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*League of Southeastern  
Credit Unions*

March 21, 2013

## Dues Rebate

- LSCU Board Chairman Mary Ott Wood, who also is the CEO of Florida West Coast CU in Brandon, said, "It's important that our credit unions in Alabama and Florida know that the LSCU & Affiliates is not only working for them to advance our industry, but we understand the challenges they are still facing back at home."

She noted "This is the first dues rebate ever offered in either state."



## Dues Rebate

- Southeastern CUs to receive dues rebate in 2013
- "Through consolidation we've been able to streamline our operations," said League of Southeastern Credit Unions & Affiliates president/CEO Patrick La Pine. "That means that the league is running more efficiently. LEVERAGE has had a very good year financially and we feel it's important to have our credit unions share in our success in the form of a dues rebate."



# Compare & Monitor Interest Rate Movement

As a value of membership, LSCU member credit unions now have free access to **RateMap**. Powered by RateWatch, **RateMap** is a unique mapping tool that provides users with access to key interest rates for a selection of the most commonly offered deposit and loan rates in a credit union's backyard and across the country.



With access to RateWatch's national database of more than 90,000 branches for deposit data and more than 40,000 branches for loan data, competitive analysis is now only a click away. Credit unions can research by address, zip code, or city and state and narrow search results by filtering by institution type, product type, and rate.



### Features

- Rates for a selection of the most commonly offered deposit and loan products
- Rate coverage of all the institutions/branches monitored by RateWatch
- Zoom or scroll the map to change your view
- Hide the customization tools to view full map
- Detail such as address, phone number, website, number of locations and bank deposit balances
- Customer/member reviews from online review sites such as Yelp
- Listing of internet bank rates
- Ability to print deposit rate report

### Benefits

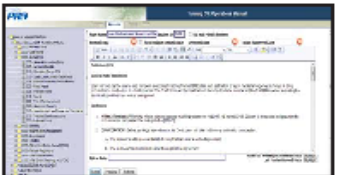
- Compare your rates to those in your local area
- Monitor interest rate movement and identify opportunities to promote products as "best rate"
- Analyze offerings locally, regionally, and nationwide
- Research new market potential
- Understand area saturation
- Examine bank branch market share
- Advance revenue and profit goals
- Receive exclusive discounts on additional competitive comparison tools from RateWatch

# Policy Management Made Easy

As a value of membership, LSCU member credit unions now have free access to **PolicyPro**. **PolicyPro** provides credit unions a comprehensive suite of more than 200 model policies that have been researched, developed, and written specifically for credit unions by regulatory experts. This online operations policy manual system means no paperwork to manage, and it can be accessed via any computer.



Authorized staff are able to securely access, view, print, and update policies from any Internet connection. Because policies change, **PolicyPro** continually researches relevant developments to keep you current.



### Features

- Secure, web-based platform
- Easily add new sections
- Archive capability
- Easy insertion of semi-annual updated information
- Library access that includes an archived history of all changes made
- Electronic storage area for published manuals and supplemental documents

To access these resources, log in at [www.lscu.coop](http://www.lscu.coop). For questions, call the Compliance Hotline at 866.231.0541.



# Regulator Meetings

- **Interest Rate Risk long term fixed rate mortgages**
- **Concentration Risk**
- **Credit Risk**
- **Yield Forces**
- **Loan Modifications**
- **Third Party Due Diligence**
- **Financial Literacy Requirement**
- **DORs vs. Examiners Findings**

## Regulator Meetings

- Enterprise wide shocks on credit risk
- BSA on annual training for staff and volunteers and independent testing
- Troubled Debt Restructuring (TDR) on loan modifications
- Operating expenses are going to be a concern for smaller and mid-size credit unions
- Document of Resolution (DORs) should be handled. Repeat DORs will be elevated to a Letter of Understanding and Agreement (LUA)

## Regulator Meetings

- Loan demand is flat and credit unions could increase emphasis on used car lending
- Your ALM program and interest rate risk
- Allowance for Loan and Lease Loss (ALLL) should be reviewed to ensure that loans are being properly categorized and charged off so your financials can present a full and fair disclosure of your credit union's financial condition.

