

Together

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HEADLINE NEWS



Not Too Late to Register for the League Annual Meeting

Inspired by singer-song writer Jimmy Buffett, “CU in Paradise” is the theme of the League’s 52nd annual meeting and trade show. 2009 was a challenging and stressful year for all of us, so we’re giving you a “License to Chill.”

This year the convention again will be held at the Clarion Hotel in Ocean City, MD, on April 29-May 1. Not only does this beach location reflect this year’s theme, but it allows for sleeping and meeting rooms to be at one location. The registration deadline for this event is **April 15**. Here is a condensed version of the convention schedule:

Thursday, April 29

- Golf Outing – Eagle’s Landing Golf Course. Sign in 11:30 a.m.; lunch at noon; scramble 1 p.m.
- Exhibitor/Decision-Makers’ Reception – 7-9 p.m. at the Clarion Convention Center

Friday, April 30

- Trade Show – 8:30 a.m.-2:00 p.m. at the Clarion Convention Center
- Education Sessions:
 - 10:00 a.m.-Noon Keynote: “It Ain’t Never Gonna Be 1960 Again – The Changing CU Environment” – Tom Glatt
 - 2:00-4:00 p.m. Breakout sessions will last under one hour and will repeat once.
 - 1) Spam, Shams, and Other Scams – Chetta Hebron-Byrd, CUNA Mutual Group
 - 2) Trends in Financial Security: What Are My Options – Chris Mackey, Kriebel Security
 - 3) The New Profitability Model – Tom Glatt, CEO of Realtors Federal Credit Union
 - 4) NCUA’s Top Hot Issues – Herb Yolles, Associate Regional Director of Operations, NCUA Region II
 - 5) Negotiating Letters of Understanding and Agreement with NCUA – Chris Pippett, Esquire
- Delaware Credit Union League Strategic Planning Meeting – 4-5 p.m.
- Dinner and Entertainment – 7:00-11:30 p.m. featuring Sleepless Nights (last year’s band)

Saturday, May 1

- Breakfast – 9 a.m.
- Keynote Address – 9:45 a.m. Jay Murray, CEO of Mid-Atlantic Corporate FCU
- League Annual Meeting – 11 a.m.
- Luncheon/entertainment – 12:45 p.m.

Professional/Volunteer Awards Nominations Due April 9

The Delaware Credit Union League is now accepting nominations for the 2009 Outstanding Professional and Volunteer Awards. Presented at the League's Annual Meeting in April, these annual awards recognize dedicated service and professionalism of credit union staff and board members.

The **Outstanding CU Volunteer Award** is given to recognize the noble service of one CU volunteer who best exemplifies the credit union spirit through dedication to and belief in the credit union movement. The **Outstanding CU Professional Award** is given to recognize one CU professional who has selflessly given time, effort, and talent to support and promote the CU ideal and the betterment of CUs in Delaware.

Information and nomination forms have been mailed to all credit union CEOs and board chairmen and must be returned to the League office no later than **Friday, April 9**. A committee comprised of former award recipients will select the winners. For more information or a nomination form, please contact Alice Smith at the League office.

NCUA Hosts Small CU Forum

The 2010 Small Credit Union Initiative Workshops and Roundtables continue as the National Credit Union Administration (NCUA) hosted sessions in Philadelphia last week. The agenda offered sessions on topics such as regional issues facing credit unions, how to positively impact the bottom line, and regulatory hot topics. Delaware credit unions attending included American Spirit (Jim Green); Dover (David Clendaniel and Heather Shupe); ICI America (Sam Minutola and Ernie Lewis); and Newport Site Employees (Vanessa McCall).

[COMPLIANCE RECAP](#)

Overdraft Rules for One-Time Debit and ATM Transactions

On November 17, 2009, the Federal Reserve Board issued a final rule on overdraft services, which would require the consumer's consent before credit unions can charge overdraft fees for ATM and one-time debit card transactions. This rule applies to overdraft services, as defined in [Sec. 205.17 of Regulation E](#), which are most commonly referred to as courtesy pay programs. This does not include overdrafts tied to a line of credit, credit card, HELOC, savings accounts or other accounts belonging to the member. The mandatory compliance date is July 1, 2010.

If your CU plans to continue charging overdraft fees on ATM and one-time debit transactions, you must obtain opt-in consents from members as of July 1, 2010 (and no later than August 15, 2010 for existing members). Your CU may want to conduct an assessment on the number of members who utilize this service and promote the continued benefits of overdraft protection.

