

# **CUNA Small Credit Union Committee**

## **Meeting Minutes**

### **February 25, 2011 - Alexandria VA**

The CUNA Small Credit Union Committee convened its annual face-to-face meeting at 8:30 a.m. with nine of thirteen Committee members present. The meeting began with a roundtable discussion of the issues and concerns to be raised during the Committee's meeting at NCUA. At the conclusion of this discussion the Committee went to the NCUA's offices.

#### **NCUA Meeting**

The Committee met with NCUA Board Chair Deborah Matz and several Agency staff (Steve Bosack, Joy Lee, Melinda Love, Dave Marquis and Todd Harper).

Committee members began by thanking the Chair for:

- 1) Her recent letter to FRB on interchange – especially the emphasis on small credit unions providing debit card services.
- 2) Kathryn Baxter's work in setting up and including the Committee in efforts to improve NCUA's Small CU workshops
- 3) The Agency's creation of merger database

Committee members then discussed a variety of concerns and made some detailed recommendations including:

#### **Corporates:**

- Suggested the Agency do whatever can be done to ensure that front-loading can be treated as a prepaid expense. In the absence of this treatment the committee requested that a) Agency communications make it clear that the frontloading will result in substantially smaller assessments in subsequent years and b) the Agency re-emphasize and strengthen examiner guidance on credit union earnings challenges related to the assessment. Committee members noted that they have both direct and anecdotal experience with examiners ignoring current guidance.
- Requested the agency allow small credit unions to belong to more than one corporate, noting that small credit unions will not cause competition among corporates.

#### **Compliance:**

- Strongly suggested the Agency update its Compliance Self-Assessment Guide in 2011 after noting the value this document has provided in the past.
- Recommended that small credit union third party/vendor due diligence be substantially improved by allowing small credit unions to "piggyback" on the work done by large credit unions.
- Noted that the exam staff is requiring annual BSA reviews but that FFIEC guidelines require such reviews be done each 12-18 months. Advised that the reviews for small credit unions be done no more often than every 18 months.

#### **Exams:**

- Requested that the Agency simplify the appeal process and make it easier for credit unions to file complaints without the risk of retaliation.

- Described the strains associated with training new examiners at small credit unions and urged the Agency to focus more of these efforts in larger credit unions.

**Other Issues:**

- Offer Small CU Workshops online – either as webcast or as archived web video – perhaps breaking archived files into individual segments – many small CUs can’t attend in person.

Committee Chair Michael promised to send Ms. Matz some follow-up materials.

**Regulatory Update** – Kathy Thompson presented a detailed overview of significant regulatory developments and discussed upcoming compliance concerns. Her comments ranged from Reg. Z to BSA compliance concerns. A roundtable issues discussion and outline of CUNA’s compliance assistance efforts followed Kathy’s remarks.

**Legislative Update** – CUNA’s Jeremy Dalpiaz provided a legislative update beginning with a brief overview the four areas that CUNA will be focused on during the current session. These included:

- 1) Fighting taxation and ensuring that the substantial benefits credit unions deliver are widely understood
- 2) Changing the Federal Reserve’s Debit Interchange proposal & encouraging Congress to stop the process, study the issue and start over.
- 3) Member business lending reform and getting the current MBL cap increased from 12.25% of assets to 27.5% of assets.
- 4) Capital reform and the possibility of obtaining alternative capital authority for credit unions.

Jeremy focused most of his remarks on interchange and noted that a full review of the four issues will be presented by Ryan Donovan during the Committee’s joint meeting on Sunday February 27<sup>th</sup>. He then discussed considerations in dealing with the new Congress and with the Tea Party members.

The committee spent a short time drafting language that NCUA might use in exam exit interviews that would make the appeals process more obvious and highlight the Agency’s zero-tolerance policy regarding any retaliation arising from appeals.

The meeting was adjourned at 3:40 EST.

**Meeting Attendance**

	Present	Unable to Attend		Present	Unable to Attend
Frank Michael	x		Horacio Peralta	x	
John Graham	x		Tracy Sussmann		x
Trisha Baker	x		Scot Tsuchiyama	x	
Windy Campbell	x		Patti Weber		x
Sue Giudice		x	Bob Hoel	x	
Eunice Johnson Rodgers	x		Todd Spiczenski		x
Louise Lingenfelser	x		Mike Schenk	x	
Vicki McIntosh		x	Kathy Thompson	x	
			Jeremy Dalpiaz	x	