

## Outreach Task Force Report issued

NCUA Board Member Gigi Hyland presented the Outreach Task Force Report to the NCUA Board February 26, 2008.

“The report identifies serious, specific recommendations to help federal credit unions serve consumers across all parts of their fields of membership, consistent with the purpose set forth in the preamble to the Federal Credit Union Act,” said Hyland, Chair of the Outreach Task Force.

The Outreach Task Force provided the NCUA board with the following 12 recommendations:

### Membership profile and financial services

- Collect membership profile data through the AIREs examination process;
- Collect financial services data on the 5300 Call Report;
- Publish aggregate data on membership profile and financial services in the NCUA Annual Report or other publication(s); and
- Develop a means for each FCU to obtain its proprietary membership profile data from NCUA.

### Senior executive officer compensation

- Collect FCU and federal corporate credit union senior executive officer compensation during the examination, and then use AIREs and the Corporate Examination Database to capture the information;
- Publish aggregate data on senior executive officer compensation in the Annual Report or other NCUA publication(s); and
- Promulgate a regulation requiring FCUs and federal corporate credit



February 26, 2008, Alexandria, Va.—Board Member Gigi Hyland details results of the Outreach Task Force Report during a teleconference briefing to the credit union media. The credit union state regulatory association and league and trade organizations were also provided briefings. From the left are Senior Policy Advisor to Board Member Hyland Gary Kohn; Board Member Hyland; Public & Congressional Affairs Director John McKechnie; and Executive Director Len Skiles.

unions to annually disclose individual senior executive officer compensation to their members.

### Low-income definition

- Revise NCUA Rules and Regulations to replace MHI with MFI as one of the standards for qualifying a credit union as low-income; and
- Include a grandfather provision of five years to allow adequate transition time for any low-income credit union failing to qualify under the MFI standard.

### Outreach

- Expand NCUA outreach program(s) to include a broader spectrum of credit unions serving, or having the ability to serve, members of low or moderate income;
- Emphasize increased regional involvement in the implementation of outreach policies; and
- Improve its oversight of Community

Development Revolving Loan Fund programs.

“I am grateful to those who attended the Town Hall meetings and contributed to the frank and practical discussions regarding issues most significant to credit union members. The Task Force considered their insights invaluable while constructing this report,” stated Board Member Hyland.

Chairman JoAnn Johnson created the Outreach Task Force subsequent to receiving the 2006 Member Service Assessment Pilot Program (MSAP) Report, which was the NCUA response to questions raised by Congress and the Government Accountability Office regarding federal credit union fulfillment of their mission and purpose. The MSAP Report concluded that federal credit unions are succeeding in serving those they are chartered to serve, but given

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### HIGHLIGHTS

- Loans and shares reflect steady growth in 2007 ■
- Board actions ■  
Hood underscores enterprise risk management ■

- Conversations with America ■  
Former Board Member Swan passes away ■
- CUs' positive impact on African American communities ■

- Hood addresses Georgetown University FCU ■
- Johnson attends initial Presidential Council on Financial Literacy meeting ■

# Loans and shares reflect steady growth in 2007

## Mortgage lending remains strong and loan delinquencies expand

Federally insured credit unions reported solid loan and share growth and membership expansion in 2007 while loan delinquencies increased according to call report data submitted by the nation's 8,100 federally insured credit unions.

Loan growth was 6.6 percent and share growth was 5.2 percent as membership grew to 86,837,478 at the nation's federally insured credit unions during 2007. Investments expanded 4.7 percent following several years of decline, with credit unions primarily investing in the corporate credit union system.

"I am pleased to note that call report results indicate the cornerstone of credit union stability, net worth remains high at 11.44 percent," said NCUA Chairman JoAnn Johnson. "Real estate loans increased 11.0 percent to \$271.1 billion in 2007 illustrating credit unions are actively engaged in serving their members' mortgage lending needs. Reflecting widespread volatility in the mortgage market, which has migrated to many segments of the economy, credit unions are seeing increased

delinquencies in various areas of lending and in foreclosures. Notwithstanding, it is important to note that the delinquency increases, though material, do not threaten the overall safety, soundness and stability of the credit union industry."

