

NCUA modifies share insurance coverage

Retirement account coverage increases to \$250,000; standard share account coverage remains \$100,000

The NCUA Board issued an interim final rule March 16, 2006, amending share insurance to clarify coverage and implement changes required by share insurance reform Congress enacted in February.

“I am pleased to see this much needed change in account protection,” said Chairman JoAnn Johnson. “I view this immediate increase in retirement savings coverage as taking a large step to protect member’s accounts and as a vital way to encourage retirement saving. As personal retirement accounts surpass \$100,000, Americans want to know that their IRA and Keogh accounts in banks, thrifts and credit unions are federally insured and protected against loss.”

Effective April 1, 2006, the interim final rule provides the following:

- Increases share insurance limits to

\$250,000 for retirement accounts such as Traditional and Roth IRAs (Individual Retirement Accounts) and Keogh accounts;

- Retains the \$100,000 insurance limit for all other types of share accounts;
- Requires NCUA and FDIC to jointly determine if an inflation-adjusted increase is appropriate for insured accounts beginning in 2010 and every five years thereafter;
- Includes pass-through coverage on employee benefit plans while limiting acceptance of shares in employee benefit plans to insured credit unions that are well or adequately capitalized; and
- Clarifies coverage for qualified tuition programs, commonly referred to as 529 plans, and share accounts denominated in foreign currencies.

“In addition to the increased coverage resulting from the recently passed law, this rule provides important new flexibility for those credit unions servicing their members’ needs abroad, as well as those assisting members who are trying to help pay their children’s college tuition,” Board Member Gigi Hyland said.

NCUA and FDIC coordinated their share and deposit insurance interim rules regarding coverage amounts. While retirement accounts gain increased coverage, the rule retains the provision that retirement accounts are insured separately from other accounts at the same institution. NCUA issued the interim final rule with a 60-day comment period.

“I am pleased that NCUA and FDIC are implementing deposit insurance changes recently signed into law by President Bush,” said Vice Chairman Hood. “As the amount of deposits in retirement accounts top \$100,000,

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Washington, D.C., March 13, 2006 — NCUA Vice Chairman Rodney E. Hood joins Federal Deposit Insurance Corporation (FDIC) Acting Chairman Martin Gruenberg at the FDIC to announce impending changes to federal deposit insurance coverage for banks, thrifts and credit unions based on recent Congressional action.

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Chairman Johnson testifies on regulatory relief

Johnson recommends regulatory reforms to the Senate Banking, Housing and Urban Affairs Committee

NCUA Chairman JoAnn Johnson testified on regulatory relief for credit unions before the Senate Banking, Housing and Urban Affairs Committee March 1.

Reiterating many of the regulatory relief recommendations prescribed in 2005, Chairman Johnson said the agency continues to seek a statutory change authorizing NCUA to implement a risk-based prompt corrective action (PCA) system for federally insured credit unions, and she encouraged the Committee to consider changes to member business lending to improve credit unions' ability to provide a source of needed credit to small businesses.

"I am always pleased to have the opportunity to appear before Congress and urge legislative changes that would,



among other things, create a more reasonable and flexible system of prompt corrective action, allow credit unions to better serve small businesses, and update rules regarding healthy credit union mergers. It is encouraging that Congress is working to incorporate credit union provisions in any regulatory relief legislation that they consider," Johnson said.

Regulatory relief requested

The regulatory relief provisions Chairman Johnson requested for credit unions include:

- Enable "retained earnings" of merging institutions to be classified as net worth following a merger;
- Authorize FCUs to offer check cashing and money transfer services for potential members, particularly those left behind to predatory and high-cost financial companies;
- Eliminate 12-year maturity loan limits;
- Increase investment limits in CUSOs to 3 percent, or give NCUA the ability to set the limit;
- Expand investment options;
- Eliminate spin-off considerations when FCUs voluntarily merge;
- Provide parity relief for SEC registration requirements;
- Enable FCUs to place 20 percent of assets in member business loans; and
- Increase the minimum threshold on member business loans to \$100,000.

