NASCUS Stateline

FIRST QUARTER 2015

The Official Publication of the National Association of State Credit Union Supervisors

# NASCUS: Things to Watch in 2015

The universe of federal regulation affecting credit unions will continue to expand in 2015 with the NCUA, CFPB, and Congress all announcing ambitious agendas that, for better or worse, will impact credit unions. There will be plenty of things to keep an eye on this year, but here are a few of the most important initiatives coming out of Washington, D.C., in 2015:

## Risk-Based Capital

NCUA started the year by reintroducing a proposed risk-based capital (RBC) rule at its January 15, 2015, board meeting, with comments due on the proposal by April 27, 2015. NCUA has indicated that it expects to have the rule finalized by the end of the year but dissent amongst board members regarding NCUA's legal authority to implement a two-tiered RBC standard could cause that timeline to slip. The proposed effective date of the new regulation is Jan. 1, 2019.

The new proposal was a drastic change from the original, released in January 2014, but it retains some controversial

See THINGS TO WATCH Page 3

# Inaugural Credit Union Cyber Security Symposium a Success; Second Planned for 2015

The inaugural Credit Union Cyber Security Symposium, which was held Nov. 13-14, 2014, in Arlington, Va., drew nearly 100 individuals, including executives from credit unions, state and federal regulatory agencies, trades and private sector security response firms, and members of the press.

The symposium was hosted by NASCUS in partnership with the Credit Union National Association and emceed by Tom Schauer, CEO of IT security firm TrustCC.

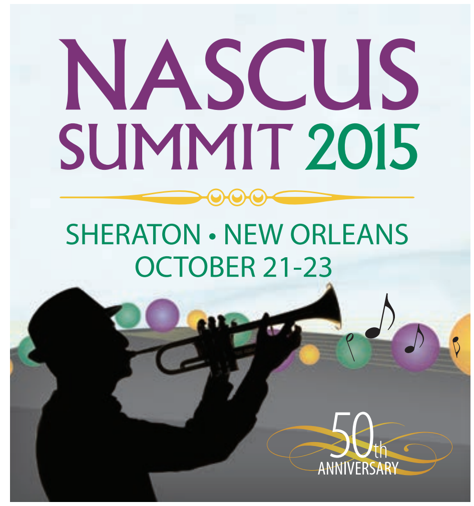
Attendees wait for the Inaugural Credit Union Cyber Security Symposium to get underway.

Speakers at the event, including representatives from the U.S. Department of the Treasury, NCUA, and the states of Michigan and Massachusetts, to name a few, addressed such topics as breaches, protecting credit unions, the National Institute of Standards and Technology framework and disaster recovery.

Stay tuned for news about where and when the next Credit Union Cyber Security Symposium will be held!

**IN THIS ISSUE**


| | |
|---|---|
| Busy Year for NASCUS Accreditation | 2 |
| NASCUS Board and Council Meet | 2 |
| Column: Michael Cochrum | 4 |
| NASCUS Risk-Based Capital Scorecard | 5 |
| NASCUS Upcoming Educational Events | 7 |


# Registration for 2015 NASCUS State System Summit Now Open

*Registration is now open for the 2015 NASCUS State System Summit.*

This year's summit, at which NASCUS' 50th anniversary will be celebrated, will be held Oct. 20-22, 2015, in New Orleans. The state credit union system's leaders, state and federal regulators and dual chartering supporters will join the Association for the annual event.

NASCUS will have a full schedule of events at the 2015 Summit, with business meetings of leadership and presentations by

See SUMMIT 2015 Page 8

NASCUS President and CEO Lucy Ito (left), speaks with CUNA Mutual Group's Janet McDonald and Northwest Credit Union Association's John Trull at the 2014 NASCUS State System Summit in Nashville.

The NASCUS Board and Advisory Council met Jan. 12-14 in Arlington, Va., Pictured at the meeting are, from left, Rose Conner (N.C.), Patty Idol (Mountain Credit Union, Waynesville, N.C.), Terry West (VyStar Credit Union, Jacksonville, Fla.), Catherine Tierney (Community First Credit Union, Appleton, Wis.), and Ron McDaniel (California Credit Union, Glendale, Calif.).

# NASCUS Board and Council Meet in Arlington

The NASCUS Board and Credit Union Advisory Council met Jan. 12-14, 2015, in Arlington, Va. Among the items discussed were the 2015 NASCUS Directors' Colleges schedule, the upcoming NASCUS Washington Examiners Forum, the Regulatory Roundtables, both set for May, and CUNA's upcoming Governmental Affairs Conference.

Also discussed was the annual NCUA/NASCUS National Meeting, which will take place March 24-25, 2015, at the Florida Hotel & Conference Center in in Orlando, Fla.

