



During the Oct. 16 NCUA Board meeting, Executive Director Len Skiles (left) and Chairman Michael Fryzel listen to NCUA CFO Mary Ann Woodson give the third-quarter share insurance fund report. (CUNA photo)

## All Eyes on NCUSIF Equity Ratio

The NCUA, at its Oct. 16 meeting, removed its “underserved areas” proposal from consideration—for now—but proceeded to okay an updated list of pre-approved incidental powers for credit unions, as well as ask for comments on a plan to amend share insurance sign requirements for federally insured credit unions participating in shared branding networks.

The NCUA also received the third-quarter share insurance fund report from CFO Mary Ann Woodson. Woodson reported that the National Credit Union Share Insurance Fund’s (NCUSIF’s) third-quarter equity ratio is 1.28%. She projected the ratio to remain at that level each of the remaining three months of the year.

If accurate, that projection would preclude a possibility of an NCUSIF dividend to federally insured credit unions, but would also mean that no premium would be required.

Regarding the incidental powers rule, the NCUA

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## Corporate CUs Get Loan Guarantee Program

The NCUA last week announced a corporate credit union liquidity guarantee program that will operate from Oct. 16, 2008, through June 30, 2009.

The program is similar to the “Temporary Liquidity Guarantee Program” announced by the Federal Deposit Insurance Corporation Oct. 14 and is intended to provide corporate credit unions with competitive standing in the debt market.

The National CU Share Insurance Fund (NCUSIF) is providing federally insured corporate credit unions with a 100% guarantee on new unsecured debt obligations. The guarantee is subject to terms detailed in the program.

To qualify, new unsecured debt obligations must be issued by eligible corporate credit unions on or before June 30, 2009, and mature on or before June 30, 2012. Included are promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt, the agency announcement said.

The NCUA provided the following details:

- ▶ The amount of debt obligations covered by the guarantee per eligible corporate credit union may not exceed the greater of:

- ▶ 100% of the eligible corporate credit union’s maximum

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# >> Governmental Affairs

## Fed Pay on Reserves, Effective Oct. 9

The Federal Reserve Board announced that effective Oct. 9 it will pay interest on credit unions' and other depository institutions' required and excess reserve balances.

The Fed said that the interest payment plan will give the regulator "greater scope to use its lending programs to address conditions in credit markets while also maintaining the federal funds rate close to the target established by the Federal Open Market Committee."

The Financial Services Regulatory

Relief Act of 2006 gave the Fed authority starting in 2011 to lower reserves to zero and/or to pay interest—not to exceed other short-term rates—on the reserve balances actually maintained. The new Emergency Economic Stabilization Act gave the Fed the power to start now. The authority is being implemented through changes to the Fed's Regulation D.

While the action is effective immediately, the Fed will accept public comments until Nov. 21. The Fed said it will

adjust the rule as appropriate in light of comments. The Fed has also made several other amendments to Reg D.

CUNA has worked hard to achieve changes in reserve requirements, noted CUNA Senior Vice President of Compliance Kathy Thompson.

"Our preference is for Reg D reserve requirements to be completely eliminated, but paying interest on reserves certainly is an improvement," she said of the change. ☝

 **CUNA's eGuide to Federal Laws and Regs**  
[www.cuna.org/compliance/member/eguide](http://www.cuna.org/compliance/member/eguide)

## Corporate CUs Get Loan Guarantee Program

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unsecured debt obligations outstanding during the period Sept. 30, 2007 through Sept. 30, 2008;

▶ An amount determined by written approval of the agency's director of the Office of Corporate CUs, with the prior concurrence of its director of the Office of Examination and Insurance, not to exceed \$100 million; or

▶ An amount determined by the NCUA Board.

All corporate credit unions are automatically covered for debt obligations issued through Nov. 17, 2008. Corporate credit unions may elect to opt out of the program by providing notice to the NCUA Office of Corporate CUs.

CUNA Deputy General Counsel Mary Dunn said both CUNA and the Association of Corporate Credit Unions commended the agency action.

