

PART ONE



Two Basic NCUA Advertisement Regulations



If you were to hand a rational person the table of contents of the National Credit Union Administration's (NCUA) Rules and Regulations, and ask where he or she would go to review the requirements for advertisements under those rules, after a quick review the most likely answer would be: "Why, Part 740—Accuracy of Advertising and Notice of Insured Status—of course." Indeed, that is the logical answer. To learn about the requirements for advertising, we should consult the section generally referred to as the "Advertising" Regulation.



But as students of regulatory compliance will confirm, when we're talking federal regulations, relying on logic can sometimes get us into trouble. In fact, the rational person just mentioned would be correct, but only partially.

As we will discuss, NCUA's Rules and Regulations, Part 740 does address advertising, but it only includes one of several pieces to the advertising compliance puzzle. NCUA also addresses advertising separately in Section 701.31, Nondiscrimination Requirements, and in Section 707, Truth-in-Savings.

Your Ad Must Be Accurate!

NCUA's Rules and Regulations, Part 740

Part 740 of NCUA's Rules and Regulations is required reading for any marketing professional when preparing an advertising campaign for a credit union. The rules in Part 740 apply to all federally insured credit unions and include:

- the general requirement that all advertisements made by a credit union must be accurate;
- specific requirements regarding advertisements of excess share insurance;
- specific requirements regarding use of the NCUA official sign and the NCUA official advertising statement in certain advertisements.

Accuracy in advertising is fundamental and is required not just in Part 740 but, as we shall see, in many other statutes and regulations. Part 740 describes “accuracy” as advertisements that are not in any way deceptive or do not misrepresent the credit union’s products or services.

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As for the rules addressing advertising of excess share insurance, the regulation is fairly straightforward: any advertising that mentions share or savings account insurance provided by a party other than the NCUA must clearly explain the type and amount of that insurance and the identity of the carrier, and it must avoid any statement of implication that the carrier is affiliated with the NCUA or the federal government.

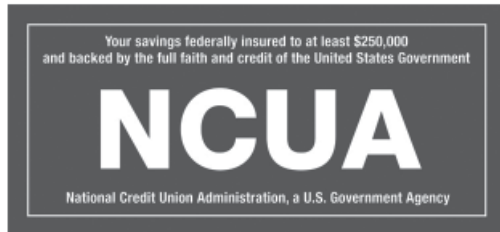
As for the use of the NCUA official sign and the advertising statement, more discussion is in order.

What Sign?

The NCUA official sign, in color, can be found on NCUA’s web site at www.ncua.gov. Click on “Downloadable Data, Images, and Software” in the “Data and Services” section of the home page, then check out “Graphics” for a variety of sample official signs. Although it may not be considered an advertising requirement, Section 740.4(a) requires that every credit union display the official sign at each teller station or window at which insured account funds or deposits are taken. This includes drive-through-windows. The NCUA automatically supplies all insured credit unions with an initial supply of official signs with a blue background and white lettering. The rules now allow for variations in color, materials, and size, as long as the credit union’s signs are legible and otherwise comply with Part 740.

If you haven’t updated your credit union’s official signs lately, you might want to take a close look at them. The words above the NCUA initials should say “Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government.” This amount was temporarily increased to \$250,000 (from \$100,000) by the Emergency Economic Stabilization Act of 2008. This increase in insurance coverage may become permanent at some point, but for right now, it’s set to expire after Dec. 31, 2009.

FIGURE 1.1 THE NCUA SIGN



Must You Use an Official Statement?

So far we've established that the NCUA official sign must be posted at each teller station. Part 740 goes on to require either the "official sign" (with some additional verbiage, as we'll discuss) or the NCUA "official advertising statement."

The NCUA **official advertising statement** is as follows:

"This credit union is federally insured by the National Credit Union Administration."

However, the short title: "Federally insured by NCUA," along with a reproduction of the official sign, can be used as the official advertising statement.

Any Exceptions?