Among the reports given was one by NASCUS' Legislative & Regulatory Affairs (L&R) Department, which serves as a general resource for state agencies and credit union membership, assisting all NASCUS members with individual research requests. Projects discussed by the L&R Department that they expect to undertake and issues they anticipate engagement with are:

- Risk-Based Capital
- Part 741 Consolidation Project
- Overhead Transfer Rate
- NASCUS Profile of State Regulatory Agencies
- Interstate Branching
- Legislative Advocacy

# 2014 NASCUS/CUNA BSA Conference Held in Las Vegas

The CUNA Bank Secrecy Act Conference, in partnership with NASCUS, was held Oct. 26-29, 2014, in Las Vegas, Nev.

The conference brought together BSA compliance officers, state and federal examiners, industry experts and regulators for discussion, networking and education on BSA compliance issues. While there, compliance professionals were given the opportunity to discuss, network and learn about BSA compliance issues. During the annual conference, experts on compliance, as well as law enforcement personnel, credit union compliance staff and federal regulators hosted presentations on such issues as virtual currencies, fraud and cyber security.

*This year's BSA Conference will be held Nov. 15-18, 2015, in Fort Lauderdale, Fla.*

# Share Your News with NASCUS

Have a story you'd like to share with NASCUS? "Around the States" includes an interactive map of the United States, and features news stories from throughout the nation. To submit a news article for consideration, email NASCUS Director of Communications and Marketing Elizabeth Kirkland, at elizabeth@nascus.org.

# Busy Year for NASCUS Accreditation

NASCUS' mission is to enhance state credit union supervision and advocate for a safe and sound credit union system. As part of this mission, under the direction of the NASCUS Performance Standards Committee, the NASCUS Accreditation Program was established in 1987.

The Accreditation Program is specifically designed to recognize and promote excellence in state credit union regulation and supervision. While evolving over the years in response to changes in the financial services industry and regulatory environment, the NASCUS Accreditation Program remains solidly focused on strengthening the state credit union regulatory system.

In practice, the NASCUS Accreditation Program involves a comprehensive review and assessment of the critical elements considered fundamental in operating a highly effective state credit union regulatory department. Each NASCUS accreditation review documents and evaluates the state regulatory agency's administration and finances, personnel policies and practices, training programs, examination policies and practices, supervisory procedures and systems, and legislative powers. The high standards required to earn and maintain NASCUS accreditation support public interest goals by identifying highly competent state credit union regulatory agencies and strengthening credit union regulation overall.

This year has been a busy year for the NASCUS Accreditation Program, as NASCUS approved the reaccreditation of the Michigan Department of Insurance and Financial Services Office of Credit Unions and the California Department of Business Oversight. The Massachusetts Division of Banks was also reaccredited. Additional states are in the process of being accredited at this time.

For more information about accreditation, please visit our website, at www.nascus.org/nascus-accreditation.php, or contact NASCUS Accreditation Administrator Roger Little, at roger@nascus.org.

**NASCUS on Twitter**
@TheNASCUS

# Things to Watch in 2015

continued from page 1

elements including concentration levels for real estate and commercial loans, the methodology for determining a "complex" credit union, treatment of the NCUSIF deposit, mortgage servicing assets, and certain off-balance sheet assets. With the removal of interest rate risk, major changes were also made to the treatment of investments, which will need to be carefully reviewed by industry and state regulators to determine the potential impact on the credit union system.

NASCUS believes that a properly tailored RBC calculation would improve the safety and soundness of the credit union system and is appropriate given the nearly universal adoption of that capital framework across financial institutions in the U.S. and internationally. Consequently, NASCUS plans to focus its energy on fine-tuning the areas of remaining concern and encouraging NCUA to include supplemental capital in the RBC calculation.

## Interest Rate Risk

Again this year, NCUA listed interest rate risk (IRR) as one of its supervisory priorities (See NCUA Letter to Credit Unions 15-CU-01). And while we are only three years removed from NCUA's enactment of a specific IRR rule, the agency continues to focus on IRR. In fact, the first proposed RBC rule was in many ways a comprehensive IRR rule. However, in response to firm pushback on that issue, NCUA removed IRR from the RBC proposal, but noted that current regulations and supervisory processes do not adequately address IRR in the credit union system. NCUA specifically solicited comment on alternative approaches that could be integrated into the PCA system to supplement the supervisory process with a measure calibrated to address severe outliers. NCUA has described this measure as a "red line" approach that would create a hard stopping point for IRR in credit unions. Regulators would work with credit unions through the supervisory process to ensure that IRR is accounted for and properly managed below that hard limit. NASCUS questions the advisability of a line-in-the-sand approach, but has reached out to NCUA to form a regulator working group on the issue. NASCUS will stress the value of business judgment flexibility provided by a supervisory approach, and the limitations and potential consequences of a hard limit.

