

# KEYSTONE

## Extra

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## Things Credit Unions Need to Know for 2014

As regulators and policymakers work to finalize some actions prior to the holiday season, the NCUA, the Federal Reserve, and the Consumer Financial Protection Bureau in late November made several announcements of importance for credit unions.

### No Corporate Assessment for 2014

Some of the biggest news to come out of an NCUA Board meeting was the November 21 [announcement](#) that there will be no 2014 assessment for the Corporate Stabilization Fund, and the 2014 National Credit Union Share Insurance Fund premium is estimated to be between zero and five basis points. This came on the heels of an announced settlement with JP Morgan that will direct \$1.4 billion in funds to NCUA.

Credit unions have paid \$4.8 billion in Stabilization Fund assessments since the fund was established in 2009. The projected net remaining assessments over the life of the Stabilization Fund, based on estimates from the second quarter of 2013, now range from -\$0.2 billion to \$1.6 billion. CUNA Chief Economist Bill Hampel has noted that factoring the net proceeds from the JP Morgan settlement, the remaining assessment range falls to around minus \$1 billion to plus \$500 million.

### CUSO Rule

During its November 21 meeting, the NCUA Board adopted a final CUSO rule addressing the responsibilities of federally-insured credit unions when involved with a credit union service organization (CUSO). NCUA issued [Letter to Credit Unions 13-CU-13](#), which outlines the primary changes to the CUSO-

related rules, and what credit unions must do as a result of the changes. These regulatory changes become effective June 30, 2014.

The final rule expands certain requirements that previously only applied to federally-chartered credit unions to federally-insured state chartered credit unions (FISCUs). These requirements address accounting, financial statements, and audits. They also expand CUSO reporting requirements and limit the ability of "less than adequately capitalized" FISCUs to recapitalize their CUSOs. All CUSOs will be required to annually provide profile information to NCUA and, for state-chartered credit unions, the Pennsylvania Department of Banking.

The final rule requires CUSOs that engage in what NCUA considers "complex or high-risk" activities to report more detailed information including audited financial statements and general customer information. The final rule also requires all subsidiary CUSOs to follow applicable laws and regulations and applies all of the regulation's requirements to subsidiary CUSOs.

Complex or high risk activities include:

- Credit and lending: business loan origination; consumer mortgage loan origination; loan support services, including servicing; student loan origination; and credit card loan origination.
- Information technology: electronic transaction services; record retention, security, and disaster recovery services; and payroll processing.
- Custody, safekeeping, and investment management services for credit unions.

The special requirements for a credit union investing in, lending to, or receiving services from the CUSO include:

- Services provided to each credit union;
- The investment amount, loan amount, or level of activity of each credit union; and
- The CUSO's most recent year-end audited financial statements.

In addition, CUSOs engaging in credit and lending services will be required to report the following activity by loan type:

- The total dollar amount of loans outstanding;
- The total number of loans outstanding;
- The total dollar amount of loans granted year-to-date; and
- The total number of loans granted year-to-date.

NCUA acknowledged that all federally-insured credit unions with loans to or investments in CUSOs will be required under the final rule to make changes in the agreements they currently have with their CUSOs. Accordingly, the effective date of the final rule is June 30, 2014. Additionally, CUSOs will begin submitting reports to NCUA under new section 712.3(d)(4) when the agency's reporting system is fully operational, which will be by December 31, 2015.

#### TILA Threshold Set

The Federal Reserve Board and the Consumer Financial Protection Bureau (CFPB) on November 20 **jointly announced** an increase in the dollar thresholds in Regulation Z (Truth in Lending) and Regulation M (Consumer Leasing) for exempt consumer credit and lease transactions. Transactions at or below the thresholds are subject to the protections of the regulations.

Based on the adjustments, the protections of the Truth in Lending and Consumer Leasing acts generally will apply to consumer credit transactions and consumer leases of \$53,500 or less in 2014 — an increase of \$500 from 2013. However, private education loans and loans secured by real property (such as mortgages) are subject to the *Truth in Lending Act* regardless of the amount of the loan. The adjustments will take effect on January 1, 2014.

