League Peaks

Summer 2017 The Official Publication of the West Virginia Credit Union League No. 621

NCUA Stabilization Fund Closure Likely in October - Four years ahead of schedule

During their July board meeting, the NCUA board unanimously approved a request for comment on a proposed plan to close the Temporary Corporate Credit Union Stabilization Fund this year, 4 years ahead of schedule. The proposed plan would provide credit unions with a National Credit Union Share Insurance Fund distribution in 2018, estimated to be between $600 million and $800 million.

The Temporary Corporate Credit Union Stabilization Fund was created in May 2009, to accrue the losses from five failed corporate credit unions and assess insured credit unions for such losses over time. But for the creation of the Stabilization Fund, these losses would have been incurred by the National Credit Union Share Insurance Fund, depleting the Share Insurance Fund's retained earnings and significantly impairing credit unions' one percent contributed capital deposit. The Stabilization Fund also is used to account for the costs of the Corporate System Resolution Program and provide short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities, and corporate bonds, collectively referred to as Legacy Assets. Under the Corporate System Resolution Program, NCUA created a re-securitization program where NCUA issued a series of NCUA Guaranteed Notes that were sold to investors to provide long-term funding for the Legacy Assets.

"Let's start with the bottom line. The Stabilization Fund has served its purpose. We're now at the point where we can prudently close the Stabilization Fund and have the Share Insurance Fund handle the remaining obligations of the corporate system resolution program," said Larry Fazio, director of NCUA's Office of Examination and Insurance in an August 9 webinar held for credit unions.

The proposed plan recommends that the stabilization fund closure be done Oct. 1, using the closing balances as of Sept. 30.

If the stabilization fund is closed, there would be remaining obligations of the Corporate Resolution Program. Those, the board believes, can be prudently borne by the share insurance fund without inordinate risk, provided the necessary equity is maintained.

To maintain the necessary equity, the board proposed increasing the normal operating level for the share insurance fund to 1.39%. The agency projects that closing the stabilization fund and transferring assets to the NCUSIF would raise the fund's equity ratio as high as 1.47%, which would require a distribution to credit unions.

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NCUA News...

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According to NCUA, raising the normal operating level still would allow for a distribution to credit unions in 2018, and also to allow the fund to withstand a moderate recession without the equity ratio dropping below 1.20%.

A ratio below 1.20% requires the agency to charge a premium or develop a fund restoration plan by federal law. A proposed rule issued by NCUA at the meeting would amend the existing share insurance requirements rule to give federally insured credit unions greater transparency on how an individual credit union's share of an equity distribution would be calculated.

The agency projects that closing the stabilization fund and transferring assets to the NCUSIF would raise the fund's equity ratio as high as 1.47%, which would require a distribution to credit unions.

The proposed rule would also:
-Prohibit a federally insured credit union that terminates share insurance coverage from receiving a distribution for the calendar year in which that termination occurred;

-Add a temporary provision governing equity distributions related to the Corporate System Resolution Program. The board believes any such distribution should go first to repaying credit unions that paid special assessments rather than taking the form of a general distribution. A credit union that had not paid a special assessment would not be eligible to receive a distribution related to the Corporate System Resolution Program unless all other corporate assessments have been repaid.

NCUA Board Announces Major Reorganization Plan

The National Credit Union Administration Board announced at the July 21 board meeting their intention to consolidate five regional offices. The agency will consolidate five regional offices into three by closing the Albany, New York, and Atlanta, Georgia offices and eliminate four of the agency's five leased facilities. The most recent agency restructuring occurred in 2003.
"The time has come for the NCUA business model to change," Board Chairman J. Mark McWatters said. "Positioning the NCUA to meet the changing demands of the credit union system we regulate in a transparent and fully accountable manner while promoting efficiency and effectiveness is essential.

In late 2016, the agency created internal review teams to rethink the agency's operations, discuss how it can re-tool to do its job better, and make recommendations to the Board. Among the recommendations the Board approved are:
-Consolidate the agency's five regional offices into three by closing the Albany, New York, and Atlanta, Georgia offices and eliminate four of the agency's five leased facilities;
-Create an Office of Credit Union Resources and Expansion by redefining and realigning chartering and field-of-membership, credit union development, grants and loans, and minority depository institutions programs;
-Restructure the Office of Examination and Insurance into specialized working groups; and
-Realign the Asset Management and Assistance Center to include changes to the servicing business model and moving to a financial supervisory structure.
NCUA also plans to eliminate agency offices with overlapping functions and improve functions such as examination reporting, records management, and procurement. The proposed plan anticipates a reduction in the agency's workforce by attrition.