# Interest Rate Risk Regulation

- **Went into effect September 30, 2012**
- **CUs with < \$10 million in Assets, not covered**
- **CUs with \$10 to \$50 million in Assets, whose first mortgages plus investments greater than five years maturity equal or exceeds their net worth are covered**
- **NCUA Letters 12-CU-11 and 12-CU-05**



## Share Guarantee Expired

- NCUA Letter 12-CU-03 reminded credit unions that the higher corporate insurance limits (over \$250,000) would expire at the end of the year. This was done to reduce uncertainty about the safety of deposits in corporate credit unions when liquidity and credit concerns had impacted the credit markets.
- Your credit union should evaluate current corporate holdings and make adjustments (perform appropriate due diligence) necessary to meet your risk tolerance.
- NCUA Letter 12-CU-14 referenced the above letter and also makes mention that the Dodd-Frank unlimited insurance on all noninterest-bearing transactions accounts would also cease on 12.31.2012. This can affect some of your members and their accounts with your credit union.



# Liquidity

- NCUA Letter 12-CU-10 alerted credit unions to have plans in place for liquidity with the impending closing of US Central Bridge. The Central Liquidity Facility's (CLF) role as an emergency liquidity provider was going to change. If you wanted to use the CLF, you would need to directly join.
- Also, on July 24, 2012, the NCUA issued a proposed rule on "Maintaining Access to Emergency Liquidity"





## Interest Rate Expectations

- The Fed says it doesn't expect to touch short-term rates until it sees the unemployment rate fall to 6.5% or lower, as long as inflation forecasts remain near its 2% target.

## Economic Outlook

Since consumer spending accounts for about 70 percent of the nation's gross domestic product (GDP), the recovery will continue to sputter along. Household spending remains constrained and faces strong headwinds that include a weak labor market, modest income growth, lower housing wealth, and tight credit.



# Economic Outlook

There were several worldwide and domestic economic events that have harmed economic growth.

1.) In 2010 we had the Deepwater Horizon Disaster. In 2011, the earthquake and Tsunami in Japan created disruptions to the supplies of many items used throughout the world economy. In 2012 we had severe droughts in the central U.S. and then Super Storm Sandy hit the Northeast with a nasty Halloween surprise!

2.) The Arab Spring created upheavals in the oil markets. Gasoline, which was selling for a little over \$3 a gallon at the end of 2010, had risen to more than \$4 a gallon by May. The more it costs consumers to fill up their gas tanks, the less they have to spend on consumer items. And, it is still continuing!



## Economic Outlook

3.) Although housing prices have stabilized, a trillion in housing wealth has evaporated making consumers nervous and not allowing them to use their house as an ATM.

4.) The European debt crisis! Various countries Portugal, Ireland, Italy, Greece, and Spain (PIIGS) are scaling back promises they have made to their citizens. Even though, the Eurozone has entered a recession for the second time in three years, it doesn't seem likely that Europe will have a melt down.





## Economic Outlook

- The big worry last year was that Greece would collapse under its debts, upend Europe's markets and set off a global financial crisis.
- Greece's government bonds soared 97% as the debt crisis eased.
- However, Europe's economy remains in a slump. The 17 countries that share the euro currency recently slid into their second recession in three years.
- Unemployment rate has reached a new high of 11.8%.