#### Final Liquidity Rule Effective March 31, 2014

NCUA issued its final Liquidity and Contingency Funding Plans Rule requiring all federally-insured credit unions (FICUs) to take certain steps to ensure appropriate risk management and access to liquidity. This rule is structured into a three-tiered framework by credit union asset size and will be effective March 31, 2014.

NCUA released a [Letter to Credit Unions](#), to help FICUs with timeframes of compliance, what should be addressed in the written liquidity policy, and what the contingency plan should address.

## Compliance Webinar Series: Dodd-Frank Mortgage Rules

The Dodd-Frank Mortgage Rules are set to take effect in January. To help credit unions prepare for the new rules, the Association's Compliance staff is holding a webinar series to review the new rules.

The first webinar, *Truth in Lending Act Escrow Rules; Appraisals for HPML and HOEPA*, was presented on Wednesday, December 4. However, there's still time to register for one or both of the remaining webinars:

- \* [December 11](#): Loan Originator Compensation and *Equal Credit Opportunity Act* Valuations
- \* [December 18](#): Ability to Repay/Qualified Mortgage and Servicing Rules

The webinars are approximately one hour. There is no charge to attend the webinars, however, registration is required. Attendees will receive an email confirmation with webinar coordinates. For questions or concerns, please email Carol Sheetz at [carol.sheetz@pcua.org](mailto:carol.sheetz@pcua.org).

## Products & Services

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### Lending: How Does Your Credit Union Compare?

Do you want the ability to quickly benchmark your credit union's loan portfolio against your peers? With [CUAnalyzer](#), you can easily compare your lending programs against any credit union across the state, or across the country.

Under the "Professional Packets" section you will find Chief Lending Officer and Mortgage Manager packets that highlight your credit union's portfolio strengths, as well as areas for growth. Take a look at the "Weekly Hot Topics" for a snapshot of your credit union's asset quality, credit card portfolio, or auto lending programs. All CUAnalyzer reports are easily exported for further analysis or to be shared with staff and board. Check out these [sample reports](#).

If you have any questions about [CUAnalyzer](#), including login information or a demonstration, contact your Association [Account Executive](#).

Tell us what you think about [CUAnalyzer](#) and the other services provided by PCUA by visiting the Association's services section on [LinkedIn](#) or send it in a [tweet](#). Keep the conversation going!

**Don't miss the deadline for the Association's 2014 awards & scholarships. All nominations, applications, and entries are due December 31.**

**Click [here](#) for more information.**

## Credit Union Mortgage Loans Up \$20 Billion

According to Q2 2013 data from CUNA Mutual Group (CMG), real estate secured loans are continuing a positive growth trend with credit unions. The housing market is getting back on track and credit unions are taking hold of this opportunity to serve their members by providing expert mortgage lending services that will guide members through the housing purchase process.

- ✓ Total real estate loans are up \$14 billion (4.4%) year-to-date
- ✓ Nearly \$20 billion (6.1%) year-over-year
- ✓ As of Q2, real estate loans equal 54.15% of total credit union loans & 31.6% of assets

### A Best-in-Class Mortgage Solution

The mortgage market is complex and requires a level of knowledge and understanding that often leads to outsourcing mortgage lending services to a third party for the necessary expertise. [First Heritage Financial, LLC](#), can be just that.

Providing a versatile and integrated, turnkey mortgage solution, First Heritage Financial offers you the opportunity to provide first rate service from credit union mortgage experts that understand the *People Helping People*



philosophy. Their services include originating, processing, underwriting, closing, post-closing, loan servicing and loan sale functions while meeting all Fannie Mae, FHA, VA, USDA, and PHFA guidelines.

The scope of product offerings covers programs from fixed rate to ARMS and jumbo loans, investment properties, and construction loans. With transparent services, there's no need to wonder what message your members are hearing—it's your message; underwriting services are designed to meet the needs of all your members, not just a select few; and staff training, as well as member specific seminars, provide a well-rounded mortgage program to you and your members.

