

Together

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[HEADLINE NEWS](#)

Regulators Reveal Hot Exam Topics for 2010

Staff from the National Credit Union Administration (NCUA) and two state-level financial regulators revealed some of the hottest exam topics that they will focus on this year—including indirect lending and risk concentration, which NCUA will soon provide guidance on in Letters to Credit Unions.

The topics were revealed in a breakout session at the Credit Union National Association's Governmental Affairs Conference in February. The session was moderated by Tom Candon, deputy commissioner of banks for Vermont. Joining him were: Jerrie Jay, North Carolina Credit Union Division administrator; Melinda Love, director of the office of examinations and insurance at NCUA and president of the National Credit Union Share Insurance Fund; Joe Ostrowidzki, NCUA division of insurance director; and Wendy Angus, NCUA director of risk management.

Regarding concentration of risk, Angus suggested that the credit unions document their board's approved policies and concentration risk limits and risks in totality to net worth. Credit unions also should stress-test their own portfolios. Such documentation could be valuable during an examination process, she told the session. "It doesn't have to be fancy," Angus said. Consider economic factors in a certain area of the portfolio and how they could have an impact on your credit union, she advised.

For real estate lending, credit unions should get as much data on borrowers as they can, including credit and collateral values. Larger credit unions may want to invest in third-party models to do this, she said.

Ostrowidzki noted that real estate loan modifications have increased, and credit unions generally have the greatest chance of success with modifications if they lower monthly payments for borrowers.

Ostrowidzki added that for real estate portfolio risk assessment, examiners could focus on areas such as management's process to project losses, modification policies and procedures, processes to track modified loans, abilities to segregate troubled debts, and their understanding of increased risk for modified loans.

For indirect lending, the elements of a comprehensive due diligence plan for credit unions could include a planning process, a review process to assess vendor risk, and a risk management process, Ostrowidzki said. He noted that the number of credit unions participating in indirect lending is on the rise, and indirect lending can expose a credit union to a host of risks. While delinquencies have reduced, charge-offs have increased, he said.

Dover FCU Robbery Suspects Arrested

According to an article in the March 9 issue of *The News Journal*, police have arrested a second suspect wanted for attempted robbery of Dover Federal Credit Union's branch office near New Castle on September 28, 2009. Police arrested the first suspect, Micah A. Samuel, 28, of Dover in January.

The second suspect, Charmene Easley, 24, also of Dover, was arrested on March 5. She was charged with attempted first-degree robbery, conspiracy and wearing a disguise. Both suspects used guns in the failed robbery and wore white masks with eye-holes cut out. Easley was committed to Delores J. Baylor Correctional Center after failing to pay \$28,000 cash bond. No additional information is available on Samuel.

COMPLIANCE RECAP

NCUA Regulatory Alert #10-RA-05

NCUA has issued Regulatory Alert #10-RA-05 to provide guidance on how federally insured credit unions should utilize their member identification and member due diligence programs to collect pertinent information about beneficial owners on accounts. A "beneficial owner" is an individual who has some degree of control over or entitlement to the funds and/or assets in an account.

The guidance reminds credit unions that criminals may establish accounts for businesses, entities, and trust accounts where there is illicit ownership or control. The agency reiterates that enhanced due diligence procedures should be utilized for accounts where there is a heightened Bank Secrecy Act/Anti-Money Laundering risk. NCUA's regulatory alert can be found on the agency's website: <http://www.ncua.gov/news/express/xfiles/10-RA-05.pdf>, and the FinCEN guidance highlighted in the alert (FIN-2010-G001) is found here: http://www.fincen.gov/statutes_regs/guidance/html/fin-2010-g001.html.

Compliance Recap: Can Credit Unions Give Overdraft Incentives?

In the March *Compliance Challenge*, the Credit Union National Association (CUNA) addresses a question regarding overdraft protection policies.

