

# NASCUS StateLine

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

## NASCUS Chairman Underscores Safety and Soundness Benefits of Supplemental Capital

*George Reynolds provides state regulatory perspective on supplemental capital at NCUA FCU 75th Anniversary Event*

Joined by federal regulators and academic experts, NASCUS Chairman George Reynolds (GA) emphasized the benefits of supplemental capital from a regulatory perspective at the National Credit Union Administration's (NCUA) 75th Federal Credit Union Act Anniversary Event, June 9.

The panel included Reynolds, NCUA's Deputy Executive Director Larry Fazio, William Jackson, renowned capital expert and professor at the University of Alabama and Andy Poprawa, president and CEO of Deposit Insurance Corporation of Ontario. Speakers shared various perspectives on supplemental capital including the benefits, concerns, regulatory considerations and success stories from other countries.

See **SUPPLEMENTAL CAPITAL** Page 8



PHOTO BY KATE HARTIG

NASCUS Chairman George Reynolds (GA) addresses supplemental capital for credit unions on June 9 at the NCUA Federal Credit Union Act 75th Anniversary Event in Washington, D.C.

### New Summit Sessions

**State of UBIT, Mortgage Lending Symposium, S.A.F.E. Act Update**

*NASCUS' annual Summit will feature discussion on critical operational issues affecting credit unions, August 20-22, Boston*

NASCUS recently added sessions to its annual State System Summit, August 20-22 in Boston, on critical accounting issues for credit unions and strategies for success in today's mortgage lending environment.



Strong Past. Stronger Future.

See **SUMMIT** Page 7

## NASCUS Leadership Meets with Chairman Frank in Boston

*Supplemental capital and regulatory reform among discussion topics with Chairman Frank*

House Financial Services Committee Chairman Barney Frank (D-Mass.) recently sat down with the NASCUS Executive Committees in his district office outside Boston.

While in Boston for NASCUS' business meetings, NASCUS leadership took the opportunity to meet with Chairman Frank to discuss state regulatory issues and provide him with an update on NASCUS legislative priorities. The group shared NASCUS' strong support for capital reform and supplemental capital for credit unions,

and the preservation of state authority and dual chartering in regulatory reform efforts.

"We had a productive discussion with Chairman Frank on legislative priorities and supplemental capital for credit unions," said NASCUS President and CEO Mary Martha Fortney. "Chairman Frank understands that state regulators are part-



NASCUS FILE PHOTO

House Financial Services Committee Chairman Barney Frank

See **FRANK** Page 2

# Credit Union Wins in First UBIT Litigation

*Community First Credit Union, Appleton, Wisc., is favored in a jury trial challenging unrelated business income tax (UBIT)*

In the suit brought by Community First Credit Union, an eight-person jury in the U.S. District Court of Wisconsin determined that three insurance products are related to the purpose of the credit union and should be not subject to unrelated business income tax (UBIT).

In the suit, Community First requested that the Internal Revenue Service (IRS) refund taxes paid on income from the sale of credit life and credit disability insurance and guaranteed auto protection (GAP). The jury favored the credit union and concluded that these insurance products are related to the mission and purpose of the credit union and therefore are not taxable.

"The court's favorable decision in this case is a victory for the state credit union system," said NASCUS President and CEO Mary Martha Fortney. "State regulators and state legislatures have long recognized that credit unions must evolve their products and services to meet the needs of their members. NASCUS is pleased the court recognized that credit unions offer certain products to their members as a part of their purpose as a credit union."

Fortney also expressed NASCUS' gratitude to Community First Credit Union and its President and CEO Cathie Tierney for their tremendous efforts on behalf of the entire credit union system. For nearly 13 years, NASCUS, as a member of the UBIT Steering Committee, has challenged the

## Frank

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ners in economic recovery and are committed to enhancing the sound supervision of the credit union system."

NASCUS will continue its dialogue with Chairman Frank and others as the 111th Congress addresses regulatory modernization, capital reform and other topics affecting state regulators and state-chartered credit unions.



Community First Credit Union President and CEO Cathie Tierney addressing UBIT issues at last year's State System Summit. A year later, her credit union is successful in its litigation against the IRS.

IRS on its application of UBIT on state-chartered credit unions.

Bellco Credit Union, Greenwood Village, Colo., also sued the IRS requesting a nearly \$200,000 refund from UBIT taxes paid on securities products. An original trial date of August 11, 2009 was vacated and new trial date has yet to be determined.