Chairman Johnson noted these changes would provide a tangible benefit to America's consumers by giving them access to more modern, up-to-date and efficient financial institutions. Equally important, an overall improvement in regulatory efficiency would be achieved by removing outmoded, duplicative and unnecessary regulations while maintaining a focus on the primary safety and soundness responsibility that Congress has conferred on the agency.

Walters named NCUA deputy executive director

The NCUA Board approved the reassignment of Region IV Director Jane A. Walters to be NCUA deputy executive director, assisting the executive director in managing the daily operation of the agency.

"Jane Walters has been a tremendous asset to NCUA. Her skills and broad experience, particularly in program matters, will greatly assist me as the agency continues to address new and challenging issues," Executive Director Len Skiles said. "Jane is extremely capable. She is a proven leader who has demonstrated again and again that she has excellent management expertise. This headquarters post will enable Jane to use her myriad of talents."

Walters has been serving in Austin, Texas, as regional director since May 2001. Her career began with NCUA in 1981 as an examiner in Chicago, Ill. She was a problem case officer prior to becoming the director of Special Actions in Region II in 1987. Walters was named associate regional director of Region IV in 1990, and in 1994 she was appointed NCUA Controller. Jane Walters has also served as regional director of Region II, former Region VI, and former Region V.

Ms. Walters holds a BS in accounting from the University of Dayton and a MBA from Loyola University of Chicago.

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Rodney E. Hood, Vice Chairman
Christiane Gigi Hyland, Board Member

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Visit the NCUA website
— www.ncua.gov —
regularly to get the
latest agency news

Board actions March 16, 2006

NCUA modifies share insurance coverage

The NCUA Board issued an interim final rule amending Part 745 to clarify coverage and implement changes required by share insurance reform Congress enacted in February. (Details are on page 1)

NCUA planning tools approved

The NCUA Board approved the NCUA Annual Performance Budget 2006 and the NCUA Strategic Plan 2006-2011, planning documents required by the Government Performance Results Act of 1993.

The approved annual performance budget provides NCUA's 2006 goals and strategies as well as guidance for developing regional and office operating plans, all designed to support and achieve the agency's multi-year strategic plan.

The approved strategic plan provides broad, long-term guidance that includes the NCUA mission, vision and strategic goals. The agency's strategic goals for 2006-2011 include:

1. A safe, sound and healthy credit union system.
2. Access to financial services offered by federally insured credit unions for all eligible consumers throughout the United States.
3. A prudent, flexible and efficient regulatory environment for all federally insured credit unions.

The strategic plan is designed to allow maximum flexibility to accommodate internal and external change. The NCUA Annual Performance Budget 2006 and NCUA Strategic Plan 2006-2011 are available online at <http://www.ncua.gov/ReportsAndPlans/plans-and-reports/index.html>

Charter conversions

The NCUA Board approved a request from **Tri Boro Federal Credit Union**

of Munhall, Pa., to convert from a multiple-group to a community chartered credit union serving the Pittsburgh, Pa., metropolitan area. With conversion, the credit union is able to serve the people who live, work, worship, or attend school, and businesses and other legal entities in Allegheny and Washington Counties, Pennsylvania. At year-end December 31, 2005, Tri Boro FCU assets totaled \$91 million.

The NCUA Board approved the request from **Central Florida Educators Federal Credit Union** in Orlando,

Florida, to convert from a multiple common bond to a community charter serving the Orlando metropolitan statistical area. The conversion enables the credit union to serve the people who live, work, worship, or attend school, and businesses and other legal entities in Orange, Osceola, Seminole and Lake Counties in Florida. Central Florida Educators FCU assets total \$1 billion.

Board votes are unanimous unless indicated

Vice Chairman Hood highlights regulatory flexibility

NCUA Vice Chairman Rodney E. Hood outlined his regulatory focus for



2006 when he joined 50 credit union CEOs in Boston March 7 for a roundtable dialogue.