CUNA Mutual Group recommends the following four-step process for credit unions (that offer overdraft services) to implement as soon as possible for existing and new members.

- Provide opt-in consent notices to members that are segregated from other disclosures.
- Provide reasonable opportunity for members to opt in.
- Obtain member's affirmative opt-in consent (verbally or in writing including his/her right to revoke coverage).
- Provide written confirmation to the member and include his/her right to revoke coverage.

April 1 Sees New HOEPA Escrow Rules

New escrow requirements related to recent Federal Reserve amendments to Regulation Z will become effective on April 1 for site-built homes and October 1 for manufactured homes. The amendments, which were issued in 2008, establish new protections for consumers from unfair or deceptive home mortgage lending and advertising practices and were issued under the authority provided by the *Home Ownership Equity Protection Act* (HOEPA).

Education Session on New Escrow Rules. The League's mortgage council will discuss this new law at their session on April 14 from 10 a.m.-noon here at the League office. The session will be conducted by Sandy Cline of Acre Mortgage. There is no fee for council members; the fee to attend for non-members is \$100. Topics include changes to Regulation Z (higher priced mortgage loans and escrow requirements), changes to Regulation X (settlement providers' list and fee tolerances), and the Housing and Economic Recovery Act of 2008 (licensing requirements, changes, and exemptions).

FTC Amends Free Credit Reports Rule to Help Consumers Steer Clear of "Free" Offers that Cost Money

Starting April 1, advertising for "free credit reports" will require new prominent disclosures to help consumers avoid confusing "free" offers — which often require consumers to spend money on credit monitoring or other products or services — with the no-strings-attached credit reports available at AnnualCreditReport.com, or 877-322-8228. For example, any website offering free credit reports must include a disclosure, across the top of each page that mentions free credit reports, stating:

*THIS NOTICE IS REQUIRED BY LAW. Read more at FTC.GOV.
You have the right to a free credit report from AnnualCreditReport.com or 877-322-8228,
the ONLY authorized source under federal law.*

The website disclosure must include a clickable button to "Take me to the authorized source" and clickable links to AnnualCreditReport.com and <http://www.ftc.gov/>. The amended rule is effective April 1, 2010, except for the wording of the disclosures for television and radio advertisements, which takes effect on September 1, 2010.

Fed Announces Gift Card Rules

On March 23, the Federal Reserve announced final rules to restrict the fees and expiration dates that may apply to gift cards. The final rules prohibit dormancy, inactivity, and service fees on gift cards unless: (1) the consumer has not used the certificate or card for at least one year; (2) no more than one such fee is charged per month; and (3) the consumer is given clear and conspicuous disclosures about the fees. Expiration dates for funds underlying gift cards must be at least five years after the date of issuance, or five years after the date when funds were last loaded. The rule is effective August 22.

[CU SYSTEM NEWS](#)

InfoSight, PolicyPro Training Is a Success

The Pennsylvania Credit Union Association is helping Delaware credit unions become familiar with the online *InfoSight* and *CU PolicyPro* programs. The Delaware Credit Union League has begun offering the programs to its member credit unions as a member benefit. Elaine Royer, Association compliance and operations officer, traveled to Delaware in March and presented three hands-on trainings for both programs for 17 credit unions and 24 individuals in the DEXSTA FCU office and at Del Tech, Dover campus, on these products. As part of a partnership with Delaware, Royer will serve as the *CU PolicyPro* contact for Delaware credit unions. Credit unions that were unable to attend the training should call Alice Smith, who can review information provided at the seminars. Elaine Royer is also available for a telephone training session.

Mid-Atlantic Corporate FCU Capital Update

Mid-Atlantic Corporate FCU is sending their members updates regarding new membership levels. As of Tuesday, March 30, 2010, Mid-Atlantic has already received capital conversion agreements from 92 credit unions, including 88 Platinum Level memberships totaling approximately \$12.98 million in Perpetual Contributed Capital (PCC) and another \$210,000 in Nonperpetual Capital Accounts (NCA). Due to Mid-Atlantic Corporate's need to return to regulatory compliance as quickly as possible, the corporate reminds credit unions that the membership agreement forms are due back by June 30, 2010.



As a reminder, the conversion date to the new capital and membership structure is July 1, 2010 or the effective date of the new Regulation Part 704, whichever date is *later*. Credit unions will be notified of the exact conversion date for the new structure upon confirmation of the effective date of the new regulation.