"NASCUS, as a member of the UBIT Steering Committee, will continue to challenge the IRS on its interpretation of other products in future administrative and legal challenges," said Fortney.

## What's Next in the UBIT Challenge?

The government asked for a reversal of the jury's decision in the Community First Credit Union case. As of June 10, the judge had not responded to the request.

Preparations are underway for the second UBIT lawsuit filed by Bellco Credit Union, Greenwood Village, Colo. At press time, a date had not been set for the trial. The Bellco suit is challenging the application of UBIT on securities and investment products.

The favorable jury ruling in the Community First Credit Union case advances the UBIT Steering Committee's efforts to influence the IRS to change its application of UBIT on state-chartered credit unions. The UBIT Steering Committee plans to meet with the IRS in the near future. At the NASCUS State System Summit, Kevin Fincher of Clifton Gunderson will lead a session "Life After *Community First*" to address UBIT issues in light of the recent litigation.

## Michigan Earns NASCUS Re-accreditation

*First accredited state achieves fifth consecutive re-accreditation*

NASCUS recently approved the re-accreditation of the Michigan Office of Financial and Insurance Regulation (OFIR).

The Michigan agency was the first state credit union regulatory agency to earn NASCUS accreditation status in 1989. This re-accreditation is the agency's fifth consecutive re-accreditation by NASCUS. The OFIR supervises 215 natural person credit unions with combined assets of approximately \$25 billion.

"Earning NASCUS re-accreditation is certainly a feather in our cap," OFIR Commissioner Ken Ross said. "The intense review of our programs and operations provided our staff with valuable insight into where we were strong and where we had room for improvement."

NASCUS accreditation is valid for a five-year period subject to annual review. The annual review process enables the accredited agency and the NASCUS Performance

Standards Committee (PSC) to measure progress and improvement. NASCUS' 28 accredited states supervise more than 85 percent of state-chartered credit union assets.

"NASCUS re-accreditation is a significant achievement and represents the effectiveness and sound supervision of the state credit union regulatory system," said NASCUS President and CEO Mary Martha Fortney. "We congratulate Commissioner Ross and Deputy Commissioner Roger Little for their ongoing commitment to supervisory excellence in Michigan."

To earn accreditation, an agency's qualifications are evaluated by an Accreditation Review Team (ART) who completes a thorough examination of the agency's accreditation application and supporting documents, followed by three days of intense on-site scrutiny of agency programs and performance.

# Meet the Nominees: NASCUS Board and Credit Union Executive Council

## Credit Union Executive Council Nominees



### District 2

#### Jim Blaine

- President and CEO of State Employees' Credit Union, Raleigh, N.C.
- Nominated to three-year term, 2009-2012
- Blaine serves on the Legislative and Regulatory Affairs Committee and Capital Modernization Subcommittee



### District 3

#### Cathie Tierney

- President and CEO of Community First Credit Union, Appleton, Wisc.
- Nominated to three-year term, 2009-2012
- Tierney is currently Secretary of the Credit Union Executive Council and a member of the NASCUS Audit, Education and Legislative and Regulatory Affairs Committees



### District 4

#### Edwin Bigby, Jr.

- President and CEO of Norbel Credit Union, Fort Collins, Colo.
- Nominated to three-year term, 2009-2012
- Bigby serves on the Legislative and Regulatory Affairs Committee and Capital Modernization Subcommittee



### District 4

#### Mendell Thompson

- President and CEO of America's Christian Credit Union, Glendora, Calif.
- Nominated to three-year term, 2009-2012
- Thompson is currently Chairman of the Credit Union Executive Council

This year, several director positions will be filled on the NASCUS Board of Directors and Credit Union Executive Council.

Two vacancies exist on the NASCUS Board of Directors and there are three candidates. State agency voting delegates will be mailed a ballot for the election. The election results will be announced at the Annual Meeting on August 21.

The Credit Union Executive Council has four available director seats. Four candidates were nominated for the terms with no contested elections. The nominees will be installed at the Credit Union Advisory Council Annual Meeting on August 21.

If you have any questions, contact Isaida Woo at [isaida@nascus.org](mailto:isaida@nascus.org).