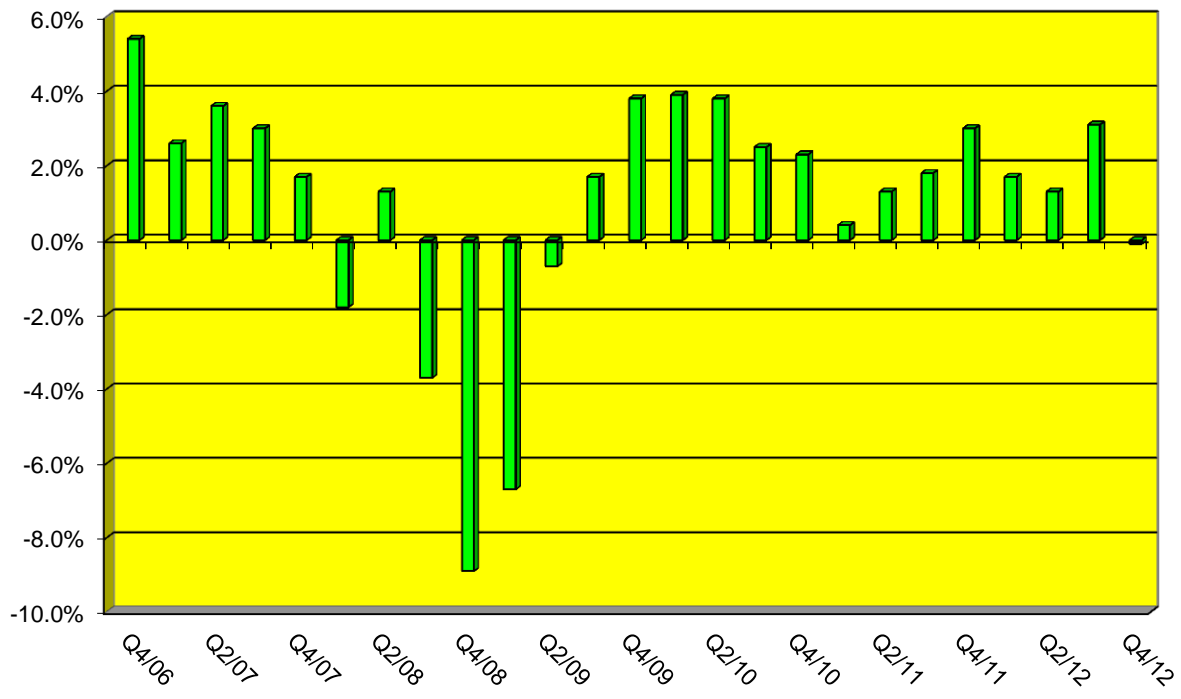
## Economic Outlook

- Milton Friedman taught us that “Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.”
- However, in today's economy, it would be difficult to spark and sustain inflation with so many unemployed and underemployed workers, empty stores and offices and underused factories.