"Regulatory flexibility will be a top priority of mine in 2006," Vice Chairman

Hood said as he discussed the recent final rule change empowering an additional 413 federal credit unions with RegFlex eligibility.

The new amendment allows well-managed, well-capitalized credit unions to qualify for regulatory flexibility with 7 percent earned net worth rather than the former 9 percent requirement.

"This rule change demonstrates the Board's belief that the agency should not micro-manage well-run institutions," said Vice Chairman Hood. "This year I will look for ways to reduce unnecessary regulatory burdens on credit unions."

Additionally, the Vice Chairman noted his focus to continue strengthening the federal credit union charter by approving field of membership rules that adhere to the federal statute and NCUA regulations. "NCUA should maintain field of membership rules that empower credit unions to serve the underserved and facilitate credit union service for communities as allowed under the regulatory and statutory authority."

"Credit unions have a choice of charter," Vice Chairman Hood emphasized. "During my term, I will strive to strengthen the federal charter and

support rules that make the federal charter attractive and viable for the nation's credit unions."

Vice Chairman Hood encouraged credit unions to

comment on proposed rules pending before the NCUA Board.

"Your comments are vital for proposed rules. It is important that we consider all comments regarding regulations proposed before the Board, he said."

"During my term, I will strive to strengthen the federal charter and support rules that make the federal charter attractive and viable for the nation's credit unions."

Conversations with AMERICA



My Government Listens

Who and What: Board Member Gigi Hyland will address CUNA's Roundtable for Board Leadership.

When: Monday, April 3, 2006

Where: San Antonio, Texas

Why: To discuss credit union regulatory issues.

Contact: Nina Bullard at 703-518-6318 or nbullard@ncua.gov.

Who and What: Vice Chairman Rodney Hood will address the Virginia CU League's CEO Summit.

When: Tuesday, April 4, 2006

Where: Charlottesville, Va.

Why: To discuss regulatory issues affecting the nation's credit unions.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov.

Who and What: Board Member Gigi Hyland will address the Empire Corporate Economic Forum.

When: Tuesday, April 4, 2006

Where: Albany, N.Y.

Why: To share her views and elicit comments on current challenges facing the CU system.

Contact: Nina Bullard at 703-518-6318 or nbullard@ncua.gov.

Who and What: Chairman JoAnn Johnson will address the NAFCU CEO Conference.

When: Friday, April 7, 2006

Where: San Antonio, Texas

Why: To share her perspective on the latest regulatory matters.

Contact: Linda Queen at 703-518-6309 or lqueen@ncua.gov.

Who and What: Vice Chairman Rodney Hood will address the Metropolitan Area CU Management Association's monthly meeting.

When: Monday, April 10, 2006

Where: Washington, D.C.

Why: To discuss regulatory issues affecting the nation's credit unions.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov.

Who and What: Chairman JoAnn Johnson will address the US Central Corporate Network Conference.

When: Tuesday, April 11, 2006

Where: Bal Harbour, Fla.

Why: To discuss regulatory issues.

Contact: Linda Queen at 703-518-6309 or lqueen@ncua.gov.

Who and What: Board Member Gigi Hyland will address the Louisiana CU League and credit unions of New Orleans.

When: Monday, April 11, 2006

Where: New Orleans, La.

Why: To visit hurricane-ravaged New Orleans credit unions and learn how they are assisting members' recovery efforts.

Contact: Nina Bullard at 703-518-6318 or nbullard@ncua.gov.

Who and What: Chairman JoAnn Johnson will address the Access Across America Economic Empowerment Summit.

When: Wednesday, April 12, 2006

Where: Dallas, Texas

Why: To discuss NCUA's economic empowerment initiatives.

Contact: Linda Queen at 703-518-6309 or lqueen@ncua.gov.