## NASCUS Board of Director Nominees



#### Jerrie Jay, NC

- Administrator, North Carolina Credit Union Division
- Nominated to three-year term 2009-2012
- Jay currently serves as Chairman of the Capital Modernization Subcommittee and Vice-Chair of the Performance Standards Committee



#### George Reynolds, GA

- Senior Deputy Commissioner, Georgia Department of Banking and Finance
- Nominated to three-year term, 2009-2012
- Reynolds currently serves as NASCUS Chairman



#### Kathy Stewart, KY

- Director, Division of Financial Institutions, Kentucky Dept. of Financial Institutions
- Nominated to first three-year term 2009-2012



**Strong Past. Stronger Future.**



## Who should attend:

- State Regulators, Chief Deputies and Senior Examiners
- Credit Union CEOs and Management
- Credit Union Directors
- Credit Union League Executives
- Other Supporters of the Dual Chartering System

During the Summit, experts from across the nation will update attendees on a variety of hot button topics, including:

- The State of the Corporate Credit Union System
- Supplemental Capital — If Not Now, When?
- CUSO Issues
- Best Practices in Vendor Management
- Housing and Mortgage Issues
- And more

**The NASCUS State System Summit  
August 20-22, 2009  
Boston, Massachusetts  
Westin Boston Waterfront**

## Special Offer!

For a limited time, register yourself and bring another credit union industry professional, colleague or board member for free!

Complimentary registration fee valid for credit union or regulator attendees only— does not pertain to spouses, guests or optional activities. NASCUS reserves the right to limit complimentary slots —register early!

The NASCUS State System Summit is the only national opportunity where regulators and credit unions work together to promote a strong and innovative state credit union system.

## Notable Speakers include:

- **Tom Curry**, FDIC Board Member and former Massachusetts Regulator
- **Gigi Hyland**, NCUA Board member and NASCUS/NCUA liaison
- **Chip Filson**, President, Callahan and Associates
- **Tracy Ashfield**, residential mortgage lending expert, Strategic Mortgage Solutions
- **Richard Hagar**, seasoned appraiser and real estate specialist
- **Tom Candon**, NASCUS Chair-elect, Vermont Department of Banking, Insurance, Securities & Health Care Administration
- **Parker Cann**, NASCUS Credit Union Advisory Council Chair-elect, BECU, Seattle, Wash.
- **Kevin Fincher**, Partner, Clifton Gunderson
- **Brad Miller**, Executive Director, Association of Corporate Credit Unions
- **Bucky Sebastian**, President and CEO, GTE FCU

## Registration Fees

*Early bird rate extended to July 3!*

### NASCUS members:

\$745 (before July 3)  
\$845 (after July 3)

### Non-members:

\$945 (before July 3)  
\$1,045 (after July 3)

### Small CUs (under \$10 million in assets):

\$495 (before July 3)  
\$595 (after July 3)

**Spouses/guests:** \$175

## Lodging

The Summit will take place at the Westin Boston Waterfront, 425 Summer Street, Boston, Massachusetts. To make lodging reservations, call Westin reservations at (888) 627-7115 and ask for the NASCUS Summit room block or visit [www.nascus.org](http://www.nascus.org) to make reservations online. The Summit rate is \$215. A government rate is available for state and federal agency staff.

## Agenda

The Summit begins at 8:00 a.m. on August 20 and concludes at noon on August 22, 2009.

## Register

Visit [www.nascus.org](http://www.nascus.org) to register online.

## Questions?

Contact NASCUS at (703) 528-5974 or email [jenny@nascus.org](mailto:jenny@nascus.org).

## Working Agenda

### Wednesday, August 19, 2009 (Pre-Summit Activities)

10 a.m. – 3:30 p.m.	NASCUS New England Board of Directors College
4 p.m. – 6 p.m.	NASCUS/CSBS Joint Meeting (Regulators Only)
4 p.m. – 7 p.m.	Registration and Information Desk Open