In the *Challenge*, a credit union asks whether or not it can provide incentives such as gift cards to members that choose to opt in to its overdraft service for ATM and one-time debit card transactions.

According to CUNA, while credit unions may offer incentives to members that opt-in to the overdraft service for ATM and one-time debit card transactions, the same incentive would also need to be extended to members that do not opt in to the overdraft program.

Additionally, credit unions and other institutions may offer incentives to members or customers that enroll in overdraft services for check and ACH transactions, as these transactions are not covered by Regulation E overdraft rules.

Regulation E also requires credit unions and other financial institutions to apply the same account terms, conditions, and features to all members or customers, regardless of their opt-in choice, and this rule would also apply in cases of debit card abuse. In the example provided in the *Compliance Challenge*, CUNA said that a credit union can only suspend the debit card of a member that has not opted in to its overdraft program, but violates its stated overdraft account rules, if that rule also applies to members or customers that have opted in to the overdraft program.

To see the full *Compliance Challenge*, go to CUNA's compliance site:

http://www.cuna.org/compliance/member/comp_challenge/03_10.html (a password is required). A copy of this resource was sent to all CU CEOs, along with a hard copy of this newsletter.

InfoSight Website Practice: Membership Eligibility Questions

Have you tried out the League-sponsored compliance website – InfoSight? Each credit union was given a user name and password to access this information site, full of good compliance information. And the A to Z subject listing section (listed in the left hand column of the home page) makes items easy to find. Why not go online today and search for the answers to these questions?

Membership Eligibility: FAQs

When it comes to membership eligibility, make sure you have your FAQs straight. Visit the “Membership Eligibility: FAQs” topic for answers to these questions:

- Is the spouse of a deceased member eligible to join?
- What kind of documentation does a Federal Credit Union have to maintain to show family, household, and other relationships?
- In an occupational group, does the employee have to join before a family member can join the Federal Credit Union?
- How “permanent” does the relationship of a person sharing a house with a credit union member have to be?
- Can someone join a federal credit union because he or she is an in-law of a primary potential member?
- Does the Federal Credit Union need to do a bylaw change in order to adopt a once a member, always a member policy?
- Can a credit union serve foreign nationals outside the United States?

CU SYSTEM NEWS

Fed Details Credit Card Law Changes

Most consumers are aware that credit card laws changed recently – that’s a good thing. Unfortunately, more than half (65%) don’t know the specifics, according to a January survey by the Consumer Federation of America and Credit Union National Association.

To help consumers comprehend the new credit card protections, the Federal Reserve launched an interactive website in late February. The site, “Consumer’s Guide to Credit Cards” (<http://www.federalreserve.gov/creditcard/>), explains credit protection laws and more. In addition to running through key changes of the Credit Card Accountability Responsibility and Disclosure (CARD) Act in English and Spanish, the site offers:

- A guide to the interest rates, charges, and fees section of credit card offers, with rollover interpretations of a sample offer;
- Sample credit card statement, with rollover definitions;
- Repayment calculator;
- Video with five tips on using credit cards wisely; and
- Glossary of common credit card terms.

Consumers will find valuable guidance – almost hidden on the site – under “5 Tips for Getting the Most From Your Credit Card.”

Matz Asks Directors to Protect CUs' Safety/Soundness

NCUA Chairman Debbie Matz encouraged credit union volunteers to actively work with their management to ensure the “short-term perseverance and long-term success of our nation’s credit unions.” Matz made the comments while speaking to 500 attendees at the CUES Directors Conference in Palm Desert, California.

She updated volunteers on NCUA's recently proposed regulatory framework for corporate credit unions and on examiners' increasing supervision of retail credit unions. Matz also reminded that both initiatives are intended to protect credit union members, and she called on credit union volunteers to do their part.

"The policies I have outlined will provide support and, when necessary, intervention to prevent potential crises that could impact the financial security of credit union members," she said. "But at the end of the day, we look to credit union directors as the ultimate guardians of the industry's fiscal health."