Who and What: Vice Chairman Rodney Hood will address the Access Across America Economic Empowerment Summit.

When: Wednesday, April 12, 2006

Where: Dallas, Texas

Why: To discuss NCUA's economic empowerment initiatives.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov.

Who and What: Vice Chairman Rodney Hood will address the EL Paso Chapter of CEO's.

When: Thursday, April 13, 2006

Where: El Paso, Texas

Why: To discuss regulatory issues affecting the nation's credit unions.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov.

Who and What: Vice Chairman Rodney Hood will address the Colorado CU

League's 72nd Annual Meeting.

When: Friday, April 21, 2006

Where: Colorado Springs, Colo.

Why: To discuss regulatory issues affecting the nation's credit unions.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov.

Who and What: Board Member Gigi Hyland will join Ohio CU League's 2006 Convention for a Regulatory Dialogue.

When: Friday, April 21, 2006

Where: Cleveland, Ohio

Why: To share her views and elicit comments on current challenges facing the CU system.

Contact: Nina Bullard at 703-518-6318 or nbullard@ncua.gov.

Who and What: Board Member Gigi Hyland will address West Virginia CU League's Annual Meeting.

When: April 22, 2006

Where: Charleston, W.Va.

Why: To share her views and elicit comments on current challenges facing the CU system.

Contact: Nina Bullard at 703-518-6318 or nbullard@ncua.gov.

Who and What: Vice Chairman Rodney Hood will address U. S. Central FCU.

When: Monday, April 24, 2006

Where: Lenexa, Kansas

Why: To discuss U.S. Central's service to credit unions.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov.

Who and What: Board Member Gigi Hyland will address Massachusetts CU League Government Affairs Day participants.

When: Wednesday, April 26, 2006

Where: Boston, Mass.

Why: To share her views and elicit comments on current challenges facing the CU system.

Contact: Nina Bullard at 703-518-6318 or nbullard@ncua.gov.

Who and What: Vice Chairman Rodney Hood will address the Alabama CU League's CEO Roundtable.

When: Friday, April 28, 2006

Where: Birmingham, Ala.

Why: To discuss regulatory issues affecting the nation's credit unions.

Contact: Sally Ridgely at 703-518-6307 or sridgely@ncua.gov.

Board Member Hyland cuts the ribbon at new shared branch office in Washington

National Credit Union Administration (NCUA) Board Member Gigi Hyland participated in a ribbon cutting ceremony commemorating the opening of ACCESO, a shared branch office formed by three credit unions from the greater Washington, D. C., area.

Participating in the ceremony with Board Member Hyland were officials from the three credit unions that formed the shared branch office: Carlos Calderon, CEO of OAS Staff FCU, Carla Decker, CEO of District Government Employees FCU, and Bruce Cameron, CEO of IDB/IIC FCU. Also participating in the ceremony were representatives from the District of Columbia's City Council and Mayor's office.

ACCESO, which means "access" in Spanish, will serve the needs of the surrounding community, which includes a large Latino population, by providing a variety of affordable financial

services that includes check cashing and remittances services, insured savings accounts, auto loans, and mortgages.

Addressing those attending the event in English and Spanish, Board Member Hyland congratulated the shared branch office for striving to meet the growing needs of the financially underserved.

"As not for profit financial cooperatives, credit unions are

"As not for profit financial cooperatives, credit unions are consistently helping people from all walks of life and communities to achieve the dream of financial self sufficiency."

consistently helping people from all walks of life and communities to achieve the dream of financial self-sufficiency."

Hyland said. "I commend these three credit unions and their staff for

working together in order to bring a traditionally underserved and immigrant community into the financial mainstream, and I encourage more credit unions to follow their example. Today, the dream of financial access has become the reality of financial access for this community."

About investments/ asset liability management

Planning for liquidity needs

Credit unions should review their liquidity policy and contingency plans to ensure that liquidity levels can be maintained at appropriate levels during times of economic stress.