Lending data indicates real estate loans delinquent 2 months or more grew from 0.34 to 0.67 percent during 2007. Foreclosed real estate increased 102.2 percent to \$331.9 million, and although a marked increase, foreclosures continue to represent a very small .12 percent of total real estate loans. After declining for the past three years, credit card delinquencies were a reported 1.33 percent of total credit card loans at year-end 2007, remaining just below the 1.34 percent level reported in 2003. The total loan delinquency ratio for federally insured credit unions increased from .68 to .93 percent during 2007, a 25 basis point increase.

"While these statistics pinpoint the changes credit unions are currently undergoing in the face of instability in the economic sector, I am confident that on the whole credit unions continue to perform well, and I encourage credit unions to stay the course and remain vigilant stewards offering a safe, sound place for their members to save and borrow and meet their financial service needs." Chairman Johnson said.

Details of major balance sheet categories and membership growth in federally insured credit unions from January 1, 2007, to December 31, 2007, follows:

- Assets increased 6.1 percent to \$753.5 billion from \$710.0 billion;
- Loans increased 6.6 percent to \$526.9 billion from \$494.4 billion;
- Investments increased 4.7 percent to \$187.9 billion from \$179.5 billion;
- Shares increased 5.2 percent to \$632.4 billion from \$601.2 billion;
- Net worth increased 5.3 percent to \$86.2 billion from \$81.9 billion; and

- Membership increased 1.3 percent to 86.8 million members.

Major loan categories grew in 2007, with the exception of a slight 1.8 percent decline in new automobile loans, which ended the year at \$86.9 billion. First mortgage real estate loans grew 12.3 percent to \$179.4 billion, while other types of real estate loans grew 8.7 percent to \$91.7 billion. Used automobile loans grew 1.7 percent to \$89.1 billion, and unsecured credit card loans grew 13.4 percent to \$30.1 billion.

Reviewing recent trends in mortgage lending, in 2007 fixed rate 1st mortgage loans increased 14.4 percent, balloon/hybrid 1st mortgage loans increased 13.2 percent, and adjustable rate 1st mortgage loans increased 3.9 percent, illustrating

the move to fixed rate mortgages.

Share certificate accounts

grew 14.4 percent

to \$216.1 billion,

while money market share

accounts grew 10.7 percent to

\$111.2 billion, and IRA and KEOGH

accounts increased 9.3 percent to \$56.9 billion. Share draft accounts grew 1.9 percent to \$71.6 billion and regular shares declined 7.0 percent to \$168.4 billion.

As the result of robust lending in most categories in 2007, the loan-to-share ratio increased to 83.3 percent during 2007.

The year ended with a net worth ratio at federally insured credit unions of 11.44 percent. With net loan charge-offs of \$2.6 billion, the net charge-off ratio was 0.50 percent, and the return-on-average-assets declined to 0.65 as the result of increased cost of funds and net operating expenses and an increase in the provision for loan losses as credit unions accounted for potential losses.

Details of year-end 2007 data are available in a consolidated balance sheet and a December 2007 Facts/Summary posted online at <http://www.ncua.gov/data/FOIA/foia.html>.



## NCUA News

National Credit Union Administration

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures most credit unions.

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

Information about NCUA and its services may be secured by contacting 703-518-6330.

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## Board actions February 21, 2008



### NCUSIF year-end report

The NCUA Chief Financial Officer reported to the Board that the National Credit Union Share Insurance Fund (NCUSIF) ended 2007 strong and healthy and has just received its 24th clean opinion from an independent auditor.

In 2007, NCUSIF gross income reached its highest level in Fund history, totaling \$321.3 million. Net income totaled \$55.7 million, operating expenses totaled \$79.2 million, and insurance loss expense totaled \$186.4 million, the highest level in Fund history due to anticipated losses attributed to several credit unions.

The NCUSIF provision for loss reserve account totaled \$215.8 million at year-end. Of this amount, \$161.6 million is allocated

for identified problem credit unions, and \$54.2 is allocated for non-specific reserves.

The NCUSIF equity ratio was 1.29 percent at year-end based on insured shares of \$561.9 billion held by the nation's 8,100 federally insured credit unions. The year ended with 211 problem code credit unions holding approximately 1.04 percent of insured shares. Twelve federally insured credit unions failed in 2007—five were assisted mergers and seven involuntary liquidations resulted in three purchase and assumptions.

### Federal employee debt collection rule issued

The NCUA Board issued final rule Part 797, Procedures for Debt Collection, concerning collecting debts owed to

the federal government by former and present federal employees. The Debt Collection Improvement Act requires that agencies issue regulations and follow Federal Claims Collection standards, which contain procedures governing debt collection and the due process rights afforded debtors.