Matz focused on three areas where volunteers can play critical roles:

- **Risk management.** "Be active, well-informed and visionary," she said. "Question and challenge assumptions of your credit union's managers. You are your members' first line of defense in risk management. Right now, your utmost diligence is an absolute necessity."
- **Diversification.** "Focus on your fields of membership and their diversity. Help make sure that our board and staff reflect that diversity so they can better understand your members' needs and respond to them," Matz advised.
- **Succession planning.** "Engage in diligent succession planning. The safety and soundness of credit unions will depend in large measure on a healthy, well-planned continuity of leadership on volunteer boards," she said, adding, "Volunteer leaders should make this a high priority of service." Matz noted that "this is a lot of work to ask of volunteers," and added she is "well aware that you volunteer not for any form of compensation but for your sense of civic duty and your belief that America's credit unions are worth fighting for."

"You've never forgotten that credit unions were created to serve people too often ignored by for-profit financial institutions. Together we can seize this opportunity to safeguard their financial well-being and grow credit union membership from 90 million to 100 million and beyond."

To access the full text of the speech, go to <http://www.ncua.gov/GenInfo/Members/Matz/Speeches.aspx>.

Mid-Atlantic Corporate Memo

In light of the release of U.S. Central Federal Credit Union's 2009 fourth quarter unaudited financials, which announced that the retained earnings and all PIC and MCS balances have been fully depleted, Mid-Atlantic Corporate issued an announcement that stated they had impaired 100% of their capital holdings at U.S. Central as of year-end 2008. Therefore, U.S. Central's announcement had no additional effect on Mid-Atlantic Corporate's financial position, according to the memo.

[DELAWARE NOTES](#)

Congratulations to the members, volunteers, and staff of **SEAFORD FCU**, which celebrated its 40th anniversary on January 28.



On February 19, **SUSSEX COUNTY FCU** welcomed Girl Scout Troop 595 to the Seaford branch. Co-leader Cindy Hill and two of her scouts, Skyler Bailey and Breanna Messick, set-up a table in the branch lobby with boxes of cookies to the delight of Sussex County FCU members and staff.

Don DiMatteo, chairman of **PREFERRED FINANCIAL FCU**, was interviewed for the “Board Banter” column entitled “Keeping the Faith,” in the March 2010 issue of *Credit Union Directors* newsletter. Don has been a credit union member for more than 40 years. Another Delaware volunteer, board chair Russell McCready of **DOVER FCU**, was also featured in this column in a past issue.

Kudos to Maria Gestwicki, **WILMINGTON POLICE AND FIRE FCU**, Fire, Susan Hoefs, **SUSSEX COUNTY FCU**, and John King, **EAGLE ONE FCU**, who earned their Credit Union Compliance Expert (CUCE) in December.

This year **DEL-ONE (Delaware FCU)** will award two \$1000 scholarships based on academic excellence, community involvement, credit union participation, and financial need. To add to the excitement, high school seniors also have the chance to win a limo ride to their prom or graduation! Scholarship applications and limo entries are available online at www.EZSavers.org and at each branch location. *Pictured: 2009 Limo Ride Winner Emily McKee*



JOB POSTING

Del-One (Delaware FCU) offers an excellent opportunity for an experienced Network Administrator at the corporate office located in Dover. Interested candidates can learn more about the essential functions and job specifications of this opportunity by logging onto the credit union website at <https://www.del-one.org/careers.html>.

EDUCATIONAL OPPORTUNITIES

March/April QuickBites Teleconferences

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

- 3/25 Achieving Sales Results With Your Team
- 3/30 Minor Accounts
- 4/06 Credit Checks/Conducting Background Checks
- 4/14 Plastic Card Fraud
- 4/21 Telephone Etiquette

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

- 4/07 Financial Counseling for Loan Officers

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.