## FASB Releases Fair Value Guidance

The Financial Accounting Standards Board's (FASB) final guidance on using "FASB Statement No. 157, fair value measurements in a market that is not active," does not go far enough in addressing key issues used to determine the fair value for certain assets where there is an ability and intent to hold until recovery or maturity, said CUNA.

The credit union trade association generally supports two points of additional guidance, said CUNA Deputy General Counsel Mary Dunn, who, under the auspices of CUNA's Accounting Task Force, authored a CUNA letter to FASB.

▶ In its final guidance, FASB provides that in determining fair value of a mortgage-backed security, information about the performance of the underlying mortgage loans—such as delinquency and foreclosure rates, loss experience, and prepayment rates—may be appropriate.

▶ Also, FASB added a change to the summary of the key existing principles of Statement 157 to help clarify that not all asset sales in a troubled market are forced liquidations or fire sales. Likewise, it is not appropriate to simply accept any transaction price as reflecting the fair value of an asset, according to FASB.

The recently enacted Emergency Economic Stabilization Act, among other things, authorizes the Securities and Exchange Commission (SEC) to suspend the mark-to-market standards and to evaluate that application.

CUNA has urged the SEC to proceed with its evaluation of the fair value standards under the new Emergency Economic Stabilization Act "as expeditiously as possible."

Use the link below to access the complete final FASB Staff Position. ☝

 **Final FASB Guidance**  
[www.fasb.org/pdf/fsp\\_fas157-3.pdf](http://www.fasb.org/pdf/fsp_fas157-3.pdf)

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# NCUA Changes Revocable Trust Coverage

The NCUA has amended its share insurance rules to simplify coverage for revocable trust accounts. The changes are meant to make the rules easier to understand and apply without decreasing coverage. The NCUA wants its changes to result in faster share insurance determinations in the event of a credit union closing, and to help improve public confidence in the credit union system.

The amendments eliminate the concept of “qualifying beneficiaries.” Also, for members with revocable trust accounts totaling no more than \$500,000, coverage will be determined without regard to the proportional beneficial interest of each beneficiary in the trust.

Applying to existing and future revocable trust accounts at

all federally insured credit unions, the NCUA interim final rule eliminates the concept of qualifying beneficiaries, so coverage is based on the naming of virtually any beneficiary. The changes are substantially similar to ones adopted recently by the Federal Deposit Insurance Corp.

The NCUA is seeking comments 60 days.

Although the NCUA still has to make technical corrections to its interim regulation on how to calculate share insurance coverage on revocable trust accounts, credit unions can find examples of how the new beneficiary rules work on the agency’s website, advised CUNA. 🏠

**Recent NCUA Filings**  
[www.ncua.gov/RegulationsOpinionsLaws/RecentFinalRegs/745-ShareInsurance.doc](http://www.ncua.gov/RegulationsOpinionsLaws/RecentFinalRegs/745-ShareInsurance.doc)

## NCUSIF’s Premiums Steady for Now

NCUA Chairman Michael Fryzel said recently that—at least for now—there is no plan to increase the premiums federally insured credit unions pay for coverage by the National Credit Union Share Insurance Fund (NCUSIF).

He shared his assessment in an interview (see related story p. 3) in which he said: “As of today, everything looks fine in terms of the share insurance fund. And as of today I cannot tell you that there will be an increase in the premiums.”

However, the chairman noted that based on the changes in the financial markets and other factors “everything comes into play and we will be looking at everything we need to do to make

sure the fund remains strong, vibrant” and has “sufficient dollars in it to cover anything we need to.”

He added, “Credit unions have never cost the taxpayer a penny. We want to make sure that continues and we will do whatever we need to do to make sure the fund remains strong and that credit unions are able to operate with that strong fund in place.