The rule applies only to debts that arise at NCUA, such as federal employee salary overpayments or erroneous benefit withholdings and contributions. The rule is effective 30 days after publication in the Federal Register.

### Board votes are unanimous unless otherwise indicated.

## Hood underscores effective enterprise risk management in current economic climate



NCUA Vice Chairman Rodney E. Hood addressed the National Association of Federal Credit Unions' (NAFCU) Mid-Sized CEO Roundtable in

Williamsburg, Va., February 4, 2007. The Vice Chairman used this forum to discuss the current financial state of the industry based on the industry's 2007 year-end data.

Hood provided detailed slides specific for the group that tracked them against the national average for all federally insured credit unions and discussed the trends and points of concern that the Agency is tracking. Hood described how the best practices of risk management can be used to mitigate the effects of a downturn in the economy.

Vice Chairman Hood presented the roundtable seven areas of risk and their associated issues based on the present state of our economy. Hood told the group that "now more than ever you as credit union leaders along with your boards most focus on doing your due diligence."

Optimistic about the role credit unions can play in spurring economic growth, Mr. Hood encouraged them to continue providing innovative and sound member business lending products while helping their members mitigate risk through balance sheet diversification. Doing this helps member-owners establish viable businesses that create jobs and sustain local communities.

"Credit unions make such a strong positive impact on their surrounding communities, and such constant advancement does not happen without strong leadership, vision, and commitment. In order to evolve, credit union's enterprise risk management

(ERM) programs must keep pace with the ever-changing market. Additionally, credit union management must be properly trained to effectively analyze and implement ERM programs."

The Vice Chairman closed by stating his priority as a regulator is to create policies with predictability, transparency, and longevity that are conducive to capital formation and economic empowerment while fulfilling the vital role of protecting the consumer.

"I am dedicated to listening carefully and working hard to ensure the safety and soundness of the credit union system. In this time of economic turmoil, I know we can work together to continue helping families achieve the American dream of homeownership—that we can assist entrepreneurs in creating small, viable business, and we can provide the trusted resources for families to save for their futures," Vice Chairman Hood said.

## Conversations with AMERICA



### My Government Listens

**Date:** Saturday, March 15, 2008

**Who:** Vice Chairman Rodney E. Hood

**Event:** OSCUI Small Credit Union Workshop

**Location:** Durham, NC

**Contact:** Sally Thompson at

[sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Date:** Tuesday, March 18, 2008

**Who:** Vice Chairman Rodney E. Hood

**Event:** NFCDCU Mortgage Seminar

**Location:** Durham, NC

**Contact:** Sally Thompson at

[sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Date:** Friday, March 28, 2008

**Who:** Board Member Gigi Hyland

**Event:** NCUA CU Workshop

**Location:** Richmond, VA

**Contact:** Jessica Vogel at

[jvogel@ncua.gov](mailto:jvogel@ncua.gov) or (703) 518-6318

**Date:** Monday, April 7, 2008

**Who:** Board Member Gigi Hyland

**Event:** National Credit Union Roundtable for Board Leadership

**Location:** St. Pete Beach, FL

**Contact:** Jessica Vogel at

[jvogel@ncua.gov](mailto:jvogel@ncua.gov) or (703) 518-6318

**Date:** Wednesday, April 9, 2008

**Who:** Board Member Gigi Hyland

**Event:** TNC FCU Oakland County Chapter Annual Meeting

**Location:** Detroit, MI

**Contact:** Jessica Vogel at

[jvogel@ncua.gov](mailto:jvogel@ncua.gov) or (703) 518-6318

**Date:** Monday, April 14, 2008

**Who:** Chairman JoAnn Johnson

**Event:** NCUA/NASCUS State Regulators' Conference

**Location:** Tampa, FL

**Contact:** Linda Queen at

[lqueen@ncua.gov](mailto:lqueen@ncua.gov) or 703-518-6309

**Date:** Monday, April 14, 2008

**Who:** Vice Chairman Rodney E. Hood

**Event:** NCUA/NASCUS State Regulators' Meeting

**Location:** Tampa, FL

**Contact:** Sally Thompson at

[sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Date:** Monday, April 14, 2008