### Thursday, August 20, 2009 (Summit Opening Day)

7:30 a.m. – 5 p.m.	Registration and Information Desk Open
7:30 a.m.	First Timers' Breakfast
8 a.m.	Breakfast (for attendees and guest program participants)
8:30 a.m.	Opening Ceremonies and Welcome Remarks
9 – 10 a.m.	General Session Keynotes <ul style="list-style-type: none"> <li>• How Dual Chartering Enhances Consumer Protection Tom Curry, FDIC Board Member</li> <li>• Update from the NCUA/NASCUS Liaison – NCUA Board Member Gigi Hyland</li> </ul>
	Break
10:15 a.m.	Regulator/Industry Roundtable facilitated by Chip Filson
10:30 a.m. – Noon	NASCUS Chairmen's Luncheon
12:15 – 1:15 p.m.	NASCUS Educational Breakouts <ul style="list-style-type: none"> <li>• Credit Union Reporting and Accounting Issues, Crowe Horwath</li> <li>• Best Practices in Vendor Management, Paragon Group</li> <li>• Making the Connection: Shared Branching's Role in Cooperative Technology Integration, Financial Service Centers Cooperative, Inc.</li> <li>• Update on Private Share Insurance and Excess Share Insurance in Today's Economy, American Share Insurance</li> <li>• Branching After the Bailout, CO-OP Shared Branching</li> </ul>
1:30 – 2:45 p.m.	NASCUS Educational Breakouts <ul style="list-style-type: none"> <li>• Credit Union Reporting and Accounting Issues, Crowe Horwath</li> <li>• Best Practices in Vendor Management, Paragon Group</li> <li>• Making the Connection: Shared Branching's Role in Cooperative Technology Integration, Financial Service Centers Cooperative, Inc.</li> <li>• Update on Private Share Insurance and Excess Share Insurance in Today's Economy, American Share Insurance</li> <li>• Branching After the Bailout, CO-OP Shared Branching</li> </ul>
	NASCUS Educational Breakouts
	NASCUS 100th Anniversary Gala Dinner at the New England Aquarium (for attendees and guest program participants)
3 – 4:15 p.m.	
5:30 – 8 p.m.	

### Friday, August 21, 2009

7:30 a.m.	Breakfast
7:30 a.m.	Bonus Session – Credit Union Taxation Update – Life After <i>Community First</i> , Employee Benefits and Lobbying with Clifton Gunderson
8:30 a.m. – 2 p.m.	Interagency Dialogue for State and Federal Regulators
8:30 a.m. – 12:30 p.m.	<ul style="list-style-type: none"> <li>• NASCUS Credit Union Advisory Council Annual Meeting</li> <li>• Symposium on the Challenges of Mortgage Lending in Today's Environment                             <ul style="list-style-type: none"> <li>– Opportunities in Mortgage Lending with Tracy Ashfield</li> <li>– Current Trends in Mortgage Fraud – Richard Hagar</li> <li>– S.A.F.E. Act Implementation with CSBS</li> </ul> </li> </ul>
2:00 p.m. – 4:30 p.m.	NASCUS Annual Meeting and State Regulator Only Sessions

### Saturday, August 22, 2009

7:30 – 8:30 a.m.	Breakfast (for attendees and guest program participants)
8:30 a.m. – Noon	General Session: Supplemental Capital – If Not Now, When? Closing Panel: "Evolution or Revolution — The Next 100 Years of Credit Unions" <i>The economic and political climate facing us challenges credit unions to accelerate the pace of this evolution. This panel of system experts will address the issues the system must address to survive and thrive in the near and long term. Issues include: regulatory restructuring and its potential impact on credit unions and regulators, mergers and consolidation, consumer protection, the future of the corporate credit system, supplemental capital and more.</i> Panelists include: Bucky Sebastian, GTE FCU, Ella Robinson, former Kentucky Regulator, Susan Newton, AACUL and Brad Miller, ACCU Facilitated by Mary Martha Fortney



# Regulatory Reform Efforts Starting to Take Shape

*Congress, Administration considering different approaches on regulatory modernization plans\**

Prior to President Obama's inauguration and the beginning of the 111th Congress, the financial services community was bracing itself for comprehensive regulatory restructuring. The new President and Congress were expected to implement restructuring changes in an effort to address the troubled financial services industry. However, six months later, there is little consensus on a regulatory restructuring plan. Here is a summary of the various perspectives on regulatory reform.

**NASCUS:** In correspondence and discussions with Treasury and Congress, NASCUS emphasizes that dual chartering and charter choice must be maintained in the U.S. financial services system. Dual chartering provides important com-

petition and choice for financial institutions. NASCUS believes strongly that a dual system of supervision, with both state and federal regulators, is essential to safety and soundness. Further, NASCUS opposes the idea of a prudential regulator for all financial institutions, as proposed in the 2008 *Treasury Blueprint for a Modernized Regulatory Structure*.