In general, section 740.5 requires that the official advertising statement be used in every credit union advertisement, unless the advertisement falls into one of 12 exceptions:

1. statements of condition and reports of condition of an insured credit union that are required to be published by state and federal law or regulation (for example, a credit union's HMDA data displayed in its lobby need not contain the official advertising statement);
2. credit union supplies such as stationery, envelopes, deposit slips, checks, drafts, signature cards, account passbooks, and noninsurable certificates;
3. signs or plates in the credit union office or attached to the building where the offices are located;
4. listings in directories;
5. advertisements that do not include the name of the credit union;
6. display advertisements in credit union directories, provided the name of the credit union is listed on a page somewhere in the directory along with a symbol or other descriptive information indicating it is insured;

7. joint or group advertisements of credit union services where the names of insured credit unions and noninsured credit unions are listed and form a part of that advertisement;
8. radio advertisements that do not exceed 30 seconds in length;
9. television advertisements, other than display advertisements, that do not exceed 30 seconds in length;
10. advertisements of the type or character making it impractical to include the official advertising statement—including promotional items, such as calendars, matchbooks, pens, pencils, key chains, and golf balls;
11. advertisements that contain a statement to the effect that the credit union is insured by the National Credit Union Administration, or that its accounts and shares or members are insured by the Administration to the maximum of \$250,000 for each member or shareholder;
12. advertisements that do not relate to insured member deposit or share accounts, including but not limited to ads relating specifically and only to the making of loans by the credit union or loan services, safe-deposit boxes, traveler's checks on which the credit union issuing the advertisement is not primarily liable, and credit life insurance.

Keep in mind; even if a planned advertisement clearly fits within one of these categories, you are free to add the NCUA official advertising statement or its official sign, aesthetics and space constraints permitting. In addition, the rules allow for variations in color, materials, and size for use of the official sign, if that use is for anything other than at teller windows.

When Is a Web Page an Ad?

One aspect of advertising that is occasionally overlooked involves a credit union's Web site. Web sites are now standard fare for most credit unions. Part 740 provides that every insured credit union must "display the official sign on its Internet page, if any, where it accepts deposits or opens accounts," (see 740.4(a)), although it does allow the credit union to vary the font sizes to ensure the legibility of the sign.

NCUA's Rules and Regulations, Part 740 can be summarized as follows: Any advertisement that directly or indirectly advertises insured share products must be accurate and must include either the official advertising statement of the NCUA Share Insurance logo along with the statement "Federally insured by NCUA."

NOTES:

Sample Ad #1 — Disclosing the Official Sign

Our first ad—a share draft advertisement, used with the permission of OSU Federal Credit Union in Corvallis, Oregon—is an example of an advertisement that displays the NCUA official sign. Let’s review the compliance checklist on page 8 to see if the ad complies with NCUA’s Rules and Regulations, Part 740. (If you’re really into regulatory citations, refer to the checklist that includes the specific citations in appendix A.)

DISCLOSING THE OFFICIAL SIGN • COMPLIANCE CHECKLIST

Yes **No**

- | | | |
|-------|-------|---|
| _____ | _____ | 1. Does the advertisement accurately reflect the account terms and conditions offered by the credit union? Yes. |
| _____ | _____ | 2. Does the advertisement directly or indirectly advertise insured shares? Yes. |
| _____ | _____ | 3. Does the advertisement include either the NCUA official advertising statement or the NCUA official logo with the statement: “Federally insured by NCUA”? Yes. |

Keep in mind, if the answer to question 3 above is no, we’ll need to check to see that the advertisement fits into one of the 12 exceptions in NCUA’s Rules and Regulations, Section 740.5(c).

SAMPLE AD #1 • DISCLOSING THE OFFICIAL SIGN

Free Checking

Gas prices are soaring.
Food prices are climbing.
Some things remain constant.

Free Checking today, Free Checking tomorrow.
Save money. Gain convenience.

- Free online account access and bill pay
- Free debit card, instantly
- Free Phone Access Teller—24/7 service
- Free OSU Federal ATM use
- No minimum balance
- No monthly service fee

What more do you need? It's free. Join today. If you live, work or go to school in Benton, Lincoln, Linn, Marion or Polk County, you can join OSU Federal.

OSU Federal
Your Community Credit Union®

NCUA
Federally insured by NCUA

CHECKLIST QUESTION 1

CHECKLIST QUESTION 2 & 3