NASCUS continues to advocate for NCUA's adoption of the market sensitivity "S" rating for CAMEL(S). The CAMELS rating was adopted by the banking agencies and distinguishes IRR from liquidity for a more precise measure of an institutions susceptibility to market fluctuations. Currently, NCUA's CAMEL combines the evaluation of liquidity risk and IRR. Currently, seven states have adopted the "S" rating for use in credit unions and another six states are considering the change. NASCUS believes that NCUA should adopt the more precise measure of IRR before engaging in additional IRR rulemaking.

## Member-Business Lending

I know we've said this before, but 2015 should be a good year for MBL reform. NCUA took an encouraging first step by creating a new "Commercial Loan" definition for the RBC rule that would exclude non-owner occupied 1-4 family homes from the higher capital category. The agency has also indicated that it is taking a look

at its regulatory requirements surrounding MBL, and plans to issue new guidance this year that would remove all non-statutory limits on MBL programs. That means that the current regulatory waiver system for personal guarantees, loan-to-value ratios, and borrower equity requirements would be eliminated, and MBL underwriting standards would be evaluated during the examination process instead. Congress also continues to consider legislation to alleviate statutory MBL restrictions, including raising the 12.25% cap and removing non-owner occupied 1-4 family homes from the definition of an MBL. Although MBL reform legislation has traditionally garnered fierce opposition from the banking lobby, NASCUS plans to make meaningful reform in this area a priority for 2015. Regulatory changes, coupled with even small legislative solutions, could reap huge benefits for credit unions and their members.

## Cybersecurity

The series of high-profile data security breaches in 2014—from Target to Sony Pictures—has placed cybersecurity issues in the spotlight for 2015. Cybersecurity was listed as NCUA's first supervisory priority in the January Letter to Credit Unions, and everyone from the White House to the FFIEC and Congress has weighed in on the issue. NCUA stated that it plans to redouble its efforts this year to ensure that the credit union system is prepared for cybersecurity threats. Examiners will focus on data security policies and procedures—including third-party due diligence, encryption of sensitive data, and development of a comprehensive data security policy during the exam cycle. The agency will also continue to work with the FFIEC to identify gaps in examination procedures and training to strengthen the cybersecurity readiness of the financial services sector as a whole.

The White House has also released a comprehensive cybersecurity legislative proposal which includes roadmaps to enable better information sharing and a unified federal standard for data breach reporting requirements. Congress has also made cybersecurity an early priority, with several bills already introduced on the topic, and the Senate Commerce Committee holding a hearing on Data Breach and Notification legislation in early February.

NASCUS continues to be a leader in this field, both by helping to coordinate the supervisory strategy as a member of the FFIEC State Liaison Committee, and by offering high quality training to credit union professionals through an annual Credit Union Cybersecurity Symposium.

## CFPB Regulation & Reform

Between existing regulations taking effect and new regulations being rolled out, we can all expect that the CFPB will continue to require a great deal of our attention in 2015. The agency announced an ambitious schedule for the coming year, including in major reforms to the debt collection and payday lending industries, on top of already proposed changes to HMDA data collection, mortgage servicing rules, and prepaid card products. And of course, the TILA RESPA Integrated Disclosure (TRID) rule will be effective on August 1, 2015. TRID consolidates disclosures for most closed-end consumer mortgage transactions, requiring creditors to replace existing RESPA and TILA forms with a single Loan Estimate and Closing Disclosure. Credit Unions must have the risk management policies, procedures, and technology in place to begin using the new disclosures on Aug. 1.

Meanwhile, Republicans took control of both houses of Congress in November 2014, which may alleviate the legislative deadlock and open the door for some regulatory relief from Dodd-Frank and the CFPB. The Senate Banking Committee

See THINGS TO WATCH Page 4

# Capitalizing on Business Intelligence and Portfolio Management for Loan Growth

**By Michael Cochrum, Senior Director of Analytics & Advisory Services, CU Direct**

Over the last 18 months, credit unions have experienced healthy loan growth, and have seen loss and delinquency ratios decline. Is it because credit unions are doing a better job of lending than prior to the recession? One could argue that these simple metrics, while quite popular, do not tell the entire story. So, before we collectively pat ourselves on the back, it's important that we take a closer look.