Although additional details of the agency's plan, including projected cost savings, will be available at the upcoming fall budget briefing, it is unclear how much impact it will have on credit unions in West Virginia.

CUNA Mutual Group Economist Predicts Good Economic Outlook for Credit Unions Over Next Two Years

Credit unions can expect the U.S. economic growth will remain above trend in 2017 and into 2018, said CUNA Mutual Group's (CMG) director and chief economist Steven Rick. As credit unions continue to reap the benefits from this economic expansion, the next two years will continue to see a growth of up to 2.4 percent, he told attendees at CUNA Mutual Group's eighth annual Discovery Conference hosted online on August 17.

The Discovery Conference is the credit union industry's leading online conference hosted annually by CUNA Mutual Group for credit union leaders.

"We continue to benefit from the second longest economic expansions in U.S. history and credit unions have benefited from these tailwinds," said Rick. "But we should continue to expect to see the Federal Reserve raise interest rates in the next year. We could also see a modest recession in 2019, due to a short-term credit cycle recalibration, but this will not emulate the recession we experienced in 2008."

"We continue to benefit from the second longest economic expansions in U.S. history and credit unions have benefited from these tailwinds," Steve Rick

Will interest rates continue to rise?

Rick further explained that both long and short-term interest rates will continue to rise over the next four years, as they start to recalibrate to their natural rates, approximately 3 percent in short-term interest rates and 4 percent in 10-year Treasury bond interest rates. This recalibration will affect consumer spending in the coming years with consumers looking to pay down debt and increase their savings due to higher interest rates.

"As we slowly see interest rates rise, we see some changes in consumer spending," said Rick. "Although we saw an explosion of new car sales with record sales reaching over 18 million new cars sold due to pent up demand, sales will start to slow down through 2020."
Rick states that financial institutions are tightening up their auto lending requirements which is shifting lending to alternative outlets, like credit unions. "Credit unions have seen almost a 17 percent growth in new auto lending, particularly with indirect lending."
That is good news for credit unions looking to continue to grow in the coming years, Rick adds.

Rick also discussed trends in home sales over the past two years. With first-time home buyer demand accelerating, particularly in the millennial consumer segment, mortgage lending continues to grow as consumers look to lock in interest rates before the next rate hike. However, limited inventory in available homes across the country will continue to cause homes prices to rise between 4 - 5 percent through 2018. With this limited inventory of available homes, Rick anticipates home sales will start to slow down in 2019 and 2020.

Where is the Fed headed?

Rick also discussed how these economic trends, interest rates and consumer spending will affect credit unions over the next few years.

"We expect the Federal Reserve will continue to raise rates throughout 2018 to manage the economic growth," said Rick. "We're forecasting rates will rise by a quarter of a point through 2018. As the Fed funds rate increases to 3 percent, credit unions cost of funds will also rise through 2021, to reach approximately 2 percent."

CUNA MUTUAL GROUP

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81st League Annual Meeting

Krista Christian, First Priority FCU was the 2017 Pace-setter Award recipient and was joined by First Choice America Community FCU's Scott Winwood recipient of the William Bryan Hawkins Award.

Accepting the Weirton-Wellsburg Challenge of the Chapters Cup are: (front row) Judy Elias, Janet Stagani, Sandy Yocum, Linda Cattrell (back row) Scott Winwood, Duke Horstmeyer, and Harry DeVilling.

Awards Breakfast

Accepting Kemba Charleston FCU's Dora Maxwell Award Plaque were: Roger Curry, Peggy Hamer, Leora McCoy, Joetta Heck, Lula Dustin, Kelly Catlett, (back row) Earl Canterbury, Ron Turley, Calvin Holden, Glenn Acker, and Tabitha Stewart.

CUNA's STAR Certificate recipients were: Glenn Acker, Tabitha Stewart, and Calvin Holden.

Accepting West Virginia Central CU's Dora Maxwell Award was Mark Greenlees, Cindy Turner, Jude Wetzel, Vicki Thorpe, Patty Sumner, Kathy Dye, and Mike Tucker.