When asked the earliest the issue of a premium could be raised, the chairman said: “I hope to know something by the end of this year.” He said he has requested information from staff necessary to develop plans for what the agency must do in the next few months to “make sure everything stays—pretty good.” 🏠

## All Eyes on NCUSIF Equity Ratio

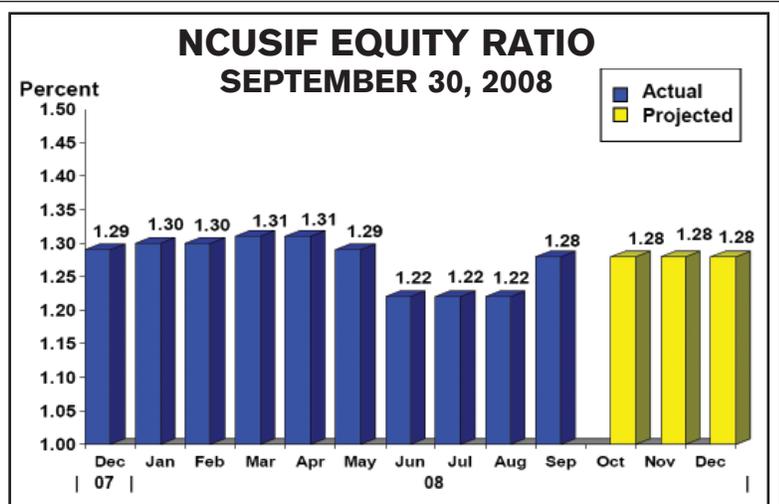
▶ From page 1

changed Part 721 of its regulations by adding illustrations of permissible activities under the categories of correspondent services, operational programs, and finder activities. The rule, adopted as it was proposed, is intended to consolidate published legal opinion letters issued since 2001.

Examples of newly included incidental powers for federal credit unions include: providing correspondent services to foreign as well as federal or state-chartered credit unions; finder activities to introduce members to an outside vendor; and payroll services.

The NCUA board also approved a thirty-day comment period for a proposal to amend the share insurance sign requirements for federally insured credit unions participating in shared branding networks.

The NCUA wants to simplify its existing rules governing a required second sign that must be adjacent to the official NCUA insurance sign in shared-branching situations. For instance, currently the second sign must list each federally insured credit union served by a teller, along with a statement



naming those credit unions that are federally insured.

The proposed rule would replace the required list of credit unions with a general statement that not all of the credit unions served by the teller are federally insured and members should contact their credit union for further information. 🏠

**NCUSIF Power Point**  
[www.ncua.gov/NCUABoard/draftboardactions/Item1B\\_oct08.pdf](http://www.ncua.gov/NCUABoard/draftboardactions/Item1B_oct08.pdf)

# BE

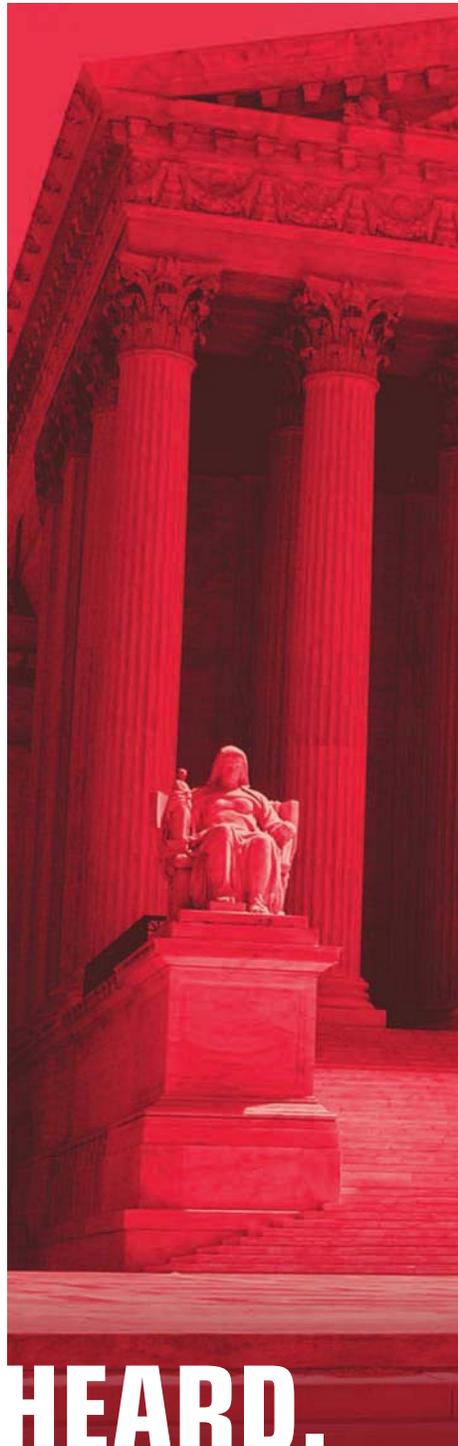


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Register at [gac.cuna.org](http://gac.cuna.org)



