



Detailed Outline for NAFCU Volunteer Training Program

Please keep a copy of this outline within your training records to show to NCUA or other examiners.

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History, Nature and Organization of Federal Credit Unions

- 1) History
 - a) Birth of the movement
 - i) Europe
 - ii) Canada
 - b) History in United States
 - i) First credit union
 - ii) Major milestones
- 2) Nature
 - a) Cooperative
 - b) Not-for-profit financial institution

- i) Products and services
 - c) Democratically-controlled
 - d) Common bond
 - e) Volunteer leadership
- 3) Organization
 - a) Federal or state-chartered
 - b) Elected board of directors
 - c) Supervisory Committee
 - d) Credit committee
 - e) Professional staff
 - f) NCUA and the regulation of Federal Credit Unions
 - g) History of Regulator
- 4) Linguistics
 - a) Shares versus deposits
 - b) Dividends versus interest
 - c) Members versus customers

Role of the Board

- 1) The Board of Directors
 - a) General responsibility
 - b) Who is eligible
 - i) Nominating committee
 - ii) Bylaws (explain bylaws)
 - c) How are they elected
 - d) Number, terms, vacancies
 - e) Compensation
- 2) Specific duties
 - a) Membership applications
 - b) Fidelity coverage
 - c) Fill vacancies on board and credit committee
 - d) Appoint Members of Supervisory Committee/Credit Committee
 - e) Investments
 - f) Number and class of share accounts
 - g) Loans, Loan Officers and Lending Policies
 - h) Interest refunds
 - i) Loan officers
 - j) Par value of shares
 - k) Hire and compensate Officers and employees
 - l) Executive committees
 - m) Establish Share Rates
 - n) Establish all necessary internal controls
 - o) Do all other things “necessary and proper.”
- 3) Corporate Governance
 - a) Hiring and working with CEO

- b) Strategic Planning
- c) The Board Meeting
 - i) The “Board Pack”
 - ii) Key Ratios
 - iii) Rules governing meetings
- d) Risk Management
- e) Overview: Too little or too much?
- f) Relationship with Supervisory Committee
- g) Member special meetings

Role of the Supervisory Committee

- 1) The Supervisory Committee
 - a) General responsibility
 - b) Who is eligible and how are they selected
 - c) Number, terms, vacancies
 - d) Compensation
 - e) Suspension
- 2) Specific duties
 - a) The Audit
 - b) Verification of Accounts
- 3) Other Duties
 - a) Internal audit
 - b) Resolution of member complaints
 - c) Strengthening internal controls
 - d) Reviewing management’s corrective actions
 - e) Special meetings
 - i) Removal meetings
 - ii) Membership meetings

Ethics and Fiduciary Duties

- 1) Ethics
 - a) What are NCUA’s expectations?
 - b) Why should we care?
 - i) U.S. Sentencing Commission
 - ii) Reputation Risk
 - iii) Member Expectations
 - c) The Bank Bribery Act
- 2) Fiduciary Duties
 - a) What are fiduciary duties?
 - b) Which apply to credit union volunteers?
 - i) Duty of Care
 - ii) Duty of Loyalty
 - iii) Other duties?

- c) Liability Issues

The Regulation of Federal Credit Unions

- 1) Regulatory Structure of Federal Credit Unions
 - a) The Federal Credit Union Act
 - b) NCUA
 - c) State chartered credit unions
- 2) What governs Federal Credit Unions
 - a) NCUA
 - i) Federal Credit Union Act
 - ii) NCUA Regulations and Guidance
 - b) Other agencies
 - i) The Federal Reserve
 - ii) The IRS
 - iii) HUD
 - iv) Accounting?
 - c) The Law
 - d) Contracts
 - e) Lawsuits
 - f) Reputation
 - g) Risk
 - h) Your credit union
 - i) Policies and procedures
 - ii) Vision statements
 - iii) Ethics guidelines
- 3) Two-way street
 - a) Interaction with lawmakers
 - b) Interaction with regulators

The Examination Process

1. Why does NCUA Examine Federal Credit Unions?
 - a. Protection of insurance fund
 - b. Compliance with rules and regulations
2. Risk-based examination process
 - a. Explanation of risk-based exams
 - i. Maximize efforts on weakest institutions
 - ii. Maximize use of agency resources
 - b. Minimum areas of examiner review
 - c. What examiners will inspect
 - i. Supervisory Committee Audits
 - ii. Past exam findings
 - iii. 5300 data
 - iv. Credit union policies and procedures
 - v. Employee/official interviews