**Who:** Board Member Gigi Hyland

**Event:** NCUA/NASCUS State Regulators' Conference

**Location:** Tampa, FL

**Contact:** Jessica Vogel at

[jvogel@ncua.gov](mailto:jvogel@ncua.gov) or (703) 518-6318

**Date:** Friday, April 18, 2008

**Who:** Vice Chairman Rodney E. Hood

**Event:** NAFCU Chief Executive Officers Conference

**Location:** Key West, FL

**Contact:** Sally Thompson at

[sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Date:** Monday, April 21, 2008

**Who:** Vice Chairman Rodney E. Hood

**Event:** National Council of Postal Credit Union's Annual Conference

**Location:** Orlando, FL

**Contact:** Sally Thompson at

[sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Date:** Wednesday, April 23, 2008

**Who:** Board Member Gigi Hyland

**Event:** ACUMA Annual Conference

**Location:** Nashville, TN

**Contact:** Jessica Vogel at

[jvogel@ncua.gov](mailto:jvogel@ncua.gov) or (703) 518-6318

**Date:** Thursday, April 24, 2008

**Who:** Vice Chairman Rodney E. Hood

**Event:** Hawaii Credit Union League's 70th Annual Convention

**Location:** Waikoloa, HI

**Contact:** Sally Thompson at

[sridgely@ncua.gov](mailto:sridgely@ncua.gov)

**Date:** Friday, April 25, 2008

**Who:** Board Member Gigi Hyland

**Event:** Colorado Credit Union League Annual Meeting

**Location:** Colorado Springs, CO

**Contact:** Jessica Vogel at

[jvogel@ncua.gov](mailto:jvogel@ncua.gov) or (703) 518-6318

**Date:** Tuesday, April 29, 2008

**Who:** Board Member Gigi Hyland

**Event:** NACUSO Annual Conference

**Location:** Las Vegas, NV

**Contact:** Jessica Vogel at

[jvogel@ncua.gov](mailto:jvogel@ncua.gov) or (703) 518-6318

## Former NCUA Board Member Robert Swan passes away

Former NCUA Board Member Robert Swan died in mid February after reportedly suffering a stroke several days earlier. Appointed by President George H.W. Bush, Bob Swan served as a NCUA Board member from 1990 to 1996 and is the first member of the NCUA Board who has passed away. Prior to his NCUA Board appointment, Swan managed Tooele Federal Credit Union in Tooele, Utah, from 1983 to 1990.



Visit the NCUA website  
<http://www.ncua.gov>  
to access the latest  
information directly  
from NCUA.

# CUs' positive impact in African American communities

Chairman JoAnn Johnson used President George W. Bush's designation of February 2008 as National African American History Month to highlight important credit union programs and initiatives that are making a positive impact in African American communities.

"As we celebrate National African American History Month by honoring the many important accomplishments of African Americans throughout our nation's rich history, I appreciate the pro-active role credit unions are playing in empowering African American communities, particularly in the area of financial literacy and homeownership," stated Chairman Johnson.

NCUA also continues to play a vital role in increasing economic opportunity in African American communities through the Community Development Revolving

Loan Fund. Examples of the positive impact in credit unions primarily serving African American communities include:

- **East End Baptist Tabernacle Federal Credit Union** in Bridgeport, Conn., received a loan and grants from NCUA for community financial education classes and to help it provide much needed lending services to low-income communities within the city of Bridgeport. These lending services include home repair loans, alternatives to PayDay loans, debt consolidation loans, and transition loans to help members move from welfare or unemployment to work.
- **Shiloh of Alexandria Federal Credit Union** in Alexandria, Va., received a loan and grants from the NCUA to support its community outreach, which includes pre-purchase homeownership

counseling and financial education to members of the Shiloh of Alexandria Baptist Church and residents of Alexandria's Parker-Gray neighborhood.

- **Toledo Urban Federal Credit Union** in Toledo, Ohio, received grants from the NCUA that bolstered the credit union's Volunteer Income Tax Assistance program. For example, in 2007 the credit union prepared more than 200 income tax returns free of charge and returned more than \$87,000 in Earned Income Tax Credit monies to the community.

"NCUA recognizes there are specific initiatives that can help African American credit union members move along a path of financial health and well-being. I look forward to a very bright future we can all share and of which we can be proud," added Johnson.