Michael Cochrum

While loan originations have been rising, income from loans has been declining and operating costs have been increasing. Industrywide, credit unions are netting less income on these additional loans than on the fewer loans on the books in the past. This is a good indication that credit unions have not made the necessary changes in their operations to make up for low yields, and our competitor's adoption of technologies that have increased efficiencies. In fact, one of the fastest growing expenses in credit unions over the last 18 months is related to employee compensation. This would be as if Wal-Mart lowered prices across the store, while also adding more staff to assist you. That fact is, this is not a sustainable business model.

By capitalizing on business intelligence and loan portfolio management tools, credit unions can accomplish a number of important things. They're able to leverage technology by automating processes that currently require a human to complete. In addition, they can pinpoint the profitability of products, so that the right products are being offered to the right people. And finally, they can monitor changes in portfolio risk to ensure that they are taking corrective actions, both accurately and appropriately, to stay in the game.

Increasingly, credit unions are employing data scientists, either on staff, or through third party vendors, who have improved the data management practices of the credit union and provided more revealing key metrics that are used to make better, faster business decisions.

*Michael Cochrum is the senior director of analytics and advisory services at CU Direct. He currently oversees the national delivery of CU Direct's Lending Insights LPMS product, which provides credit unions with powerful portfolio analytics tools. Cochrum is a 2004 graduate of the Southwest CUNA Management School and in addition to his management and leadership experience, his lending background includes loan originations, collections and recovery, and risk management.*

# Idaho Regulator Mary Hughes to Serve on FFIEC State Liaison Committee

Mary Hughes, the Financial Institutions Bureau Chief of the Idaho Department of Finance, has been selected to serve on the State Liaison Committee to the Federal Financial Institutions Examination Council (FFIEC). She replaces longtime NASCUS member and former NASCUS Board chair Tom Candon, who, on Dec. 31, left his position as deputy commissioner of banking for the Vermont Department of Financial Regulation.

Hughes, whose duties with the Idaho Department of Finance include oversight of Idaho's state-chartered banks and credit unions, is an active member of NASCUS, having served as an officer and director of the Association.

Hughes was first employed by the Department as a deputy attorney general in 1990, primarily litigating cases brought to enforce the state's securities and mortgage laws; she was appointed the Department's lead attorney in 1997. She served as the Consumer Finance Bureau Chief, supervising the state's non-depository financial institutions, from 2000 until 2003, at which time she was appointed to her current position.

In addition to NASCUS, Hughes is also active with the Conference of State Bank Supervisors. She remains an active member of the Idaho State Bar.

## Things to Watch in 2015

continued from page 3

held hearings on regulatory relief for credit unions and community banks in February, and the House Financial Services Committee indicated its intention to focus on CFPB activity and rulemakings in its oversight plan for the 114th Congress. Although more drastic measures like a bill to repeal the Dodd-Frank in its entirety (introduced by Rep. Adrian Smith (R-Neb.)) probably still won't get much traction, more targeted reforms to Qualified Mortgage definitions or disclosure requirements may be more successful this year.

### BSA and Money Services Businesses (MSBs)

NASCUS anticipates a supervisory focus on credit union BSA/AML compliance in 2015. The BSA was also noted by NCUA for its supervisory priorities for this year, driven in part by an emphasis from the Financial Crimes Enforcement Network (FinCEN) and several high profile civil money penalties (CMPs). In addition to several community banks, FinCEN has levied fines against MSBs and in late 2014, against a federal credit union in Florida.

Credit unions serving MSBs should take care that their BSA/AML compliance programs are robust and fully implemented. NCUA issued guidance on serving MSBs in December, 2014 (LTCU 14-CU-10). Compliance officers, and examiners, should familiarize themselves with that guidance and the recently revised FFIEC BSA Examination Manual (www.ffiec.gov/bsa_aml_infobase/default.htm).

Of course, the movement at the state level to legalize medicinal and recreational marijuana businesses continues to present challenges to credit unions considering providing much needed banking services to those state-licensed businesses. To date, 23 states have legalized medicinal marijuana and four of those states have also legalized some form of recreational use. However, state legalization notwithstanding, marijuana remains a prohibited drug at the federal level. Credit unions seeking to provide services to state legal business should familiarize themselves with both the Justice Department's "Cole Memo" and the Feb. 14, 2014, guidance from FinCEN.

To provide the latest in training to credit unions and examiners, NASCUS will partner with CUNA again in 2015 for the 11th Annual CUNA/NASCUS BSA Conference, Nov. 15-18, in Ft. Lauderdale, Fla.

# NASCUS Risk-Based Capital Scorecard

On January 15, 2015, in a 2-1 vote, NCUA approved a second proposed risk-based capital rule with a 90-day comment period. Below you will find a brief overview of the changes that have been made to the original proposal relative to NASCUS' recommendations.