**Administration/Treasury:** At press time, the Administration released its anticipated regulatory modernization plan. The plan is modeled as a framework for Congress to build legislation around five main principles: enhancing systemic risk supervision; imposing more stringent requirements for large, interconnected firms; harmonizing the regulation of futures and securities; strengthening consumer protection; and leading the effort to improve international regulation.

The Administration recommends the continuation of credit union dual chartering and state supervision, and does not alter the independent supervision of credit unions by the National Credit Union Administration. Regarding consumer protection, the plan suggests the creation of a single primary federal consumer protection agency. However, the plan would allow the states to continue to adopt and enforce stricter laws and enforce federal law concurrently with respect to institutions of all types, regardless of charter.

Further, the Federal Reserve Board and FDIC would maintain their roles in the supervision and regulation of state-chartered banks, but the Office of Thrift Supervision and thrift charter would be eliminated. The plan also suggests the creation of a Financial Services Oversight Council to facilitate information sharing and identify emerging risks. The President was scheduled to discuss his recommendations on June 17 and U.S. Treasury Secretary Tim Geithner was expected to testify in Congress about the plan on June 18.

**Congress:** House and Senate Financial and Banking Committee leaders have varied opinions on regulatory restructuring and systemic risk. Senate Banking Committee Chairman Chris Dodd (D-Conn.) has stated that while passing a regulatory reform bill is still possible in this Congress, more time is needed and there are a number of other legislative priorities to consider in his Committee.

House Financial Services Committee Chairman Barney Frank (D-Mass.) is expected to introduce a regulatory reform bill this summer including provisions addressing systemic risk, executive compensation regulations, investor protection, risk retention and regulations for non-bank institutions. Chairman Frank indicated to NASCUS that his plan would not negatively affect dual chartering or state supervision. Both Dodd and Frank have doubted the success of a "super regulator," where the main banking agencies would be consolidated. Frank called the idea "unrealistic" and Dodd is concerned about a concentration of power in one agency.

House Republicans announced a proposal on June 11 based on three main principles: no more bailouts; getting the government out of picking winners and losers; and restoring market discipline to eliminate the expectation of a government rescue. To unwind the recurrence of government

## Missouri's Top Credit Union Regulator Branson Retires

*Long time NASCUS activist and former chairman Sandra Branson retires from state regulatory service*

Missouri Division of Credit Unions Director Sandra Branson retired from state service on May 31, after a long career as both a state regulator and credit union executive.

Branson, a former NASCUS Chairman, served two tenures as Missouri's top credit union regulator, most recently since 2005 and from 1987-1993. She also led Missouri State CU, Jefferson City, Mo., as its president and CEO between the two periods as a state regulator.

In addition to her time as Chairman, Branson was active in NASCUS participating in several NASCUS Committees and serving as chair of the NASCUS Education Committee. "NASCUS is grateful for Sandy's commitment to the state regulatory system and to NASCUS over the years," said NASCUS President and CEO Mary Martha Fortney. "We will miss seeing her at NASCUS events and wish her all the best in future endeavors."



Sandra Branson

## Feeney Appointed to State Liaison Committee of FFIEC

*Former NASCUS Chairman representing state regulators*

Commissioner of the Texas Credit Union Department Harold Feeney has been appointed to the Federal Financial Institutions Examination Council (FFIEC) State Liaison Committee (SLC) fulfilling NASCUS' state credit union regulator seat on the SLC. Feeney follows Sandra Branson of the Missouri Division of Credit Unions, who just completed her two-year term.

Feeney, a former NASCUS Chairman, Treasurer and Board member, is serving a two-year term that began April 1 and continues through March 31, 2011. The SLC consists of five representatives of state agencies that supervise financial institutions. The Council elects two of the five members. The American Council of State Savings Supervisors (ACSSS), the Conference of State Bank Supervisors (CSBS) and NASCUS designate the other three members. The SLC Chairman has voting rights in FFIEC. State regulators also serve on FFIEC's task forces and working groups.



Harold Feeney

# Directors College Series Continues to Boston

**NASCUS holding a one-day Directors College on August 19**

**N**ASCUS encourages state credit union CEOs and board members to attend the New England Board of Directors College on August 19 at the Westin Boston Waterfront. This one-day event is geared toward enhancing directors' understanding of the critical statutory, fiduciary and regulatory responsibilities of a director.

As the nation's economy experiences an unprecedented downturn, regulators of all industries—including financial services—continue to keep an eye on the manner in which boards of directors carry out their responsibilities.