Over the last several quarters, credit union liquidity has tightened. Loan growth has generally exceeded share growth for all federally insured credit unions.

Loan growth outpacing share growth results in an increased loan to share ratio. This highlights the need for sound liquidity policy and a prudent contingency funding plan.

Sound liquidity policy establishes:

- A purpose and objective;
- Minimum standards;
- Monitoring responsibilities; and
- Reporting requirements.

Depending on the size and complexity of the credit union, minimal standards may consist of amounts of cash and liquid investments and the loan-to-share ratio. More complex operations should include limits for projected net cash flows, daily cash requirements, borrowings, volatile sources of funds, etc.

In large credit unions, responsibility for daily monitoring and assessing liquidity should be assigned to a staff person. Liquidity position reports should be channeled through senior management, the asset-liability committee (ALCO) if appropriate, and finally, the board of directors.

A contingency funding plan is essential to ensure an uninterrupted flow of funds necessary for the daily operation of the credit union. A well-developed plan should have more than one tested, back-up source of liquidity.

Back-up sources of liquidity can include lines-of-credit with the credit union's primary correspondent financial institution, longer-term borrowing sources such as Federal Home Loan Banks, and established borrowing repurchase agreements. Also, if sales of assets (e.g., long-term mortgage loans) are to be relied upon as a source of liquidity, relationships should be established and tested.



Washington, D.C., February 26, 2006 — NCUA Board Member Gigi Hyland cuts the ribbon opening ACCESO, a shared branch office in Adams Morgan formed by three local credit unions. With Hyland are two of the participating credit union CEOs — Carlos Calderon of OAS Staff FCU, and Carla Decker of District Government Employees FCU.



HHS Assets for Independence Program grants available

NCUA Chairman JoAnn Johnson encourages low-income designated credit unions to participate in the 2006 Assets for Independence Program (AFI), a federal grant program administered by the Office of Community Services (OCS), within the Department of Health and Human Services. OCS offers 5-year AFI Project grants to several types of organizations and agencies including low-income credit unions.

The AFI grant program enables community-based nonprofits and

government agencies to implement an asset-based approach for helping low-income families achieve financial self-sufficiency.

“I believe that partnering with government agencies offers tremendous opportunities for credit unions to serve their members with innovative and affordable financial services.” said Chairman Johnson. “At NCUA, we are dedicated to producing results, and the AFI grant program certainly produces positive results

for qualifying low-income credit unions.”

AFI Projects assist client families in a number of ways. First and foremost, they help participants accumulate savings in accounts called Individual Development Accounts (IDAs). Every dollar from \$1-\$8 deposited into an IDA savings account is matched by the AFI Project. To

help clients with IDA savings, all AFI Projects also provide training and supportive services related to family finances and financial management. As savings accumulate,

participants may use their IDA savings, including the matching funds, to acquire any of the following assets:

- A first home;
- Capitalization of a small business; and
- Post-secondary education or training.

OCS issues AFI Project grants annually. For more information, access the AFI Grant Program website: <http://www.acf.hhs.gov/assetbuilding/assets.html>

“I believe that partnering with government agencies offers tremendous opportunities for credit unions to serve their members with innovative and affordable financial services.” said Chairman Johnson.

NCUA modifies share insurance coverage

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Congress and President Bush want to ensure that retirement funds are fully protected, backed by the federal deposit insurance funds at NCUA and the FDIC. What’s more, adding the provision enabling NCUA and FDIC to jointly review the insurance protection level every five years will ensure deposited funds remain fully protected now and in the future.”

NCUA is currently in the process of updating the *Your Insured Funds* brochure, *Benefits of Federal Share Insurance* brochure, and the *Share Insurance Estimator* on the website. These documents should answer questions about changes to share insurance coverage. NCUA is working to complete revisions to these documents within a month after the interim rules takes effect April 1.

In the future, the agency will be issuing a rule concerning changes to the official NCUA insurance sign.