Chapter Leadership Award recipients were Damon Hamby, Southern WV Chapter and Krista Christian, Huntington Chapter.

Accepting First Choice America Community FCU's Dora Maxwell Award was Scott Winwood, Linda Catterll, and Duke Horstmeyer.

First Priority FCU's Jane Isom received CUNA's SAFE Loan Mortgage Originator Certificate.

Accepting Members Choice WV FCU's 75th Anniversary plaque was CEO Stephanie Rippetoe.

Receiving CUNA's VAP Certificates were: Earl Canterbury, Lula Dustin, and Peggy Hamer.

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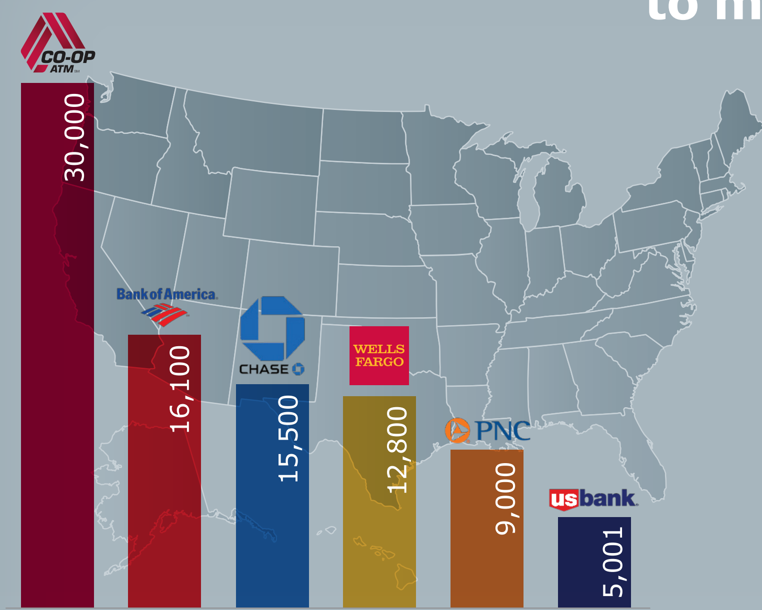

January 2016 comparison based on claims located at bankofamerica.com, chase.com, pnc.com, usbank.com, usbanklocations.com and wellsfargo.com

The CO-OP Small Credit Union Program enables credit unions under $100 million in assets to give members the convenience of a nationwide, surcharge-free ATM network—while increasing wallet share and driving savings by encouraging self-service transactions. The efficiencies of CO-OP's scale, plus your business partner's sponsorship of a reduced annual ATM-program fee, make it exceptionally affordable to provide the presence members are looking for.

Top Reasons to Use the CO-OP Small Credit Union Program

1. **Competitive advantage** of a nationally branded, surcharge-free ATM network even most big banks can't match
2. **Increased accessibility** that expands member relationships and builds profitability
3. **Savings opportunities** from migrating common transactions to a self-service channel
4. **Low participation cost** through your business partner's relationship with CO-OP Financial Services

The CO-OP Small Credit Union Program Offers:

- Member access to 30,000 surcharge-free ATMs across the country
- Locations that include retailers popular with your members
- Ability to join the CO-OP ATM network without changing your host processor
- Easy-to-use locator tools for members
- Subsidized signage and marketing support

What's In It

- 30,000 surcharge-free ATMs, 9,000 of which accept deposits
- Locations in all 50 states and over 10 foreign countries
- ATMs at credit union branches and select merchant locations such as Costco® and more
- Locator tools, including mobile apps, phone and web-based options
- ATM signage subsidized by CO-OP
- Marketing support through the CO-OP Marketing Portal to publicize the nationwide access you offer
- Large collective savings for credit unions through network subsidies that include ATM investments in retail locations, plus compensation of card fees and member surcharges
- Reduced pricing structure exclusively through your business partner's relationship with CO-OP

Is It Right For You?

Credit Union Challenges	CO-OP Small Credit Union Program Solutions
I need to increase our geographical reach to compete with the convenience of big-bank ATMs.	The CO-OP ATM network offers more locations across the country than almost any big bank.
I want to reduce the cost of handling member transactions.	Increased ATM access encourages migration to a more efficient, self-service channel.
I need to add member-retaining benefits while minimizing our financial commitment.	Credit unions under $100 million in assets can achieve nationwide presence for less than the cost of maintaining a single ATM.