## Summit

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During the Credit Union Taxation Update - Life After *Community First*, Kevin Fincher of Clifton Gunderson will provide attendees with the most up-to-date information on unrelated business income tax (UBIT) in light of the recent litigation. Fincher will also update attendees on need-to-know potential tax pitfalls of employee fringe benefits and other products. In addition, Crowe Horwath's Sydney Garmong and Mark Taylor will lead a session on essential credit union accounting and reporting issues.

The Summit will also feature a half-day symposium on Meeting Today's Mortgage Lending Challenges on Friday, August 21. During this Symposium, Tracy Ashfield, EVP of Strategic Mortgage Solutions, will dis-

## Regulatory Reform

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bailouts, Republicans would direct all insolvent banks to an enhanced bankruptcy process. The plan calls for fundamental reform for the Federal Reserve (Fed) including relieving the agency of its supervisory responsibilities so it can focus on monetary policy. The Fed would be prohibited from bailing out any financial institution. Further, the plan would modernize the supervision of depository institutions while preserving charter choice and dual banking.

\*Information as of June 17, 2009.

Former National Credit Union Administration (NCUA) Chairman Dennis Dollar will kick off the event with a session on director roles and responsibilities. Following Dollar, Jay P. Bienvenu, Massachusetts' Deputy Commissioner of Financial Institution Supervision; Tom Candon, Vermont's Deputy Commissioner of Banking; and Bob Fleury, New Hampshire's Deputy Bank Commissioner will lead a joint session detailing the regulatory expectations of directors. The agenda also includes an overview of essential safety and soundness regulations and the critical elements of compliance with Mary Anne Clancy from the Massachusetts Credit Union League. Content is geared toward credit union directors but all are welcome to attend.

Register soon for the early bird rate of \$199 per attendee. Register two attendees and bring a third for free. Register online at [www.nascus.org](http://www.nascus.org). If you have any questions or to take advantage of the multiple attendee discount, please contact Jenny Champagne at [jenny@nascus.org](mailto:jenny@nascus.org) or call her at (703) 528-5974.

cuss real-world strategies for successful credit union mortgage operations in this current economic environment. Richard Hagar, renowned real estate expert, will address how credit unions can help themselves and their members avoid being victims of mortgage fraud, one of today's fastest growing financial crimes. Finally, the Conference of State Bank Supervisors (CSBS) will present the operational components of putting the S.A.F.E. Act (Secure and Fair Enforcement for Mortgage Licensing Act of 2008) to work at your credit union.

Attendees will have two opportunities for open discussion on what the future holds for the credit union system. During the Regulator/Industry Roundtable on August 20, Callahan's Chip Filson will facilitate a discussion on the most pressing issues facing attendees today. The Summit will conclude on August 22 with a panel of experts on "Evolution or Revolution — The Next 100 Years of Credit Unions." Bucky Sebastian, president and CEO, GTE FCU, one speaker on this panel of system experts, will discuss his proposal for a new credit union charter. Come prepared to share your insights and experiences!

In addition, the Summit agenda includes a number of events for regulators only including the NASCUS/NCUA Interagency Dialogue, the State Regulators Only Session and a joint meeting with CSBS regulators on August 19.

To find out more, see pages 4-5 or visit [www.nascus.org](http://www.nascus.org).

## NASCUS Upcoming Educational Events

Visit [www.nascus.org](http://www.nascus.org) for more information about any NASCUS educational event and to register. All sessions open to all, unless otherwise noted. Email Jenny Champagne at [jenny@nascus.org](mailto:jenny@nascus.org) with your questions.

### NASCUS Lending Regulations A-Z Webinar

Tuesday, June 30 – 3 p.m. Eastern

Join NASCUS for the second of a two-part webinar series on need to know regulations for state credit union examiners and credit union staff. Lending Regulations A-Z will cover credit union lending compliance, addressing both consumer and real estate topics.

### NASCUS 2009 Annual School for State Examiners

July 7-10, 2009, Boulder, Colorado

The NASCUS Annual School features a new agenda focusing on a variety of need-to-know topics including the economy, mortgage lending, due diligence, information technology compliance and more. This school provides a great opportunity to share best practices and find out the latest examination issues in other states.