3. What are they looking for?
 - a. Overview of CAMEL Rating System
 - b. C
 - c. A
 - d. M
 - e. E
 - f. L
 - g. Your credit union's CAMEL rating and what it means
4. The Examination Report and Exit Meeting
 - a. Credit union expectations
 - b. NCUA responsibilities
 - c. Reaction to findings
5. Challenging examiner findings
 - a. Issue of examiner consistency
 - i. Multiple regions
 - ii. Examiner turnover
 - iii. Nature of risk-based exam system (no two really are supposed to be the same)
 - b. Pros and cons of "pushing back"
 - c. Process of challenging examination findings
6. NCUA Administrative Powers

Risk Management

- 1) Overview of Risk and the Role of the Board in Managing It
 - a) What is Risk
 - b) Responsibility of Board to Manage Risk
 - c) Examples of how risk adversely affect credit unions
- 2) What types of risk affect federal credit unions
 - a) Credit Risk
 - b) Interest Rate Risk
 - c) Liquidity Risk
 - d) Transactional Risk
 - e) Compliance Risk
 - f) Strategic Risk
 - g) Reputation Risk
- 3) How does NCUA expect credit unions to manage risk
 - a) Risk Identification
 - b) Risk Measurement
 - c) Risk Control
 - d) Risk Monitoring
- 4) Other areas involving risk management
 - a) The Bank Secrecy Act
 - b) Information Security
 - c) Identity Theft Prevention
 - d) Vendor Management

Privacy, Security and Identity Theft

- 1) The importance and use of information in the credit union industry
- 2) Privacy
 - a) NCUA's Privacy Rule
 - b) Other areas that touch upon privacy
 - i) CAN-SPAM
 - ii) Affiliate Marketing Rules
 - iii) Medical Information
 - iv) COPPA
 - v) Fair Credit Reporting Act's Affiliate Marketing Rule
 - vi) Privacy Torts
 - (1) False Light
 - (2) Public Disclosure of Private Facts
- 3) Security
 - a) NCUA's Security Rule
 - b) Emerging Trends
 - i) Phishing
 - ii) Pharming
 - iii) Malware
 - c) Other Concerns
 - i) Board packs
 - ii) Loan files
- 4) Identity Theft
 - a) Worth of data on the black market
 - b) Regulator Concerns
 - i) Red Flags
 - ii) Security Fixes (Two Factor Authentication)
 - iii) Member Education
 - iv) Phishing, Pharming, etc., revisited

The Bank Secrecy Act, money laundering and financial crime

- 1) Overview of money laundering and financial crime
 - a) Why credit unions are a target
 - b) Types of financial crime
 - i) Money laundering
 - ii) Loan fraud
 - iii) Check kiting
 - iv) Identity theft
- 2) The Bank Secrecy Act

- a) History and development
- b) Goals
- c) Parties involved with BSA system
 - i) Credit unions and other financial regulators
 - ii) Treasury/FinCEN
 - iii) NCUA
 - iv) Law enforcement
- 3) Framework of the system
 - a) Identification
 - b) Recordkeeping
 - c) Reporting
 - i) Suspicious Activity Reports
 - (1) Confidentiality
 - (2) Board report
 - ii) Currency Transaction Reports
 - d) Interaction with law enforcement
- 4) Role of Board
 - a) Policies and internal controls
 - b) Risk management
- 5) Lessons learned from enforcement actions
 - a) Riggs Bank
 - b) BankAtlantic
 - c) Foster Bank
 - d) NCUA Cease and Desist Orders

Asset Liability Management

- 1) Accounting
- 2) ALM
 - a) What is asset liability management?
 - b) What does an effective ALM program accomplish?
 - c) Who is responsible for ALM programs?
 - d) Interest Rate Risk in the context of ALM
 - i) What is interest rate risk?
 - ii) What happens in a changing rate environment?
 - iii) How can credit unions protect themselves
 - (1) Policies and procedures
 - (2) Separate risk takers from risk measurers
 - (3) More complex balance sheets, more modeling and due diligence
 - (4) Measurement and Testing
 - e) Credit Risk in the context of ALM
 - i) What is liquidity risk
 - ii) What are sources of liquidity
 - iii) How can credit unions protect themselves?
 - (1) Policies and procedures
 - (2) Measuring cash flow demands

- (3) Planning for emerging liquidity demands
- (4) Measuring and responding to changing liquidity risk levels

f) Key Ratios

- (a) Loan/Assets
- (b) (Borrowings and non-member deposits)/(Total shares and liabilities)
- (c) (Cash and short term investments)/Total assets
- (d) (Regular Shares and Share Drafts)/(Total shares and borrowings)

3) Evaluation of Financial Reports