For more information, contact:

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COMPLIANCE MATTERS

"Share draft" vs. "Checking Account"

There was an interesting discussion thread on the Compliance Community regarding the use of the terms "share draft" vs. "checking account". Because federal credit unions pay dividends on their deposit accounts, rather than interest, the use of the terms to describe accounts is important.

This seems like a good time to review the Truth-in-Savings Official Staff Commentary on this topic:

Generally, it is not the purpose of the TIS regulation to prohibit specific descriptive terms for accounts. For example, credit unions can use adjectives and trade names to describe accounts such as "Best Share Draft Account," or "Ultra Money Market Share Account." Synonyms for share, share draft, money market share, and term share accounts may be used to describe various types of credit union share and deposit accounts as long as the synonym is accurate and not misleading and, for account disclosures, is used in conjunction with the correct legal term. For example, the following synonyms may be used:

- *The term "checking account" may be used to describe share draft accounts.*
- *The term "money market account" may be used to describe money market share accounts.*
- *The term "savings account" may be used to describe regular share and share accounts.*

*The terms "share certificate," "certificate account," or "certificate" may be used to describe share certificates and other dividend-bearing term share accounts. **However**, **under no circumstances** may a credit union describe a share account as a deposit account, or vice versa. For example, the term "certificate of deposit" or "CD" may not be used to describe share certificates and other dividend-bearing term share accounts. Similarly, the terms "time account" and "time deposit" may not be used to describe term share accounts.*

Excerpted from Collen Kelly's 3/10/17 comments on CUNA's Compliance blog. Kelly is CUNA's Senior Federal Compliance Counsel

"Successful Onboarding for New Volunteers"

Congratulations. You've added volunteers to your governance team. Odds are they represent a new demographic and generation, and potentially reflect your credit union's expanded field of membership. Now that they're sworn in, how do you develop this new set of leaders in ways that help them contribute right away? Do so by helping them: be active; be involved; and, be strategic.

Be Active

One of the first questions we hear from new volunteers is, "What do I need to do?" The simplest and most obvious answer is, "Show up to meetings." Each credit union is unique and will need to identify and measure expectations for attendance (live, call-in, video), but being in the room is the first step toward effective contribution as a volunteer.

Some new volunteers might be more observational in their initial levels of engagement. It's normal: they may want to "learn the ropes" first and increase their contribution as their comfort and understanding grows. However, their fiduciary responsibility does not scale up as they grow in their roles: it's the same as other volunteers, regardless of tenure. During each meeting, the Chair should ensure that new members' voices are heard and questions are answered (even the so-called "silly" questions that regularly present new insights).

A final level of activity can be measured with participation on various standing and ad hoc committees, as well as involvement in the credit union's community events.

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Financial Choice Act Passes House—now in Senate's hands

The U.S. House of Representatives voted 233-186 voted on June 8 to pass H.R. 10- the Financial CHOICE Act, a regulatory relief bill with several credit union-friendly provisions. West Virginia representatives David McKinley, Alex Mooney, and Evan Jenkins voted for the legislation which will curb much of the Dodd-Frank legislation in response to the 2008 financial crisis. Mooney serves on the House Financial Services Committee which crafted and passed the bill which made its way to the House for a final vote.

"On behalf of West Virginia's credit unions, we have expressed our sincere thanks to all three of our Congressmen following passage of H.R. 10," stated League Senior Vice President, Rich Schaffer. "Since the beginning of this year, credit unions, CUNA, and the League have been working to get regulatory relief passed so members can be served better," he added. "We have seen first-hand that a 'one size fits all' approach does not work."