March/April Webcasts

- 3/24 Regulations D & E for Frontline Staff
- 3/31 Reading & Understanding Personal Tax Returns: Forms E & F
- 4/07 Understanding Signature Cards & Account Agreements
- 4/14 Lending to Small Businesses Including Small Business Administration Loans
- 4/15 Stress Testing Your Loan Portfolio
- 4/20 Writing Policies for Loan Workouts & Collections
- 4/21 Head Teller: Managing the Under Performer
- **Reg CC Check Holds Webinar – CD only** (available February 5- August 31)

The webcasts are 90 minutes (3-4:30 p.m.). 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.

April/May Live Training/Meetings

Financial Management Council – Tuesday, April 20, from 10 a.m.-noon at the League office. Topics: Allowance for loan loss, and GAAP accounting requirements for foreclosures/OREOs, and troubled debt restructuring. Speaker: Ken Welch from Larson, Allen LLP. Council members free; non-members \$100.

DCUL Annual Meeting Education Day – Friday, April 30. Listing of topics and fee schedule in annual meeting packet mailed to all CU CEOs. The deadline for registering for the annual meeting is May 5, 2010.

Reducing Losses in Bankruptcy: Beyond the Basics – David Reed will return to conduct this session. \$195 for first registrant; \$100 for subsequent registrants. **Regis. deadline: May 5.**

Coming in May: BSA and Supervisory Committee Training!

At Your Service
At Your Service

League Activities in February 2010

LEAGUE SERVICES

League Annual Meeting News. The official call-to-meeting mail was sent on February 19 to credit union CEOs and board chairs for the **2010 Delaware Credit Union League Annual Meeting & Trade Show**. The show will be held April 29-May 1, 2010, at the Clarion Fontainebleau Hotel in Ocean City, Maryland. Contact Jane Bailey at 800-292-7875 or email jane@dcul.org with questions about the program and events.

New Credit Union Programs. Sussex County becomes live on the shared branching network on March 29. Sussex County joins Delaware State Police, American Spirit and Chestnut Run on Delaware's shared branching network. The network has 3900 branches nationwide. Wilmington Postal FCU has contracted with BSC America/Bel Air Auto Auction to sell their repossessed vehicles. The League's collection council will tour the Bel Air Auto Auction facility on June 8.

COMPLIANCE

InfoSight/Policy Pro Compliance Update.

- The League has sent out six weekly InfoSight newsletters since January to credit union manager/CEOs and designated staff. They are also archived on the InfoSight website.
- The Michigan League keeps track of the number of hits to the website by state. In January, Delaware had 212 hits and 122 in February.
- Twenty-three Delaware credit unions have enrolled in CU PolicyPro, with 20 participating in the training on March 16 and 17. Thanks to DEXSTA FCU who hosted two of the training sessions, which were moderated by Elaine Royer of the Pennsylvania Credit Union Association. The training

provided a brief tour of the CU PolicyPro site and featured user tips to get credit unions started on their online policy manual.

COMMUNICATIONS/PUBLIC RELATIONS

Delaware Supports Haiti Relief Efforts. World Council of Credit Unions (WOCCU) activated the Disaster Relief Fund for Haiti in the wake of the devastating January 12 earthquake. Donations are being used both for relief and rebuilding. The rebuilding program will focus on getting credit unions back on their feet and assisting them in helping as many members as possible. The following credit unions and individuals joined the Delaware Credit Union League in sending contributions: American Spirit FCU, DPL FCU, Jim and Cheryl Chilcutt, Allen Riley, Tony McConnell, Patrick Mahaney, Jane Bailey, Alice Smith, Keith Erb, and Jonathan Huntley (as reported by the World Council). To support WOCCU's relief efforts on behalf of Haiti and also in Chile, credit unions and their members, make payments via check, credit card or wire to: Worldwide Foundation for Credit Unions, Inc., 5710 Mineral Point Road, Madison, WI 53705.