You can put your trust in [First Heritage Financial](#). Contact your Association [Account Executive](#) to discuss how First Heritage can help grow your mortgage lending program.

## One Size Does Not Fit All

When it comes to your employee benefits, we know it's not an off the shelf solution you're looking for. That's why your Association has partnered with [Digital Benefit Advisors](#), the nation's largest, most technologically advanced employee benefit-only agency to deliver custom solutions to our unique credit union membership.

With Digital on your side, your credit union will receive the best of all worlds: access to a broader variety of carriers, dynamic tools, proprietary products, and the support to effectively navigate the complexities of healthcare reform. No one understands your local landscape better than Digital's senior-level advisors who will work closely with your credit union to devise creative and strategic solutions to meet current and emerging needs.



### Best-in-Class Advisors

Digital Benefit Advisors is comprised of the most knowledgeable, local market advisors in the business. They were selected based on their deep industry experience, analytical acumen, passion, and unrivaled commitment. Partnership with our advisors offers your credit union control of long-term benefits and risk management strategies. From the initial call, to strategic planning throughout the year, to handholding during renewals, you will speak with knowledgeable professionals dedicated to your credit union. These experts will guide you through each step of the process.

### Customer Care Advocates

Long after the sale, Digital representatives are available to you — and to your employees — every single business day. This is a huge distinction from traditional brokers and a terrific time-saver for your credit union. Think about it. If your employees don't understand their coverage or are having difficulty with a claim, you don't have to troubleshoot — Digital will do it for you. Most agencies simply don't have the capacity to serve businesses routinely this way, and Digital has an entire team devoted to these endeavors. You can focus on running your business, and let Digital take care of your credit union's employee benefits needs.

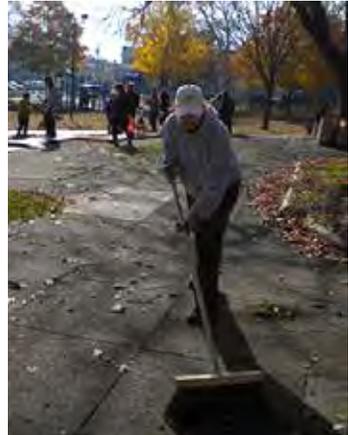
Experience exceptional value, increased confidence, and control of your long-term benefits and risk management challenges. [Digital Benefit Advisors](#) brings together all the elements required for game-changing industry innovation that transforms the benefits experience for your credit union and your employees. To take a closer look, please contact Liz Shaeffer at 800-932-0661, extension 5251 or email her at [liz.shaeffer@pcua.org](mailto:liz.shaeffer@pcua.org).



Credit union employees and members made donations to various organizations for the holiday season. Clockwise from top left: Rock107's motorized shopping cart traveled to **NET FCU's** branches to pick up donations for food banks in Northeastern PA. **Widget FCU** employees donated turkeys and pies to help fill Thanksgiving baskets for needy families. **TruMark Financial Credit Union** employees donated 1,429 pounds of food for needy families living in Bucks County. **Freedom Credit Union** employees raised \$500 for Manna on Main Street in Lansdale through a Halloween costume and dress down day. **Horizon FCU** contributed 162 pounds of food and a check in the amount of \$555 to the Central Pennsylvania Food Bank from a food drive and soup sale.



At right: **Washington Area Teachers FCU** installed a Little Free Library on the outside wall of the credit union, where members and the community can borrow and share books. Far right: **Sb1 FCU** employees volunteered to help clean up Philadelphia's neighborhood parks in preparation for the winter. The credit union sponsored pony rides at the end of the cleanup.



**December**

25  
Christmas Day  
Federal Reserve Bank  
Holiday

**2014**

**January**

1  
New Year's Day  
Federal Reserve Bank  
Holiday

19-22  
CEO Summit, Key West, FL

20  
Martin Luther King, Jr.  
Birthday  
Federal Reserve Bank  
Holiday

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