### Bank Secrecy Act Webinar

August 5, 2009 – 1 p.m. Eastern

NASCUS will hold a Bank Secrecy Act (BSA) webinar on August 5, 2009 at 1:00 p.m. Eastern. Content will be geared toward educating both examiners and credit union staff. More information on this webinar can be found on the NASCUS Web site at [www.nascus.org](http://www.nascus.org).

### NASCUS Board of Directors College

August 19, 2009, Boston, Massachusetts Westin Boston Waterfront

NASCUS encourages state credit union board members to join us for this one-day event geared toward enhancing directors' understanding of the critical statutory, fiduciary and regulatory responsibilities of a director. State regulators from the New England area, Dennis Dollar and others join the agenda to share insight with credit union directors.

### NASCUS 2009 State System Summit

August 20-22, 2009, Boston, Massachusetts Westin Boston Waterfront

Registration is open for the 2009 State System Summit. You can regis-

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## Supplemental Capital

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Reynolds stressed that allowing credit unions access to supplemental capital is a way to enhance safety and soundness and provide extra protection for the share insurance fund.

"NASCUS and state regulators view supplemental capital as a fundamental safety and soundness issue," said Reynolds. "It is not a tool for every credit union in every circumstance but it needs to be a tool available for use when determined to be appropriate."

Jackson argued that the current credit union capital system forces credit unions to hold on to a surplus of capital resulting in an inefficient capital structure. Combined with Prompt Corrective Action (PCA), Jackson stated that credit unions are weighed down by capital constraints. "Overall economic welfare would be improved if capital constraints were removed and credit unions could raise supplemental capital," he said.

Reynolds added that while credit unions remain well capitalized, recent experience in other financial institutions reiterates that the time for capital planning is when you are strongly capitalized, not when you are in the middle of a capital crisis. He also explained that supplemental capital is not an alternative or substitute for core capital. Further, supplemental capital models must preserve the cooperative credit union structure and be supervised under robust investor safeguards and regulatory parameters.

Providing the NCUA perspective, Fazio explained that the agency, in consultation with NASCUS and state regulators, is studying supplemental capital for credit unions. Fazio stated that he personally has mixed opinions on the issue. He cited con-

cerns about the potential long-term impact on the cooperative structure, the high cost of supplemental capital and examples of failures in other countries. However, Fazio pointed to positives about supplemental capital, notably that it could redistribute capital in the system and give credit unions more options to raise capital.

Poprawa addressed some of the concerns about supplemental capital by using examples from his experience in Canada. He said Canadian credit unions have successfully used supplemental capital for many years in three main forms: supplemental membership shares, patronage

shares and investment services. Canada's supplemental capital comprises 17 percent of total credit union capital. In Ontario, where credit unions are more concentrated, the percentage of supplemental capital is 40 percent. Poprawa indicated that there "is no evidence at all of supplemental capital's effect on the credit union philosophy."

A legislative change to the Federal Credit Union Act would be necessary to allow credit unions to raise capital outside of retained earnings. To read more about the necessary changes, visit the NASCUS Web site at [www.nascus.org](http://www.nascus.org).

## Educational Calendar

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ter at [www.nascus.org](http://www.nascus.org). Don't miss the annual gathering of the state credit union system! See pages 4-5 for more information.

### NASCUS Information Technology Forum

*September 22-25, 2009, San Antonio, Texas*

The IT Forum will feature an agenda applicable to both examiners and credit union staff. Participants will build their IT knowledge during the course, starting with basic topics on day one and working through intermediate and advanced examination techniques by the end of the forum. Compliance with federal regulations, examination red flags and proper internal controls are among the forum's sessions.

### NASCUS/CUNA BSA Conference

*November 1-4, 2009, San Francisco, California*

NASCUS is partnering with CUNA to host the next BSA training November 1-4 in San Francisco. The training is an excellent opportunity for both examiners and credit union compliance officers to

heighten their awareness of the latest developments in compliance and examination.

## NASCUS Archived Webinars

NASCUS offers previously recorded webinars to credit unions and regulators. Access to each recording costs \$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. Contact Ryan Taylor at [ryan@nascus.org](mailto:ryan@nascus.org) for more information.

### Available Webinars:

- Loan Participation Program Overview
- Current Trends in Mortgage Fraud Operations Regulations A-Z
- Effective Due Diligence Strategies
- Appraisal Management Overview
- Common Information Technology (IT) Findings
- Asset Liability Management (ALM)

### National Association of State Credit Union Supervisors

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# NASCUS

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