As you can see, NASCUS was very successful in securing changes to various elements of the proposed rule. In some areas, NCUA adopted NASCUS' recommendation outright. In others, NCUA moved in the right direction, but did not make the sweeping changes that NASCUS requested. For example, changes to concentration thresholds and the definition of "complexity," among others, did not go as far as we had hoped. However, this proposal is just that, a *proposal* that we look forward to working with the state credit union system to continue to improve and perfect over the next 90 days.

But for the moment, let's take a minute to reflect on a few of our substantial and hard-fought wins:

## Allowance for Loan and Lease Losses (ALLL)

**Original Proposal**
- Limit ALLL to 1.25% of risk-assets for RBC purposes.

**NASCUS Comment**
- Allow entire ALLL balance to count as capital.

**Revised Proposal**

✔ Allow entire ALLL balance to count as capital.

## Commercial Loans

**Original Proposal**
- Less than 15% of total assets = 100% risk-weight
- 15-25% of assets = 150% risk-weight
- Above 25% of assets = 200% risk-weight
- Utilized MBL definition

**NASCUS Comment**
- Remove concentration thresholds.
- Tie risk-weight to underlying collateral and credit features
- Mitigate impact on CUs chartered for MBL

**Revised Proposal**

✔ Minimized concentration thresholds:
- 100% risk-weight for current loans less than 50% of assets
  - 150% for non-current loans, and current loans over 50% of assets

✔ Tied risk-weight to underlying collateral and credit features:
- 20% risk weight for portion guaranteed or covered by contractual compensating balances
  - Use "commercial loan" definition to exclude 1-4 family homes and include all business purpose loans regardless of size

✔ Mitigate impact on CUs chartered for MBL:
- Raising concentration threshold to 50% dramatically reduces impact

## "Complex" Definition

**Original Proposal**
- $50 million or more in total assets

**NASCUS Comment**
- $50 million is much too low
- Consider assets and liabilities to create more tailored rule
- Recommend raising threshold to $500 million

**Revised Proposal**

✔ Raised threshold to $100 million based on consideration of asset and liability holdings

## Concentration Thresholds

**Original Proposal**
- Commercial Loans: Thresholds at 15% and 25% of total assets
- Real Estate Loans: Thresholds at 25% and 35% of total assets
- Other Real Estate Secured Loans: Thresholds at 10% and 20% of total assets.

**NASCUS Comment**
- Remove concentration thresholds from the rule or, at a minimum, demonstrate that they represent "tipping points" in balance sheet risk for even a well-managed institution.

**Revised Proposal**

✔ Commercial Loans: Single threshold at 50% of total assets

✔ Real Estate Loans: Single threshold at 35% of total assets for first-lien, 20% of assets for junior lien.

## Consumer Loans

**Original Proposal**
- 75% risk-weight for current unsecured loans, vehicle loans, leases receivable, and other loans.
- 150% risk-weight for delinquent consumer loans

**NASCUS Comment**
- Risk weights not consistent with the underlying risk and out of sync with weighting on other assets (current first mortgages over 35% of assets risk-weighted higher than unsecured consumer loans).

**Revised Proposal**

✔ Realign risk-weights to better reflect risks:
- Increase unsecured loans to 100%
- Decrease share secured and government-guaranteed loans to 20%

## CUSOs

**Original Proposal**
- 250% risk-weight for investment in CUSOs
- 100% risk-weight for loans to CUSOs

**NASCUS Comment**
- Reduce risk-weight for investment in CUSOs

**Revised Proposal**

✔ Reduced risk-weight for investment in CUSOs to 150%.

## Derivatives

**Original Proposal**
- Differentiated based on single OTC contract or transaction subject to master netting agreement. No provision for cleared transactions or collateralized OTC contracts

**NASCUS Comment**
- Adopt FDIC approach to risk-weighting derivatives for consistency with banks and to capture all FISCU authorities
- Provide examples to help industry with implementation

**Revised Proposal**

✔ Adopted the FDIC approach for derivatives.

✔ Will provide implementation guidance to industry once the rule is finalized.

## Goodwill

**Original Proposal**
- Deduct goodwill from the numerator and denominator of the RBC equation

**NASCUS Comment**
- NCUA should consider how excluding goodwill will impact credit union willingness to acquire troubled institutions in times of stress

See SCORECARD Page 6

## Scorecard

continued from page 6

**Revised Proposal**
✔ Four-year implementation period and extended implementation period (January 1, 2025) for credit unions with goodwill resulting from supervisory merger or P&A.

