

Debbie Matz, Board Chairman
National Credit Union Administration



Risks on the Horizon

Presentation to Association of
Credit Union Internal Auditors
San Francisco, California
June 26, 2013

Success Story: Credit Union Industry's Recovery

Positive Trends in U.S. Credit Unions 2009 – 2013

	Year-End 2009	Year-End 2010	Year-End 2011	Year-End 2012	1 st Qtr. 2013
Return on Assets	0.18 %	0.50 %	0.68 %	0.86 %	0.83 %
Net Worth	9.92 %	10.08 %	10.23 %	10.44 %	10.31 %
Loan Growth	+ 1.15 %	- 1.34 %	+ 1.20 %	+ 4.59 %	+ 1.56 %
Delinquencies	1.84 %	1.76 %	1.60 %	1.16 %	1.02 %
Net Charge-offs	1.21 %	1.13 %	0.91 %	0.73 %	0.61 %
Membership	+ 1.49 %	+ 0.63 %	+ 1.49 %	+ 2.18 %	+ 3.45 %

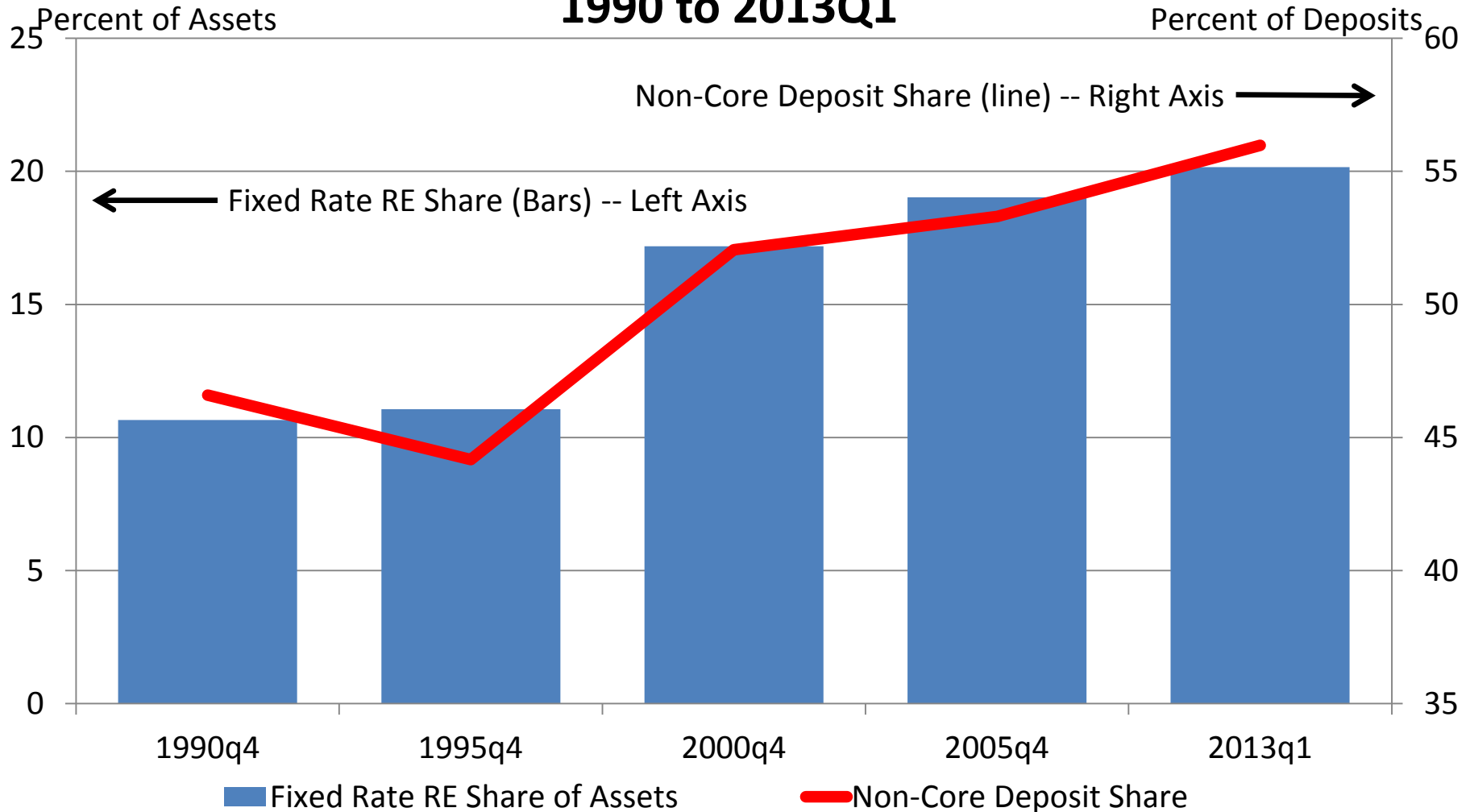
Risks on the Horizon



- **Interest Rate Risk**
- **Reaching for Yield**
- **Third-Party Risks**
- **Cyber-Security Threats**
- **Off-Balance Sheet Risks**

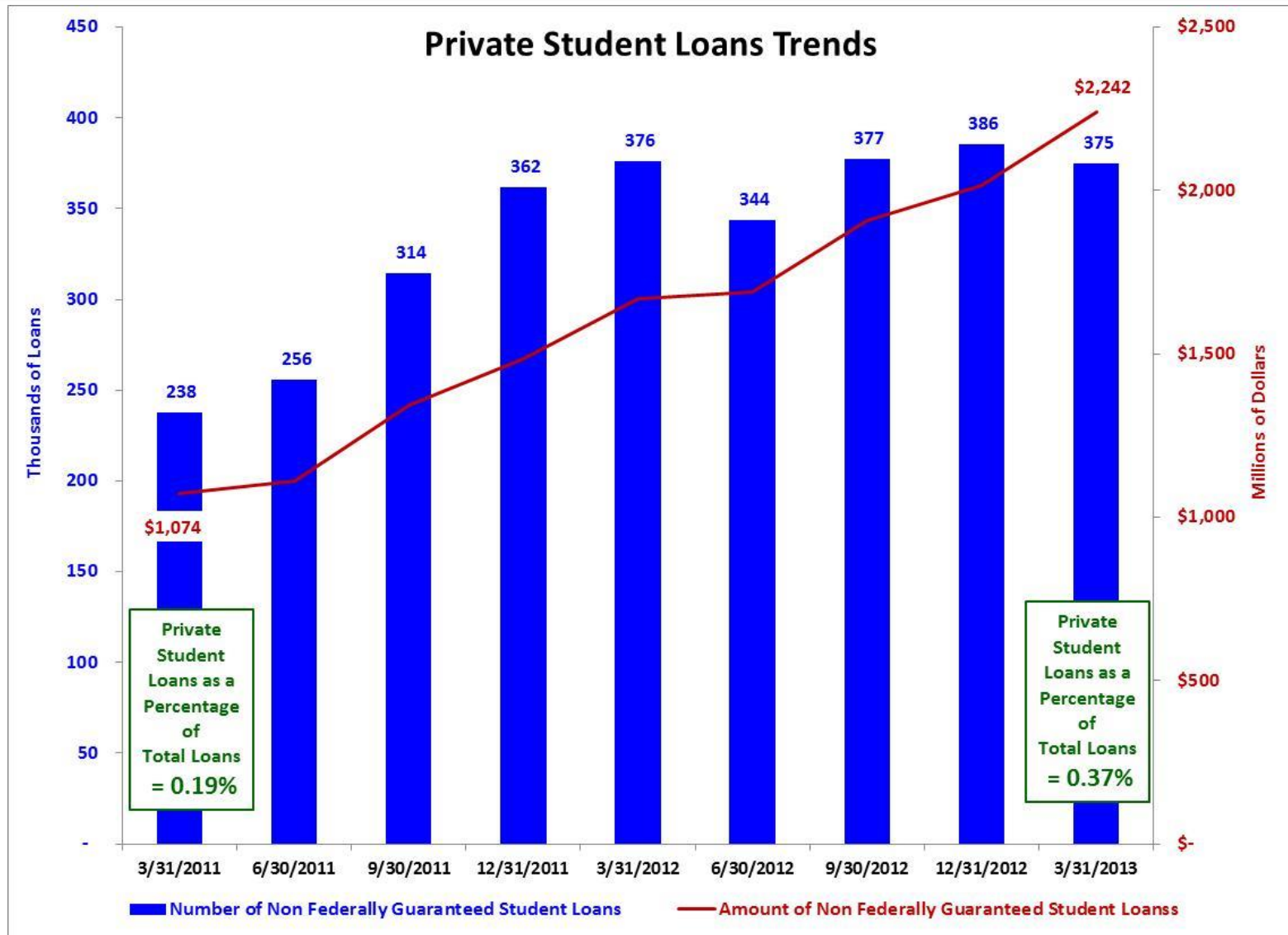
Long-Term Trends in Assets and Liabilities Point to Need for Increased Interest Rate Risk Management