Some of the key CUNA and League backed provisions of the legislation include:

-Allowing qualifying credit unions (with an average leverage ratio of at least 10%) to be exempt from certain provisions of the Federal Credit Union Act and rules and regulation promulgated by NCUA;

-Changing the structure and authority of the Consumer Financial Protection Bureau (CFPB). This includes bringing the bureau under the appropriations process; establishing an independent inspector general, removing its Unfair, Deceptive and Abusive Acts authority; establishing an office of economic analysis; and repealing its authority to restrict arbitration;

-Providing relief from the Home Mortgage Disclosure Act by increasing reporting requirement thresholds to 100 closed-end and 200 open-end mortgages;

-Adjusting the definition of "points and fees" under the Qualified Mortgage (QM) rule;

-Classifying loans held by financial institutions in portfolio as QM loans;

-Exempting mortgage loans made by financial institutions under $10 billion in assets and held in portfolio for 3 years from the Truth in Lending Act's escrow requirements and exempting mortgage servicers that service fewer than 20,000 mortgages annually from the requirements of Section 6 of the Real Estate Settlement Procedures Act;

-Requiring NCUA to allow examination and public comment of its budget before adoption and requiring more transparency regarding the overhead transfer rate;

-Reforming the examination process by creating an independent ombudsman and an independent appeals process;

West Virginia representatives David McKinley, Alex Mooney, and Evan Jenkins voted for the legislation which will curb much of the Dodd-Frank legislation in response to the 2008 financial crisis.

-Protecting properly trained financial institution employees that report in good faith suspected financial elder abuse;

-Requiring CFPB and NCUA and other regulators to account for an entity's size and risk when promulgating regulations;

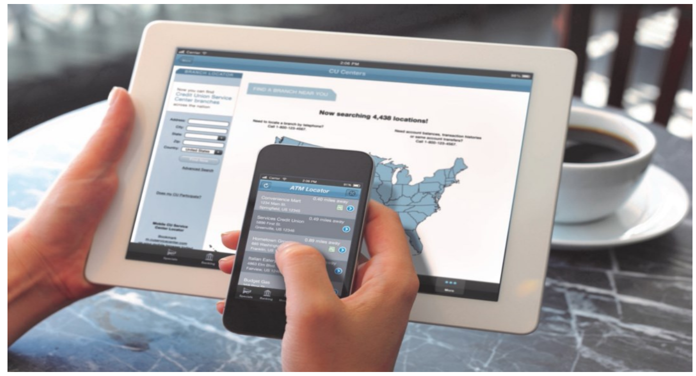
-Prohibiting regulators from forcing a financial institution to close certain accounts for certain industries.

The Financial Choice Act had been moved the Senate where the process starts all over again. There is no word when the Senate will consider H.R. 10.

Going forward, CUNA and the League ask that credit unions contract their Senators and tell them to enact common-sense regulation. Additionally, please tell Congress how new regulations have hindered your credit union's ability to serve your members. These stories are crucial to educating Senators about how regulatory burden hurts main street financial institutions like credit unions.

CU Mobile Apps: Making Members Happier

You know your members are going mobile. Less running around makes everyone happier. The more they can do from the car, the office, or the comfort of home, the better.



There really should be two major factors, for members, and for credit unions: **convenience** and **security**.

Your members want to know *is this making my life easier*, and *are my money and account information protected?*

When you choose CU Mobile Apps to create your app, the answer to both is a resounding YES!

CU Mobile Apps works specifically with credit unions to design affordable, customized apps to give your members the full functionality of a branch in the palm of their hands.

Remote Deposit Capture – a simple click of a camera phone to deposit checks.
ATM Locator - so they don't have to call or drive around aimlessly looking for cash
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Loan Payment Calculator – give them a good idea of what they'll pay right up front
NEW Enhanced Security – by partnering with TrueChecks we've added additional layer of fraud security

A mobile app is the convenience and security members want, and an investment in the future of your credit union. As a special offer, when your credit union signs up with CU Mobile Apps between now and August 16, 2017, they'll waive the standard Mobile App Start-Up Fee!

If you're credit union is ready to offer a mobile solution to your members, there's no better time than now. Contact CU Mobile Apps today at (800) 537-9035 or go to www.cumobileapps.com to schedule a free demo.

Onboarding new volunteers...*continued from page 6*

It's a way to distribute the range of responsibilities and expectations, and it serves to immediately utilize a new volunteer's enthusiasm, promise, and drive.

Be Involved

The best way to learn the business of your credit union is to dive right in. Coordinated through your CEO, ensure each new volunteer has the chance to sit with various operational executives (lending, finance, operations, CUSO, etc.).

The casual meetings give your volunteers the chance to understand how daily operations drive the numbers they see in financial statements and reports. Plus, it's a great way to meet up-and-coming executives and see how products and services are delivered to members.