### Implementation Date

**Original Proposal**
- 18-month implementation period

**NASCUS Comment**
- Extend implementation period to, at a minimum, provide parity with FDIC rules

**Revised Proposal**
✔ Extended implementation period to January 1, 2019, to align with FDIC rule

### Individual Minimum Capital Requirement

**Original Proposal**
- Allowed "NCUA" to establish an IMCR for a CU based on an exhaustive list of potential regulatory concerns
- No provision to consult and cooperate with state regulators for FISCUs

**NASCUS Comment**
- Remove IMCR, exercise existing authority under 1790d(h), or
- Add requirement to consult and cooperate with state regulators,
- Clarify that only the NCUA Board can implement an IMCR,
- Clarify appeals process to allow for meaningful consultation with ombudsman's office, and
- Improve transparency by reporting aggregate information on use of the IMCR.

**Revised Proposal**
✔ Removed the IMCR, will exercise existing authority.

### Interest Rate Risk

**Original Proposal**
- Capture IRR through higher risk-weights on longer WAL investments and high concentrations of mortgages.

**NASCUS Comment**
- Remove IRR from the rule

**Revised Proposal**
✔ Removes IRR from the rule, to be addressed within the PCA framework in a future rulemaking.

### Investments

**Original Proposal**
- Centered around WAL of the investment to capture IRR.

**NASCUS Comment**
- Rule should focus on credit and off-balance sheet risk. Follow the FDIC model to the extent practicable

**Revised Proposal**
✔ Remove IRR focus
✔ Adopt modified FDIC system focusing on credit risk of issuer and position of investment.

### Off-Balance Sheet Items

**Original Proposal**
- Captured exposure to partial recourse loans based on "total principal balance of loans transferred"

**NASCUS Comment**
- Call Report fields should be amended to capture a credit union's contractual exposure on partial recourse holdings

**Revised Proposal**
✔ Amended treatment of partial recourse loans to reflect only the contractual exposure. **Note that FHLB MPF Program loans are still measured based on outstanding balance, but with a lower CCF of 20%.*

### Real Estate Loans

**Original Proposal**
- 50% risk-weight for current loans 25% or less of total assets
- 75% risk-weight for current loans 25-35% of total assets
- 100% risk-weight for delinquent loans, and current loans over 35% of total assets

**NASCUS Comment**
- Align with FDIC risk-weights
- Remove concentration thresholds

**Revised Proposal**
✔ Minimize concentration thresholds by creating single threshold at 35%
✔ 20% risk-weight for portion with a government guarantee
✔ Include one to four family residential loans

### Risk-Based Capital Thresholds

**Original Proposal**
- 10.5% well-capitalized
- 8% adequately capitalized
- Less than 8% undercapitalized
- Based on comparison to 8% adequately capitalized + 2.5% capital conservation buffer on the bank side.

**NASCUS Comment**
- Comparison to FDIC measures and capital conservation buffer are flawed, adjust to better align with FDIC requirements
- Justify authority to assess a well-capitalized RBC requirement.

**Revised Proposal**
✔ 10% well-capitalized
✔ 8% adequately capitalized
- Less than 8% undercapitalized
- Remove reference to capital conservation buffer and mirror FDIC total risk-based capital ratio thresholds

# NASCUS Calls for Public Comment Period Over NCUA's OTR

The National Credit Union Administration (NCUA) Board announced at their Nov. 20 Board meeting another increase to the agency's Overhead Transfer Rate (OTR) from the previous year's rate of 69.2 percent to 71.8 percent. At the same time, the NCUA decreased the federal credit union operating fee by $0.72 million, or 0.90 percent. NCUA's overall budget increased by 4.2 percent.

NCUA Board member Mark McWatters voted no on all budget-related items, and called for greater transparency and inclusiveness in the budgetary process.

Although the increased posting of budget-related materials in conjunction with this year's Board meeting was a positive step, meaningful transparency requires more than simply making financial statements available to the public, NASCUS said. Allowing stakeholders to weigh in on the legal and policy determinations that shape the NCUA's expense allocation will allow for more equitable and deliberate decisions by the Board.

NASCUS strongly believes that the methodology for calculating the OTR, or any change to the methodology, should be published in the Federal Register for public comment.

For the 2014 OTR, the NCUA Board adopted new mapping of NCUA regulations that classified virtually all activities related to safety and soundness as "insurance-related." By shifting the entire safety and soundness program of the agency to the share insurance fund, NCUA minimizes direct out-of-pocket examination costs for federal credit unions, effectively subsidizing the federal charter.