## Hood addresses Georgetown University FCU 25th anniversary celebration

NCUA Vice Chairman Rodney E. Hood addressed the 25th Anniversary Celebration of Georgetown University Alumni and Student Federal Credit Union (GUASFCU) Saturday, February 9, 2008. Since receiving its federal charter 25 years ago, GUASFCU has grown to be the nation's largest student-run federal credit union.

Hood applauded GUASFCU leadership for their 25 years of dedication and service and he acknowledged the importance of a student-run financial institution, particularly in regards to the sustainability of the credit union industry.

"I believe it is essential for the long-term success of the credit union industry that it start grooming future leaders while they are still in school and are able to seek courses and internships that will prepare them for a credit union career," Vice Chairman Hood said.

The Vice Chairman also solicited best practices from the Georgetown credit union program to incorporate into his Blueprint 2020 Initiative. Through this initiative, Hood has been working with

a group of credit union and university leaders to develop a program that fosters future credit union leadership. The goal is to draft a framework that can be used to attract well-trained and highly competent new credit union employees, board members, supervisory committee members and credit committee members.

"It is critical that as the competition for talent in the financial service industry increases, credit unions recruit younger members for leadership positions to continue the progress and growth of the credit union industry," said Hood.

"Seeing first-hand the progress GUASFCU has made during the course of the past 25 years is incredibly inspirational. This institution remains entirely student-run; currently, with over 150 interns. This unique operation has helped to spread knowledge of the philosophy and mission of credit unions and raise the awareness of careers available within the industry."



*February 9, 2008, Washington, D.C.—Vice Chairman Rodney E. Hood at the 25th anniversary celebration of Georgetown University Alumni and Student Federal Credit Union (GUASFCU). From the left are William Moran, Jr., vice president, senior financial advisor, Merrill Lynch Private Client; John Bowman, managing director, Goldman Sachs (1991-1992 GUASFCU CEO); Rodney Hood; Cyril A. Vergis, GUASFCU chairman & CEO (2007-2008); and Andrew Pardo, analyst, Goldman Sachs (2004-2005 GUASFCU treasurer)*

In closing, the Vice Chairman thanked GUASFCU for their 25 years of service and noted that he looks forward to working with them to further develop his Blueprint 2020 initiative, designed to increase student membership, employment, and credit participation.

## Johnson attends initial Presidential Council on Financial Literacy meeting

Chairman JoAnn Johnson represented NCUA February 13, 2008, at the first meeting of the President's Advisory Council on Financial Literacy at the United States Department of Treasury.

The new Advisory Council, established by President George W. Bush January 22, 2008, will work with the private and public sector to expand American's access to financial services, increase financial education for youth in school and adults in the workplace, and establish measures for national financial literacy. The Council is made up of a diverse group of private and non-profit sector leaders who represent

the broad range of financial information providers.

"The caliber and breadth of the Council that the President selected underscores the Administration's commitment to improving financial education for all Americans. Credit unions are very well-positioned to play a constructive role in this effort, and NCUA will continue its work to highlight the fundamental importance of financial literacy," said Chairman Johnson.

For more information regarding the Advisory Council, access [www.treasury.gov/financialeducation](http://www.treasury.gov/financialeducation).



*February 13, 2008, Washington, D.C.— Chairman JoAnn Johnson, with Navy Federal Credit Union President Cutler Dawson and Charles Schwab Company Chairman and CEO Charles R. Schwab, at the first meeting of the President's Advisory Council on Financial Literacy held at the United States Department of Treasury.*

### **OFT Report**

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greater scope and opportunity, federal credit unions can improve the availability of financial services to low- and moderate-income consumers and those living in underserved areas.

The Outreach Task Force's mission was threefold:

1. Evaluate and determine the appropriateness of three recommendations from the agency's

*2006 Member Service Assessment Pilot Program: A Study of Federal Credit Union Service;*

2. Assess the agency's current role and efforts with respect to credit union service to their members; and
3. Assess the recommendations made by the Government Accountability Office in its 2006 report (GAO-07-29).

The process involved an extensive review of NCUA policies and procedures in four areas: collection of membership

profile and financial services data; senior executive compensation; low-income definition; and outreach.

The Outreach Task Force heard a variety of viewpoints through its six public Town Hall meetings in 2007. Board Member Hyland also held additional Outreach Task Force discussions during numerous visits around the country.

The Outreach Task Force Report is available online at <http://www.ncua.gov/ReportsAndPlans/index.htm>.