# HEARD.

Uncertainty in the financial industry requires you to be vocal about what credit unions offer. In a year that will see a new Congress and Administration, the GAC is your opportunity to visit Capitol Hill and ensure lawmakers understand our tradition of people helping people.

**Be Bold. Be Heard. Be There.**

Mark your calendars for the **2009 GAC**.  
February 22-26

[gacinfo@cuna.coop](mailto:gacinfo@cuna.coop)



# THERE.

The greater the number of attendees, the bigger the impact you can make on the Hill. And this year's conference promises to be extra special, as we celebrate 100 years of America's credit unions and the 75th anniversary of CUNA and the Federal Credit Union Act.



**CUNA GOVERNMENTAL  
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800-356-9655 ext. 5700

## HOUSING INFORMATION

Make your lodging reservations on November 6, starting at 2:00 p.m. EST. Visit [gac.cuna.org](http://gac.cuna.org) and click on Housing. This link will take you to the Housing Bureau, where you can choose from 13 comfortable hotels near the convention center. Shuttle service is provided Sunday through Thursday for each of these official conference hotels.

### Top 10 reasons credit unions will be attending the 2009 GAC:

1. Ensure lawmakers understand the credit union difference to protect our tax exempt status.
2. Proactively advance legislation that provides credit unions with flexibility to grow.
3. Celebrate the 75th anniversary of CUNA and the Federal Credit Union Act.
4. Celebrate the 100th anniversary of credit unions.
5. Make an impact on Congress with Capitol Hill visits that show our strength in numbers.
6. Hear from Washington's most influential policy makers.
7. Explore the exhibit hall with more than 300 product and service providers.
8. Hone your political advocacy skills.
9. Gain insights from the federal regulatory agencies.
10. Network with your peers in one of America's most vibrant cities.

## FAQ

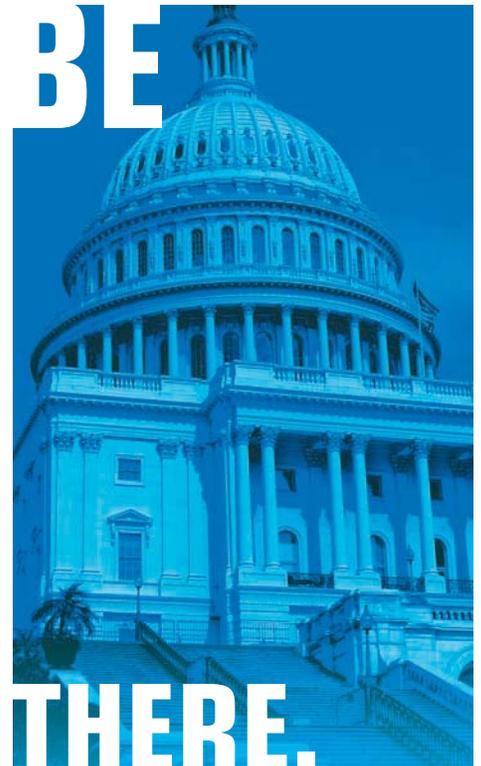
Frequently Asked Questions

The **Washington Convention Center** is the perfect location for the GAC. There are many new opportunities for hotels, restaurants, guest programs, networking, and entertainment. To answer all your questions, check out the Frequently Asked Questions (FAQ) document. It provides the one place for all your GAC 2009 information. Download the FAQ at [gac.cuna.org](http://gac.cuna.org).



"In response to the housing and credit crises that has gripped our nation, we know policy makers will be giving close scrutiny to the regulatory scheme and structure that governs the financial sector. At such a critically important juncture, it is essential that we make our voices heard. The GAC—where we bring together thousands of credit union representatives—presents a unique opportunity to have a powerful and lasting impact."