# NASCUS Upcoming Educational Events

Email **isaida@nascus.org** with your questions

**Register online for all events at www.nascus.org.**

### NASCUS Board of Directors' Colleges

*April 2, 2015, Hartford, Conn.*
*April 16, 2015, Louisville, Ky.*
*April 29, 2015, Seattle, Wash.*
*June 9, 2015, Appleton, Wis.*
*September 2015, Colorado*

NASCUS is pleased to announce that we are bringing our Directors' College to Connecticut on April 2, to Kentucky on April 16, to Washington on April 29, to Wisconsin on June 9, and to Colorado in September.

Our Directors Colleges feature such sessions as cyber security, interest rate risk, and examination issues.

If you have any questions, email NASCUS Vice President of Education isaida@nascus.org, or visit www.nascus.org.

### NASCUS Webinars

*March 18, 2015*
*Compliance with Servicemembers Civil Relief Act*

NASCUS' upcoming webinar, which will begin at 1 p.m. Eastern Time March 18, will focus on the Servicemembers Civil Relief Act. All NASCUS webinars are $129 for NASCUS members, and $159 for non-members. Be sure to check www.nascus.org, as more webinars will be added to NASCUS' calendar of events.

### NASCUS Archived Webinars

NASCUS offers previously recorded webinars to credit unions and regulators. Access to each recording is $199 for members and is offered on an on-demand basis, allowing NASCUS members the flexibility to access the presentations at times convenient to them. For more information, contact Isaida Woo at isaida@nascus.org.

### North Carolina and Ohio Industry Days

Industry Days provide an opportunity for dialogue between the regulators and the regulated. Sessions are open to credit union directors and executive management. This year, NASCUS will be bringing Industry Days to North Carolina and Ohio, in June and in October, 2015, respectively. Be sure to check the NASCUS website at www.nascus.org for updates.

### NASCUS/CUNA BSA Conference

*November 15-18, 2015*
*Fort Lauderdale, Fla.*

CUNA, in partnership with NASCUS, brings you the NASCUS/CUNA Bank Secrecy Act Conference. This conference is an opportunity for Bank Secrecy Act (BSA) compliance officers, state and federal examiners, industry experts and regulators to discuss BSA compliance issues. The annual conference covers all of the BSA statutory and regulatory training requirements that compliance professionals need in order to comprehend and comply with the complex federal BSA law.

NASCUS/CUNA Bank Secrecy Act Conference attendees will receive pertinent updates from the Financial Crimes Enforcement Network (FinCEN), the National Credit Union Administration (NCUA) and the Office of Foreign Assets Control (OFAC) agencies. State examiners and attorneys will also be given the opportunity to attend the loaded schedule of sessions and events, creating valuable networking opportunities and exclusive takeaways for credit union professionals.

More information about the 2015 conference will be forthcoming. Stay tuned to www.nascus.org for details.

### Second Annual NASCUS Cyber Security Symposium

NASCUS, in partnership with the Credit Union National Association (CUNA), will hold its second annual Credit Union Cyber Security Symposium this fall. The symposium will cover a wide range of mission-critical cyber security issues that all credit unions and examiners should understand. Anyone working in the financial industry, including credit union managers, compliance officers, information officers and examiners, is invited to attend. For more information, contact NASCUS General Counsel Brian Knight at brian@nascus.org.

### NASCUS/NCUA Regulators National Meeting

*March 23-25, 2015*
*Florida Hotel and Conference Center*
*Orlando, Fla.*

### NASCUS Summit 2015

*October 21-23, 2015*
*Sheraton New Orleans Hotel*
*New Orleans, La.*

NASCUS will host its 50th annual NASCUS State System Summit Oct. 21-23, 2015, at the Sheraton New Orleans Hotel in New Orleans.

The NASCUS State System Summit is the only annual event for the nation's state credit union system. There, you will:

- Learn the latest on financial regulations impacting your credit union
- Network with your fellow state credit unions and state regulators
- Exchange leading practices that make state credit unions great
- Hear the latest from credit union industry insiders and national policymakers.

Register today for this exciting opportunity for hot educational workshops, insightful discussions, and networking geared specifically toward CEOs, state regulators and industry leaders!

**Registration:**
Early bird (NASCUS members only; ends April 15): $995

Regular registration (after April 15): $1,095 (NASCUS members)

Non-member rate: $1,395

Guest fee: $500

The hotel rate is $219 per night (suites are $319 per night). To make your reservation, call (504) 525-2500.

For more information, call (703) 528-0796, or email NASCUS Vice President of Education Isaida Woo, at isaida@nascus.org.

# NASCUS Thanks 2014 NISCUE Donors

The National Institute of State Credit Union Examination (NISCUE), through the generosity of NASCUS Credit Union Advisory Council members, funds training programs designed specifically for state credit union examiners. These programs are offered throughout the year at locations convenient to state credit union agencies and online to ensure that training is available when examiners in your state need it.