Delaware League News and Risk Alerts. In February, the League emailed 16 news updates. The majority dealt with compliance matters, member business lending advocacy, and positive press for credit unions. Luckily only one risk alert went out in February, which covered tax refund and ACH fraud.

Business Ledger Book of Lists. The League worked with the *Delaware Business Ledger* in preparing the list of credit unions that appears in the 2010 *Book of Lists*. All 28 Delaware credit unions appear in the two-page listing. Three Delaware credit unions – Louviers, Del-One, and Dover FCU had strategically placed advertisements in the book. The 2010 *Book of Lists* is available for \$25 (plus \$5 shipping and handling) and in an electronic version for \$75 (plus \$5 shipping and handling). If you are interested, please call Bob Quietmeyer, at 302-737-0923, ext. 102. -5-

GOVERNMENTAL AFFAIRS

GAC in Washington in February. Ten Delawareans joined over 4,000 attendees at the 2010 CUNA Governmental Affairs Conference. Twenty-three credit union activists visited the offices of Congressman Castle, Senator Carper, and Senator Kaufman on February 24 to discuss credit union issues including the economy and support for increasing the credit union member business lending (MBL) cap. In addition, the advocates also discussed proposed interchange fee and overdraft protection legislation. Credit unions represented on the Hike to the Hill were American Spirit, Delaware Alliance, Delaware State Police, DEXSTA, Dover, DPL, and Sussex County. Team leaders were American Spirit CEO Maurice Dawkins, Dover CEO David Clendaniel, and DEXSTA board member David Marianelli. Hikers included:

Carper – Mike Santora	Castle – Christina Crooks	Kaufman – John Nolan
<i>Senator Carper stopped by</i>		
Dave Clendaniel, Dover	Maurice Dawkins, Amer. Spirit	Dave Marianelli, DEXSTA
John Kotzun, Dover	Kathy Murschell, DEXSTA	Steve Cimo, DE State Police
Savannah Jarrell, DE Alliance	Christine Trincia, DEXSTA	Darryl McKewen, DEXSTA
Betsy Cole, DE Alliance	Mary Brien Duch, DEXSTA	Phil Strohm, DE State Police
Alice Smith, Delaware League	Steve Bellas, Dover	Patrick Mahaney, DE League
Jim Green, American Spirit	Michelle Mack Williams, Dover	Regina Mahaney, DPL/DEXSTA
Steve Keplinger, Amer. Spirit	Peg Conway, DEXSTA	Allen Riley Sussex County
George Fitzgerald, DPL		Diana Riley Sussex County

Delaware Gets CULAC Fund-Raising Award. Congratulations! Thank you! Delaware recently received the Capitol Circle award for outstanding fund-raising in 2009 from the Credit Union Legislative Action Council. Delaware raised \$5,655.15 last year for CULAC, which contributes to campaigns of credit union-friendly federal candidates. To participate in CULAC fund-raising in 2010, contact Alice Smith at the League office.

EDUCATION

Distance Learning. The Delaware Credit Union League continues to offer a variety of sessions that credit unions can access without leaving the office. Financial Education and Development Inc. offers compliance-oriented webinars; QuickBites are hour-long teleconferences, and NorthLegal law firm provides webinars on specific bankruptcy issues.

February Education Sessions

Date	Title		# Individuals	# CUs
02/16/10	Generally Accepted Accounting Principles for CU	Carolyn Warden	13	10
02/17/10	Lending Council "Target Marketing"	Tom Scannella/ CMG	13	8
02/18/10	Marketing Council "Member Surveys"	Carolyn Warden	9	6
2/21 - 2/25	CUNA Governmental Affairs Conference		10	7
02/24/10	Delaware Hike to the Hill		23	7
	Distance Learning			
02/03/10	RESPA	CU Training Webinar	2	1
02/10/10	Notary	CU Training Webinar	2	1
02/05/10	Reg CC changes	CU Training Webinar	10	5
02/25/10	Credit Reporting & Bankruptcy	NorthLegal Webinar	Not available	

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