**CUNA President and CEO Dan Mica**



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# >> Special Report

## Interview with NCUA Chairman Fryzel: A Fresh Look Everywhere

Just two months into the job of NCUA chairman, Michael E. Fryzel granted an interview with CUNA editorial staff to discuss his views on such things as proper credit union regulation and the credit union difference. He said his mission as chairman is to make the agency more responsive, productive and efficient. The way to get there? By taking a fresh look at everything.

Before being sworn in to office July 29, Fryzel was a private practice attorney. He specialized in financial, regulatory and real estate law. He was director of the Illinois Department of Financial Institutions from 1982 to 1989, where he oversaw the licensing and regulation of more than 700 state-chartered credit unions with total assets exceeding \$4.3 billion. His term as NCUA chairman ends Aug. 2, 2013.

To read more on the chairman's views, see the November issue of CUNA's *Credit Union Magazine*.

Chairman Fryzel told CUNA in a recent interview that, to lead the agency and credit unions into the future, he will be taking a close look at the past. He intends to "take a fresh look at everything" at the NCUA to see what has been done why it was done that way, and how to improve based on that information.

Fryzel makes it clear that he "actively sought" the position of NCUA chairman. He acknowledges, however, that there were what could fairly be called seismic shifts in the country's economic picture soon after he took his position at the helm of the agency.

"I wanted this position, and I got it, and I walked into something I really didn't expect," he said.

"My goal was to come here and make



### PERSONAL

**Education:** Bachelor of Science Degree in Business Administration: Valparaiso University; Master of Business Administration: University of Chicago; Juris Doctorate: Loyola University School of Law;

**Family:** Wife, Gloria; three children—Scott, Brian and Kimberly—and six grandchildren.

this a better agency—which is still my goal. But now I have additional problems to handle in regards to what has been thrown upon us by the changing economic climate," the chairman acknowledged.

He said in the wake of the Bush administration actions to shore up the economy, he will continue with his task of sharpening the operations of the NCUA. What is his biggest worry in light of the unfolding economic situation?

"My biggest worry is that we have no control over the economy. We cannot control from one day to the next what is going to happen. And regardless whether it is an insurance company that has failed, or a bank that has failed, an investment firm—or credit union—it impacts the credit union industry as a whole.

"So we have all those outside factors that we have to deal with—in addition to the credit unions that conceivably could have problems that we need to address.

He said he believes that once credit unions ride out this current financial

situation, they will be able to maintain themselves as vibrant, consumer-oriented providers of financial services.

Fryzel noted that his fresh look at things will include changes for corporate credit unions. [Note: Last week, the NCUA announced a corporate credit union liquidity guarantee program to operate from Oct. 16, 2008 through June 30, 2009.]

Corporate credit unions, like any entities with investments, are affected by the current economic downturn but the NCUA in August called their liquidity position "strong."

"We want to make sure they remain strong financial institutions" available as a resource to credit unions, Fryzel said. "We will attempt to come up with a plan to make them better, regenerate them, and keep them available for credit unions into the future."

Although Fryzel declined to go into specifics, he said the agency is looking both at corporate credit union operations and investments. ■



# >> Notes Bearing Interest

## Ten Vie for CUNA Board Seats

Ballots are being distributed for CUNA's annual board election, which begins Oct. 22 and closes Dec. 19. The deadline for nominations for eight positions on CUNA's board was Oct. 17.

The candidates are:

- ▶ Eugene Foley, president/CEO, Harvard University ECU, Cambridge, Mass., District 1, Class B;
- ▶ Sandy Lingerfelt, CEO, Clinchfield FCU, Erwin, Tenn., District 3, Class A;
- ▶ Mike Mercer, president/CEO, Georgia Credit Union League, Duluth, Ga., District 3, Class D;
- ▶ Brett Thompson, president/CEO,

Wisconsin Credit Union League, Pewaukee, Wis., District 4, Class D;

- ▶ Winona Nava, president/CEO, Guadalupe CU, Santa Fe, N.M., for District 5, Class A; and
- ▶ Dave Rhamy, president/CEO, Silver State Schools CU, Las Vegas, Nev., District 6, Class C.