In 2014, NISCUE sponsored training focused on enhancing examiners' skill levels in several states, concentrating on critical examination areas; including interest rate risk, member business lending, new CFPB mortgage regulations, and cyber security.

NASCUS thanks the following credit union members who donated in 2014 to fund programs for state examiners through donations to NISCUE.

Akron Firefighters Credit Union
Alabama Teachers Credit Union
Amarillo Postal Employees Credit Union
Arizona State Credit Union
Bear Paw Credit Union
BECU
Bellco Credit Union
Benton County Schools Credit Union
Bridge Credit Union
BSE Credit Union
Chippewa County Credit Union
College Credit Union
Collins Community Credit Union
Colorado Credit Union
Columbia Credit Union
Combined Employees Credit Union
Community First Credit Union
CONE Credit Union
Corpus Christi Postal Employees Credit Union
Credit Union of New Jersey
Educational Employees Credit Union
Flowers Employees Credit League Credit Union
Fort McClellan Credit Union
Fox Communities Credit Union
GECU
Genesis Employees Credit Union
Great Lakes Credit Union
Great Lakes Members Credit Union
Greater Cincinnati Credit Union, Inc.
GROhio Community Credit Union
Hanesbrands Credit Union
Idaho Central Credit Union
Kalsee Credit Union
Kemba Credit Union
Kimberly Clark Credit Union
Knoxville News Sentinel Employees Credit Union
Leaders Credit Union
Life Credit Union
Linkage Credit Union
Los Alamos Schools Credit Union
Loudoun Credit Union
Medical Community Credit Union
Members Credit Union
Memorial Credit Union
Millstream Area Credit Union
Motorola Employees Credit Union
Mountain Credit Union
Mutual Savings Credit Union
New Century Credit Union
Norristown Bell Credit Union
Numerica Credit Union
Old Dominion University Credit Union
Pinnacle Credit Union
Postal Family Credit Union
Railway Credit Union
Richmond Fire Department Credit Union
River Cities Credit Union
San Juan Credit Union
Savannah Postal Credit Union
Shared Resources Credit Union
Sooper Credit Union
Southeast Financial Credit Union
Southern Star Credit Union
St. Thomas Credit Union
Tangipahoa Parish Teachers Credit Union
Tapco Credit Union
Thornapple Valley Community Credit Union
TNConnect Credit Union
Total Community Credit Union
Universal 1 Credit Union
University of Virginia Community Credit Union
Urbana Municipal Employees Credit Union
Virginia Credit Union
Westconsin Credit Union
Whatcom Educational Credit Union
White Rose Credit Union
Zeal Credit Union

# NASCUS Board Member Werner Paul Passes Away

Werner Paul, deputy commissioner of the Virginia Bureau of Financial Institutions, passed away on Tuesday, Oct. 28, 2014. Paul, who had served on the NASCUS Board since 2011, had been an active member of NASCUS for many years, serving on various NASCUS committees and NCUA task forces.

Paul is survived by his wife of 40 years, Pat, their daughter Alana and son Trevor; his sister-in-law Jena Paul; his brother-in-law Michael Pauli and his wife Alice and daughter Hilary; and his sister Ursula Tucker and her husband Marvin and their sons Mark and Tony.

Werner Paul, Deputy Commissioner, Virgina Bureau of Financial Institutions

## Summit 2015

continued from page 1

state and federal regulators, credit union leaders and experts. The presentation of the prestigious Pierre Jay Award will also take place during the Summit.

For information about the 2015 Summit or to register, visit www.nascus.org, or call NASCUS Vice President of Education Isaida Woo at (703) 528-0796, or email isaida@nascus.org.

# NASCUS/NCUA Regulators Meeting Slated for March

Annually, state regulators and the NCUA gather for their National Regulators Meeting for regulator-to-regulator discussion on national policy issues affecting state-chartered credit unions. The next meeting is scheduled to take place March 24-25 in Orlando, Fla.

Nearly 70 state regulators, the NCUA Board and NCUA senior staff are expected to participate in the meeting, which will focus on examination and supervision issues for state-chartered credit unions.

NASCUS state regulators and NCUA meet in person several times a year, as well as by teleconference to discuss critical issues impacting credit unions.

**National Association of State Credit Union Supervisors**
1655 N. Fort Myer Drive, Suite 650
Arlington, VA 22209
(703) 528-8351 • **www.nascus.org**

Contact NASCUS' Communications Department by emailing **elizabeth@nascus.org**.
Follow us on Twitter at @TheNASCUS
Connect with us on Linkedin: www.linkedin.com/company/nascus
Newsletter Design by Levinson Design: **www.levinsondesign.com**
NASCUS