Important Information From Our Business Member: Education Loan Source

On March 22nd, the House passed the "Health Care and Education Affordability Reconciliation Act" by a vote of 220-211. In addition to health care reform, the bill also includes a change to student lending but does not impact private student loans.

Effective July 1, 2010, all Stafford, PLUS, and Consolidation Student Loans will be made via the Direct Loan Program. This means that students will get all of their federally-guaranteed student loans directly from the government rather than financial institutions. Private student loans (which provide funding over and above any federally-backed aid that a student receives) will not be impacted at all by this bill.

The need for private student loans remains and is expected to grow, with continued increases in tuition and record-high enrollment at colleges and universities. Credit unions will still have the ability to provide private student loans to their members and position themselves as a resource to families who are looking for ways to pay for college. The Delaware League promotes [Education Loan Source](#) for these services.

Other changes to the bill include an increase in the Pell Grant amount from \$4,860 to \$5,500, as well as additional funding for other grants, historically black colleges and universities, minority-serving institutions, and community colleges.

If you have any questions about these changes or need more information, please contact Tracy Sniscak at Education Loan Source at 888-429-4141 or tracy.sniscak@edloansource.com.

U.S. Government to Unveil New \$100 Note

The new design for the \$100 note will make its debut on Wednesday, April 21. The U.S. government redesigns currency in order to stay ahead of counterfeiters and protect the public. Decisions about the redesign of each denomination are guided by the government's close evaluation of the range of ongoing counterfeit threats, whether from digital technology or traditional printing presses.

The unveiling of the \$100 note is the first step in a global multi-government agency public education program implemented by the Department of the Treasury, the Federal Reserve Board and the U.S. Secret Service, to educate those who use the \$100 note about its changes before it begins circulating. The \$100 note is the highest value denomination of U.S. currency in general circulation, and it circulates broadly around the world. Public education is an important component of the government's redesigned currency program because a well-informed public is our first and best line of defense against counterfeiting. Free training materials for cash-handlers as well as other public education resources will be available in 25 languages at www.newmoney.gov beginning at 10:30 a.m. EDT on April 21.

DELAWARE NOTES

Welcome to Luba Reilly, the new operations manager at **EDGE MOOR DUPONT EFCU**. She replaces Donna Falk, who retired in 2009. Luba has previous banking experience and most recently worked as the senior director of billing for the STAR ATM network in Wilmington, a division of First Data.

Congratulations to the members, staff and volunteers of **LOUVIERS FCU** upon the opening of their new corporate headquarters on Elkton Road in Newark. The ribbon cutting was held on March 24. The approximately 10,000 square foot building has a branch on the first floor with two drive-up lanes and a second floor that houses administration and all back-office functions.



The following individuals participated in Louviers Federal Credit Union's (LFCU) ribbon cutting (left to right): Ralph Johnson – LFCU board member; Newark Councilman Jerry Clifton - District 2; Pat Mahaney – Delaware Credit Union League president; Jim Everhart – LFCU CEO/president; Newark mayor Vance Funk; Kyle Sonneberg – Newark city manager; Carol Arnold – LFCU board chair; Vic Carter – LFCU board member; Roy Lopata – director of planning & development for the city of Newark; and John Overton – Overton & Associates LLC (design and build firm). The picture on the right shows the front of the new building on Elkton Road in late afternoon.

Nearly 50 years after a group of Delaware Highway employees pooled their small savings to start Delaware Highway Federal Credit Union, now known as **DEL-ONE (Delaware FCU)**, the credit union has surpassed \$250 million in total assets. "This significant milestone could not have been accomplished without our members' continued loyalty and trust in Del-One over the last 50 years," said Duke Strosser, president and CEO. "We will continue our commitment to providing the 'One Way to a Better Life' for all Delawareans who need an alternative way to bank." There are 7 branches statewide serving more than 30,000 members and over 200 Delaware businesses.

Del-One has also recently added a free mobile banking service, making performing financial transactions even more convenient. This service allows members the flexibility to use internet-enabled cell phones or PDA's when they're on the go to check account balances, view account history, transfer funds, manage online bill payments and locate Del-One branches and ATMs.

Position Sought

Individual with diverse skills in retail advertising and sales seeks CU position. Experience includes managing sales staffs in high-stress situations, meeting aggressive goals, and selling major accounts. Call the League for resume #3-26-10.