Formal learning is also required and expected. Aside from mandatory financial literacy and Bank Secrecy Act training, volunteers should expand their understanding with an annual personal education plan. Resources will determine the extent of this investment, but choices might include lunch-and-learn sessions, webinars, or even a Certified Credit Union Volunteer designation. Ask each volunteer where he or she needs supplementary learning and build a plan to customize his or her expertise.

Closely related to formal learning is networking with other credit union volunteers. Whether the interacting comes from local chapter meetings, state league conferences, or national conventions; networking with other volunteers gives all volunteers insights into shared successes and challenges, as well as new ways that volunteers are strengthening their value to their credit unions. See that your newest volunteers begin attending credit union industry events right away.

Be Strategic

Often, volunteers serve – or have served in the past – in decision-making roles in their professions. Naturally, it's a challenge to shift from an executive to governance mindset. However, a governance role provides guidance and certifies that the CEO delivers linked results. An effective technique to remain at a high level of guidance is to establish – as volunteers – the major drivers of member and credit union value. Then, task your CEO with designing, communicating, and implementing strategies and plans that deliver the value you instituted. The governing stability you are responsible for is offset by the operational fluidity of day-to-day execution.

While the levers of operations are supervised through your CEO, outside ideas are appreciated and expected. Here's where the formal training and networking comes into play. Your quarterly strategic updates or annual planning session are great settings for new strategic ideas. Expect volunteers to offer ideas they have learned as a way to persistently look for ways to deliver value to members. Deeper conversations may implement, refine, or cull these ideas based on revenue potential, strategic fit, or ability to execute; nevertheless, the generation of these ideas is most important. Ensure that volunteers are offering new ideas in strategic settings on a regular basis.

Lastly, remind volunteers that they serve as representatives of all members. See that your volunteers receive member feedback on products and services and that volunteers use your credit union's products and services. It's easier to understand rewards checking, mobile banking, and the latest twist on auto lending when the business a volunteer can bring to the credit union is at the credit union.

New volunteers are an advantage for your credit union: they bring brand-new perspectives and contemporary experiences with your credit union. Achieve the greatest value from their desire to serve with instant activity, involvement, and strategic perspective. Measure their progress like any other goal and add to their leadership effectiveness for your credit union and its members.

A familiar speaker at League sponsored conferences, and across the country, Jeff Rendel, is a Certified Speaking Professional and President of Rising Above Enterprises, works with credit unions that want entrepreneurial results in leadership, sales, and strategy.

CMG Economist...continued from page 3

Rick says that consumers will start to pay down their debt and credit unions will see about 4 percent loan growth due to that trend. In addition, there will be strong loan growth concentration in larger credit unions, as they continue to offer multiple lending products to make up for the slowdown.

Key indicators to watch...

Lastly, Rick outlined key indicators to watch within the credit union industry. He states that while the industry continues to see record credit union membership growth, membership will start to slow to 3 - 3.5 percent through 2018, due to slower job growth and slower lending trends. This rate continues to outpace the natural growth of the U.S population.

The industry will also see fewer credit unions in 2017 with approximately a 3.5 percent credit union decay rate over the next four years, totaling approximately 250 fewer credit unions each year. However, credit unions with $1 billion in assets or more are the fastest growing segment with large credit unions experiencing record membership growth as well.

“Bottom line, the U.S. consumer is financially healthy, our economy continues to see steady growth despite interest rates and lending slowdowns, we continue to maintain record low unemployment, and home values starting to increase again,” said Rick. “While these are all indicators that the economy is strong, we need be mindful of 2019, with a potential recession, something to plan for in the coming year.”

Discovery’s on demand sessions are archived and available on CUNA Mutual Group’s website at no cost.

LEAGUE PEAKS

Publication No. USPS 066-870

Published Quarterly by the West Virginia Credit Union League, Inc. 411 Cedar Grove Road Parkersburg, West Virginia 26104. The Peaks is distributed to the board of directors and committee members of all affiliated credit unions, members of the State Legislature of the State of West Virginia, other State Leagues and to affiliated agencies of the credit union movement.

POSTMASTER: Please send address change to WV Credit Union League, 411 Cedar Grove Road, Parkersburg, WV 26104.

Subscription rate is $1.00 per year.