Loan Servicing (09-0430; August 5, 2009) – Federal credit unions are forbidden from providing loan servicing and collection services to organizations outside their memberships, either directly or through a credit union service organization (CUSO), according to this letter written by NCUA Associate General Counsel Sheila Albin. However, Albin noted, the organization that this FCU wishes to assist, which in this case is the Guam chapter of Habitat for Humanity, could work with the credit union if it becomes a member of that credit union. The credit union could also donate the sought after lending program assistance as an “in-kind, charitable contribution or donation” if Habitat for Humanity does not qualify for membership in the credit union.

Mailing of Insufficient Funds (NSF)/Overdraft Fee Notices to Members (09-0608; August 11, 2009) – FCUs are not required to send a notice each time, but NCUA’s regulations require FCUs to include non-sufficient funds (NSF) and overdraft fees in their periodic statement disclosures of fees charged to an account. Although not required to do so, NCUA guidance states it is a “best practice” to notify members promptly. NCUA’s Truth in Savings Act (TISA) rule requires periodic statements to include a disclosure of any fees, including those for NSFs and overdrafts, debited from an account during the statement period [12 C.F.R. §707.6(b)(3)]. An FCU must itemize the fees by type and dollar amount. Please note that a recent amendment to NCUA’s TISA rule also requires the disclosure of the total dollar amount of overdraft fees charged to an account in both the statement period and the calendar year to date [12 C.F.R. §707.11]. The total dollar amount includes per item fee, interest charges, daily or periodic fees, or fees charged for maintaining the account in an overdraft status [12 C.F.R. §707.11(a)(1)(4)].

Collateral and Security Requirements for SBA 504 Program Loans (09-0661; August 24, 2009) – NCUA’s member business loans (MBL) rule imposes collateral and security requirements for all secured MBLs, including construction and development loans. However, the rule provides an exception to these requirements for MBLs made as part of a Small Business Administration (SBA) guaranteed loan program, including the 504 Program.

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