1990 to 2013Q1



Non-Core deposits equal total deposits minus share draft and regular shares.

Reaching for Yield: Student Loans



Third-Party Risks

USA TODAY MONEY
solid MKZ
Nice Lincoln restart. Test Drive, 3B

Sprint
3,942,000 NEW MOMS IN THE U.S.
That's a lot of baby pics to Like. You're gonna need Truly Unlimited™ data on the Sprint network.
sprint.com/unlimited

CREDIT UNION JOURNAL

CUSO Woes Mount At Huge NCUA Ward, Texans CU

Credit Union Journal Daily Briefing | Monday, August 8, 2011

CREDIT UNION JOURNAL

Card Processor Eyed As Breach Source

\$45 million stolen in ATM card breach

Charges accused...
...and masks, signs used...
...gang on Dec. 22 allegedly targeted a credit card processor that handled prepaid MasterCard debit cards...
"In the place of guns and...
However the indictment charged the gang's New York group was headed by Alberto...
Source: National Center for Health Statistics. Available on select plans. Premium members excluded. Premium data subject to fees and other restrictions apply. Visit sprint.com/unlimited for details. © 2011 Sprint. All rights reserved.

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Loan Participation Originations May Trip Up Some Credit Unions: CUSO CEO

BY MICHELLE A. SAMAAD
April 3, 2012 • Reprints



With the recent takeover of Telesis Community Credit Union, the intricacies of the loan participation transaction are in the spotlight.

The \$318 million credit union in Chatsworth, Calif., amassed millions of dollars of the years. Telesis is the founder and was one of the owners of Business Partners L lending CUSO that serves 180 credit unions.

For most credit unions, entering into a loan participation arrangement is a complex with the buyer exercising due diligence to ensure that the loan is viable. However, a point in the deal could potentially pose some risks.

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CU National Mortgage Court Docs Reveal Fraud

BY HEATHER ANDERSON
March 3, 2009 • Reprints



Court documents reveal details about alleged fraud committed by Pine Brook, N.J.-based U.S. Mortgage Corp. and its kaput credit union division, CU National Mortgage.

The \$247 million Picatinny Federal Credit Union of Dover, N.J. was revealed to be the holdout credit union mentioned in a Feb. 26 press release announcing U.S. Mortgage's bankruptcy filing when it filed objection documents that detail alleged fraud.

Picatinny accused U.S. Mortgage of selling 58 of its mortgages, worth \$14 million, to Fannie Mae without its knowledge or approval. Upon learning of the fraud, Picatinny asked for its loan files back; U.S. Mortgage refused. The credit union filed an order of restraint against U.S. Mortgage, but before the order could be heard, the mortgage company filed bankruptcy.



Cyber-Security Threats



- **Distributed Denial-of-Service Attacks**
- **Web Application Attacks**
- **Computer Malware**
- **Social Engineering Attacks**

Cyber-Security Fraud



- **Account Takeovers**
- **Unauthorized Funds Transfers**
- **Credit/Debit/ATM Card Fraud**
- **Identify Theft**

Off-Balance Sheet Risks



- **Executive Benefits and Pension Plans**
 - High-Risk, Non-Compliant Investments
- **Money Service Businesses**

Regulatory Modernization Initiative

✓ Regulatory Relief Highlights:

- Exempting CUs up to \$50 Million from Certain Rules
- Easing Troubled Debt Restructuring
- Facilitating Low-Income Designations
- Permitting Blanket Waivers for MBLs
- Including Video Tellers as Service Facilities
- Adding Treasury Inflation-Protected Securities

Contacting the Office of the Chairman

Feel free to contact our office with questions or comments.

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