EDUCATIONAL OPPORTUNITIES

April QuickBites Teleconferences

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

- 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

- 4/07 Understanding Signature Cards & Account Agreements
- 4/14 Lending to Small Businesses + SBA 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, foreclosures/OREOs, and troubled debt restructuring. Council members free; non-members \$100.

Reducing Losses in Bankruptcy: Beyond the Basics – Wednesday, May 12. David Reed will return to conduct this session. \$195 for first registrant; \$100 for subsequent registrants. **Regis. deadline: May 5.**

Bank Secrecy Act Training in May at the League

1. May 18 – BSA Basic Overview for Volunteers and Staff. 5:30-7:30 p.m. \$70 per person by **May 3.**
2. May 19 – BSA Training for Frontline Staff and Managers. 9 a.m.-4 p.m. \$95 per person by **May 3.**

Supervisory Committee Duties & Responsibility – Wednesday, May 19, from 5:30-7:30 p.m. at the League. Fee: \$70 per person by **May 3.**

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 August 2009-February 2010. 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.

Mailing of NSF/Overdraft Fee Notices to Members (09-0608; August 31, 2009) – NCUA’s regulations do not require federal credit unions to send a notice each time a member incurs an insufficient funds or overdraft fee. However, the regulations do require FCUs to include non-sufficient funds 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.

Unimproved Land as a Fixed Asset (09-0719; September 15, 2009) – NCUA recently amended its fixed asset rule and regulatory flexibility (RegFlex) program requirements regarding how long a federal credit union (FCU) has to occupy unimproved land acquired for future expansion. Previously, if an FCU did not fully occupy the completed premises within a year, it was required to partially occupy the completed premises within three years or obtain a waiver. This three-year period was extended to six years for RegFlex-eligible FCUs. NCUA has confirmed that this six-year period applies to all unimproved land regardless of the acquisition date. For land acquired before the rule’s effective date, the existing three-year period is extended to six. A new six-year period is not added. In addition, an FCU may treat land with existing structures that an FCU intends to demolish as unimproved land if it can demonstrate it is the functional equivalent of unimproved land. This may be accomplished by a board resolution or by a notation in the development plan that it intends to demolish the improvements or otherwise treat them as useless or valueless.

Pass-Through Insurance for Deposit/Share Placement Service (09-1022; October 23, 2009) –

The issue in this letter was whether the NCUSIF would insure funds from public municipalities invested at federally-insured credit unions (FICUs) through a placement service, similar to the Certificate of Deposit Account Registry Service (CDARS); such a service allows a bank to accept large deposits from its customers and, on behalf of the customer, spread the deposits in excess of FDIC insurance limits to other FDIC-insured banks, in order to fully insure the funds.

NCUA responded that FICUs may participate in such a service, and the NCUSIF would insure such funds. As an exception to the membership requirement, federal credit unions, and most state-chartered credit unions, may accept funds from public units or government depositors without regard to membership, and the NCUSIF will insure such nonmember public unit accounts.

However, NCUA cautions FICUs to use careful designations and recordkeeping for accounts established through a placement service in order to provide flow-through insurance coverage. Under NCUA’s share insurance rules, a beneficial owner of FICU shares is entitled to receive NCUSIF insurance coverage if:

- The owner is a member of the FICU or otherwise eligible to maintain an insured account;
- The FICU’s account records disclose the existence of a relationship that may provide a basis for coverage; and
- The records of the FICU or the owner are maintained in good faith and in the regular course of business identify the owner and the extent of the owner’s interest.

Lastly, NCUA notes that funds from public units at a FICU generally may not exceed the greater of 20% of the total shares of the credit union or \$1.5 million.

Letters of Credit to Secure Share Deposits (09-1052; November 10, 2009) – The inquiry asked if a federal credit union (FCU) can obtain an irrevocable standby letter of credit (LOC) and pledge its assets as collateral to secure member shares in excess of the share insurance limit. NCUA responded that an FCU can only pledge its assets to guarantee deposits for the benefit of a government depositor or public unit.

Share Insurance Coverage for 529 Accounts (09-1067; December 4, 2009) – The issue in this letter is whether qualified tuition savings program accounts (529 accounts) are insured as member accounts or as public units. NCUA responded that, depending on the membership status of the participants, the accounts are insured on a pass-through basis (as member accounts) or as public units. Here is the specific breakdown:

As member accounts: If 1) the participants are members of the credit union where the 529 account is held, and 2) each participant-member's interest can be ascertained from credit union or state records, the member's interest in the 529 account will be aggregated with his or her other accounts at the credit union and insured up to the SMSIA.