In two contested elections, the candidates are:

- ▶ Rod Staatz, president/CEO, SECU of Maryland, Linthicum, Md., District 2, Class C;
- ▶ Ron Collier, CEO of Indiana Members CU, Indianapolis, Ind., District 2,

Class C;

- ▶ Bohdan Watral, president/CEO, Selfreliance Ukrainian American FCU, Chicago, Ill., District 4, Class B;
- ▶ Pete Dzuris, president/CEO, Northland Area FCU, Oscoda, Mich., District 4, Class B;

The eight directors elected will take office Feb. 23, 2009, for three-year terms to expire at the adjournment of the 2012 CUNA Annual General Meeting.

Find more information about the CUNA board using the link below. 🖱

**CUNA Board of Directors**  
[www.cuna.org/cuna/cuna\\_board\\_pub.html](http://www.cuna.org/cuna/cuna_board_pub.html)

## CUNA Enhances Up-to-the-Minute CU News

CUNA has improved its daily online news service, *News Now*, with instantaneous micro-bulletins about news that impacts U.S. credit unions.

Credit union readers can follow *News Now LiveWire* on the *CUNA News Now* website, Twitter pages, or on mobile devices. Powered by Twitter, the online postings are limited to no more than 140 characters each.

*News Now LiveWire* is fast, concise, and portable, according to CUNA Editorial Communication Vice President David Klavitter. *LiveWire* also can link to more detailed information and promote discussion among Twitter users, he said.

"In this time of quick-moving financial developments or natural disasters, this is a nimble method for keeping up with developments," added Klavitter.

Use the links below for more information or to follow *News Now LiveWire* on Twitter. 🖱

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<http://twitter.com/NewsNowLiveWire>

## ▶ CUNA Visits Fed Board Member



On Oct. 7, a delegation of staff members from CUNA visited the Federal Reserve in Washington, D.C. to meet with Federal Reserve Board Gov. Elizabeth Duke. Duke was recently sworn in as the Federal Reserve Board's newest governor. From left are: CUNA General Counsel Eric Richard, Duke, CUNA President/CEO Dan Mica and CUNA Deputy General Counsel Mary Dunn. (CUNA photo)

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- ▶ Delta Community CU builds energy-efficient branch...more in Friday's News Now. 23 hours ago
- ▶ See NCUA's press release on coproate credit union loan guarantee program at <http://tinyurl.com/4qb99q1> 1 day ago
- ▶ more...



# >> Political Affairs

## CU's Can Rally Vote for Election

Forty-four percent of registered voters are credit union members, according to CUNA, and with less than three weeks before the 2008 national election, credit unions can boost voting member numbers with free voter materials.

"We want to make it easy for credit unions to engage members with a turnkey approach to voter activism," said CUNA Political Affairs Senior Vice President Richard Gose.

The CUNA offerings include:

- ▶ Online voter registration;
- ▶ Early or absentee ballot request;
- ▶ Polling place locator;
- ▶ Election schedules;
- ▶ Get-Out-The-Vote posters;
- ▶ A Guide to Election Year activities; and
- ▶ A free election year electronic newsletter.

"There is also a link to 'Other Voting Questions' with information such as where is your specific polling place, what type of ID you need to bring to the polling place, and more," said Gose. "It's all customized by zip code and jurisdiction." 🏠



### If Credit Unions Don't Vote, Credit Unions Don't Count!

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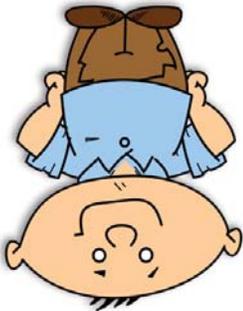


**Election Day is November 4, 2008**

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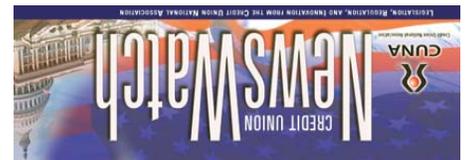
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Published 23 times per year by Credit Union National Association, Inc., 601 Pennsylvania Ave. NW, South Bldg., Suite 600, Washington, DC 20004  
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