



Clothes for Compliance

Compliance will probably not be the most interesting part of your job, but it is one that will help us serve our members to the best of our ability while operating in the safest way possible.

Keeping that in mind, we will be implementing a new compliance incentives program called “Clothes for Compliance.” Keep a watch all day through everything you do. If you find something procedural, on a form we use, on our website, etc. that you think contradicts something you’ve been learning about compliance or something you already know about compliance, let me know. For every issue you bring to light you could earn between \$0.50 and \$2.00 in “ISPFCU bucks” to be used towards your next Logo Wear purchase at Land’s End!



Compliance Training

As indicated during the July Staff meeting, all personnel will begin receiving pertinent compliance training. During the month of August each department will be given a pre-test of compliance issues relevant to their department. A training schedule will then be developed and training will begin shortly after that. Stay tuned for updates on this schedule.

These newsletters will also serve as a conduit for compliance training, so be sure to refer to them for quick reference. They will be kept archived on the ISPFCU intranet. If there are any compliance questions that you see come up a lot or just have general questions about, be sure to email me! We will be adding a FAQ’s section to upcoming newsletters!

Inside this issue:

Clothes for Compliance	1
Compliance Training	1
Compliance Connection for MSR’s	2
Compliance Connection for Loan Staff	3
Training Methods	4
Inspirational Thoughts	4
Compliance Kudos	4

Special points of interest:

- *Compliance Incentive Program! See page 1 for details*
- *2006 Compliance Training Methods: See page 4 for details*
- *Check out Pages 2 and 3 to see how the rules and regulations are affecting the everyday operations of the credit union!*

Share insurance rates increase for IRA accounts

Effective April 1, 2006 Share Insurance Rates were increased from \$100,000 to \$250,000 for certain retirement accounts including IRA's. Until this change, all accounts were only insured up to \$100,000. There are many specific rules as to how to calculate the amount of insured funds for each member. One of these rules dictates the separation of IRA accounts from other share accounts when figuring the amount of share insurance for a member.

To reflect this change, it is proposed that the NCUA share insurance logo be changed to state that funds are insured "to at least" \$100,000. It is also suggested that a change to the logo be made to include the verbiage backed by "the full faith and credit of the United States of America." These changes are still in the proposal stage and comment periods for these changes are still open through the beginning of August.



Why do we limit the number of Money Market Transactions?

Regulation D sets the rules for credit unions to maintain monetary reserves with the federal reserve system. ISPFCU is required to have reserves set aside for all transaction accounts. However, if an account is limited to 6 "qualifying" transactions per month, it is not considered a transaction account. Many credit unions will limit the transactions on all accounts except a share draft or checking account so that they do not have to reserve against those other accounts. At ISPFCU, share or savings accounts do not have transaction limitations and are considered a transaction account. Since Money Market accounts are discouraged from having transactions over 6 (by imposing fees should a member make more than 6 transactions) Money Market accounts are not considered transaction accounts for the purposes of Regulation D.

ISPFCU has reserves for all transaction accounts (savings and checking).

*Compliance Connection for MSR's:
Connecting the Regulations with the
everyday workings of the Department*

Truth in Savings Allowable Terms

NCUA part 707 prohibits the use of certain terms when discussing share accounts. Federal credit unions are prohibited from describing a Certificate Account with terms such as "Certificate of Deposit," "CD," "time account," and "time deposit." Similarly, the use of the word "interest" for these accounts, and all share products, is prohibited, as they are dividend-bearing, not interest-bearing. The biggest reason for this is that there are different rules and requirements for the payment of dividends and interest and to disclose an account that acquires dividends as "interest-bearing" can be misleading to consumers.



18% Interest Rate Ceiling Maintained

At the NCUA meeting on July 20, 2006 the decision was made to maintain the 18% interest rate ceiling until March 9, 2008. In 1980 Congress increased the maximum rates that federal credit unions can charge on loans from 12% to 15%. The law also allows the NCUA board to temporarily increase (not to exceed 18 months) that rate ceiling if they have contacted the proper government offices and if circumstances indicate that the safety and soundness of individual credit unions would be threatened without the rate ceiling increase. The federal usury ceiling has been set at 18% since 1987, unchanged after every periodic review.

*Compliance Connection for Loan Staff:
Connecting the Regulations with the
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Another recent change has been that the NCUA board has revised the Lending Rule to eliminate unnecessary, periodic amendments to the general lending regulations. Instead of amending the regulation every 18 months when it is decided to maintain the higher interest rate ceiling, NCUA is now allowed to simply inform federal credit unions of their decision via a Letter to Federal Credit Unions, other NCUA publications, and a press release.

New Signature Box for Visa Applications

Did you notice the new Signature Box for Visa Applications? It now has an additional disclosure about offsetting shares from a member's deposit account as payment for delinquent Visa Card accounts. Generally, a credit union has the right to apply funds on deposit in a member's account if the member's loan obligations are delinquent (the right of setoff). However, as a general rule, this right of setoff does not apply when a member is delinquent on a credit card. A credit union can circumvent this generality, however, by placing a statement that funds on deposit can and will be used to setoff a Visa debt and confirming that the member both read and agreed to these terms by obtaining the member's initials or signature at the point of the disclosure.



New FEMA form

FEMA has issued a revised Standard Flood Hazard Determination form, FEMA Form 81-93, Dec. 05, which replaces FEMA Form 81-93, Oct. 02.

Only minor revisions to the instructions appear on the new form. As of July 1, 2006, only the new form may be used. The new form may be accessed from the FEMA website at

<http://www.fema.gov/business/nfip/sfhdform.shtm>





Training Methods

Very soon a Compliance Training Schedule will fill this area of the monthly newsletters. Though the frequency of such training sessions has yet to be determined, I wanted to let you know of various ways in which Compliance Information will be made available to you.

1. Newsletters: These newsletters will contain information on proposed changes to regulations as well as newly implemented changes to regulations. A FAQ area will also be added, so be sure to ask any questions that you have regarding how or why we do certain things!
2. Training Sessions: Many of the regulations will have their own training sessions. This schedule will be made based on the compliance pre-tests as well as training requirements of various regulations.
3. Compliance Manuals: Compliance manuals will be available for your quick reference on our intranet. More in-depth manuals can also be found in the compliance library in my office.
4. Questions: One of the best ways to learn is to use the real life situations you're in daily to bring up questions and get answers. If something comes up, please feel free to ask why or how!

Compliance Kudos!

Do you want everyone to know that YOU were the reason we changed that form, or that it was YOU who pointed out that a typo I made on the last training PowerPoint was totally misleading? Not only can you earn compliance incentives by keeping your eyes and ears open, but you can get the inter-office Kudos you know you want!

**This newsletter will be archived
on the ISPFCU intranet!**

Inspirational Thoughts:

“Live as if you were to die tomorrow.
Learn as if you were to live forever.”
~Gandhi

“The mind is not a vessel to be filled,
but a fire to be ignited.” ~ Plutarch

“Education is the ability to think
clearly, act well in the world of work
and to appreciate life.” ~Brigham
Young