As public units: If 1) participants are not members of the credit union where the 529 account is held, or 2) each participant's interest cannot be ascertained, the funds will be insured as public units or government deposits.

Lastly, the letter notes that there is no limit on the number of custodians a state can designate for its 529 program funds to receive share insurance coverage.

Residential Mortgage Processing and Servicing as an Incidental Power (09-1021; December 9, 2009) – The inquiry asked if a federal credit union (FCU) can provide residential mortgage loan processing and servicing to credit unions as a correspondent service under the incidental powers rule where the credit union receiving the service would fund the loan and the loan would close in the funding credit union's name. NCUA concluded that this would be permissible as a correspondent service and, as required for all incidental powers activities, FCUs must comply with any applicable NCUA regulations, policies, and legal opinions, as well as state and federal law applicable to the activity.

Conflicts of Interests, Disqualifications, and Required Voting Majorities (09-1039; January 13, 2010) – The letter writer asked for NCUA's opinion about conflict-of-interest situations on the Polish & Slavic Federal Credit Union (PSFCU) board of directors involving directors who are employed by or volunteer with PSFCU sponsor organizations. NCUA instructed the credit union that generally the FCU must first determine whether a matter before the board will affect an organization's pecuniary interest. If so, it must then determine whether the decision will affect a director's interest in the organization. NCUA noted that the FCU Bylaws' conflict of interest provision is not intended to prevent a director from participating in setting general policies and making decisions involving the general direction of the credit union (*examples are given in the letter*).

Also, a director's disqualification under this provision does not alter the required voting majorities set forth in the FCU Bylaws. A director disqualified under Article XVI, Section 4, cannot participate in any discussion and vote on a matter causing his or her disqualification. Such disqualification does not alter the designated voting majority required to approve the matter. For example, Article XVII, Section 1, of the FCU Bylaws requires "an affirmative vote of two-thirds of the authorized number of members of the board" to change an FCU's charter or bylaws. This means that an FCU having an eleven-member board must obtain eight affirmative votes (a two-thirds majority) to approve a charter or bylaw amendment. Eight affirmative votes are necessary even though the number of directors qualified to vote in the matter is fewer than the authorized number of directors.

Permissibility of County Forming a Federal Credit Union (09-1205; January 21, 2010) – The inquirer asked if a county can form its own federal credit union (FCU) and if it can use public funds to do so. NCUA answered that an FCU is a nonprofit, cooperative financial institution owned by its members and, therefore, a county government cannot "own" an FCU, but a county government, depending on an FCU's field of membership (FOM), could join an FCU and could be a sponsor, assisting in an FCU's organization and operation. NCUA does not specifically regulate the funding sources of credit union sponsors.

Many FCUs have FOMs that are made up of or include federal, state, and local government employees. A sponsoring entity, for example, an employer, may provide assistance in organizing a new credit union in many ways, for example, providing funds, staff, or office space. Once NCUA charters an FCU, it becomes a "body corporate, ... subject to the limitations, ... vested with all of the powers and charged with all of the liabilities conferred and imposed by" the FCU Act. An FCU is a legal entity separate from any sponsor or any organization whose members or employees constitute

the FCU's membership. A sponsor is not legally responsible for the actions of the FCU or its officers, and an FCU is not responsible for any actions of the sponsor. With the exception of concerns about financial viability and safety and soundness concerns potentially involved with any new charter, the FCU Act and NCUA's regulations, policies, and procedures do not address or control the funding sources FCU sponsors may use.

Regulatory Compliance Services as a Permissible Credit Union Service Organization (CUSO)

Activity (09-1229; January 25, 2010) – The inquirer asked if a CUSO can provide regulatory compliance services for credit unions. As described and subject to the agency's comments in this letter, NCUA concluded that regulatory compliance services are a permissible CUSO activity under the preapproved category of clerical, professional and management services.

Membership Capital Shares (10-0147; February 25, 2010) – NCUA wrote that Membership Capital Shares (MCS) maintained by a member of a corporate credit union are available during a notice period to cover losses in excess of retained earnings and paid-in capital (PIC) after the owner of the MCS has notified the corporate of intent to withdraw the MCS. The letter, an extension of a 2009 opinion, in essence says a credit union can't protect its MCS investment from write-downs by announcing its intention to leave a corporate credit union's membership since the MCS can still be impaired by losses during a waiting period.

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