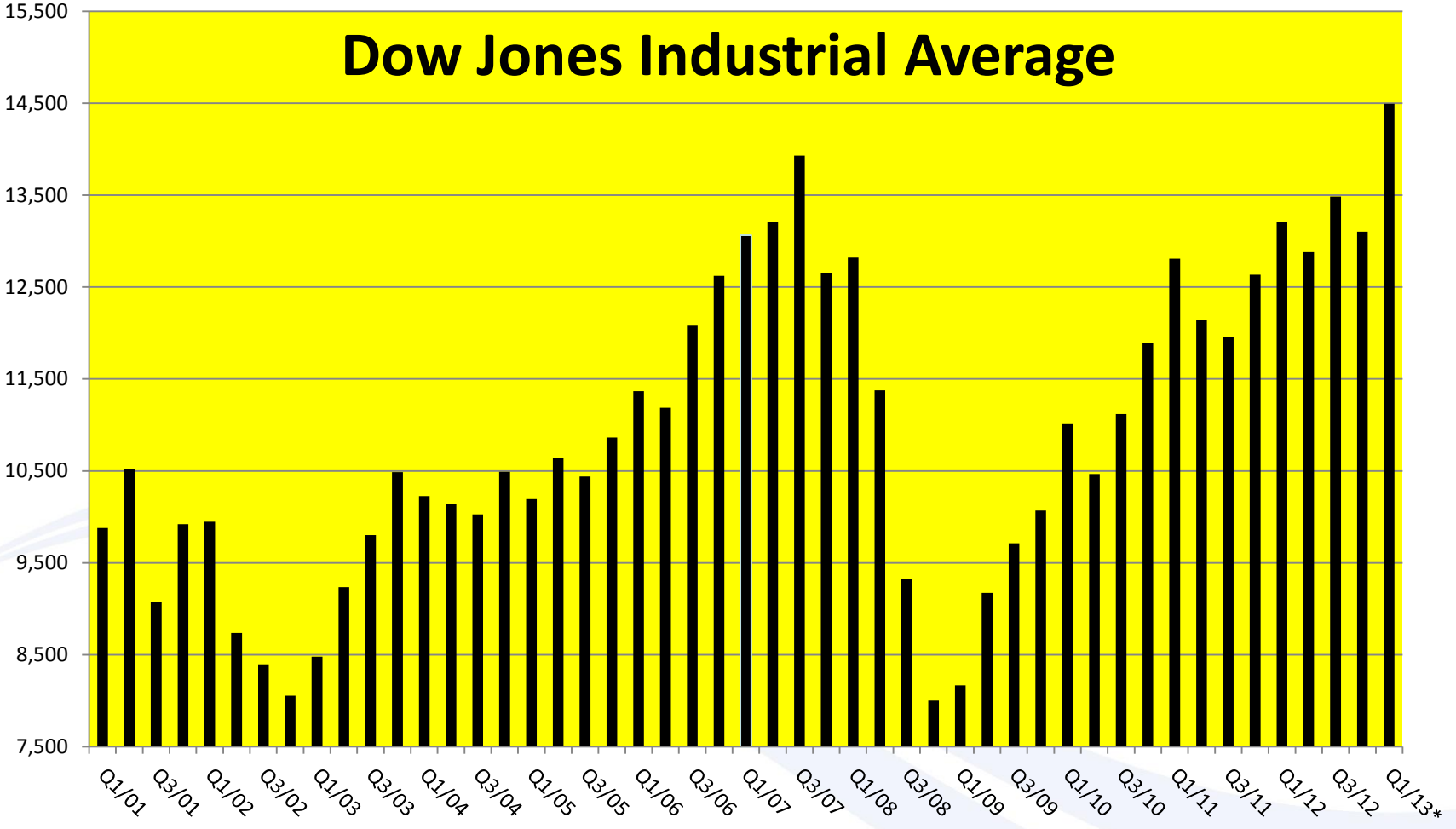
## Economic Outlook

- The Fed's beige book report on the economy says a large number of cyclical industries are either gaining momentum or at least in the case of auto business holding on to most of the acceleration they had built earlier in 2012.
- Housing is strengthening. Construction is picking up in 11 or the 12 Fed districts.
- Tourism is strong.
- Haven't seen impacts from the payroll tax increases for all or increases in tax rates for Americans making more than \$450,000.

# Gross Domestic Product

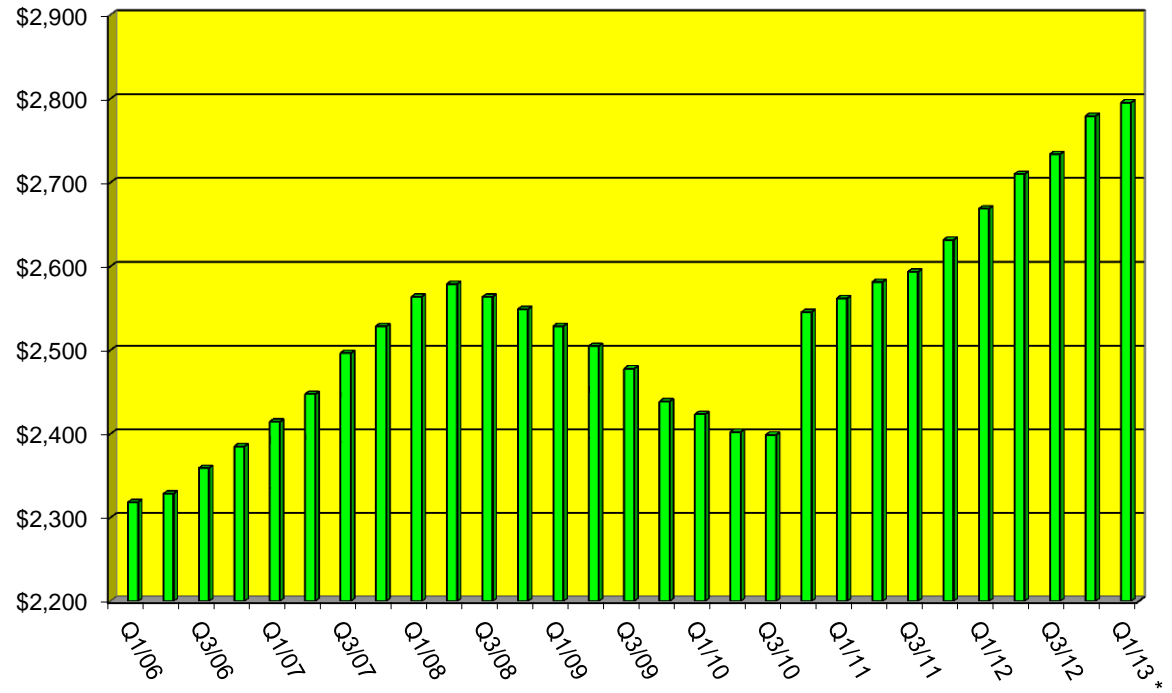


# Dow Jones Industrial Average



# Consumer Borrowing

(Billions of dollars; Seasonally adjusted)





## Economic Outlook

- Over the past 12 months, average hourly earnings have risen 2.1%.
- Consumer prices have risen 1.7%.



# Economic Outlook

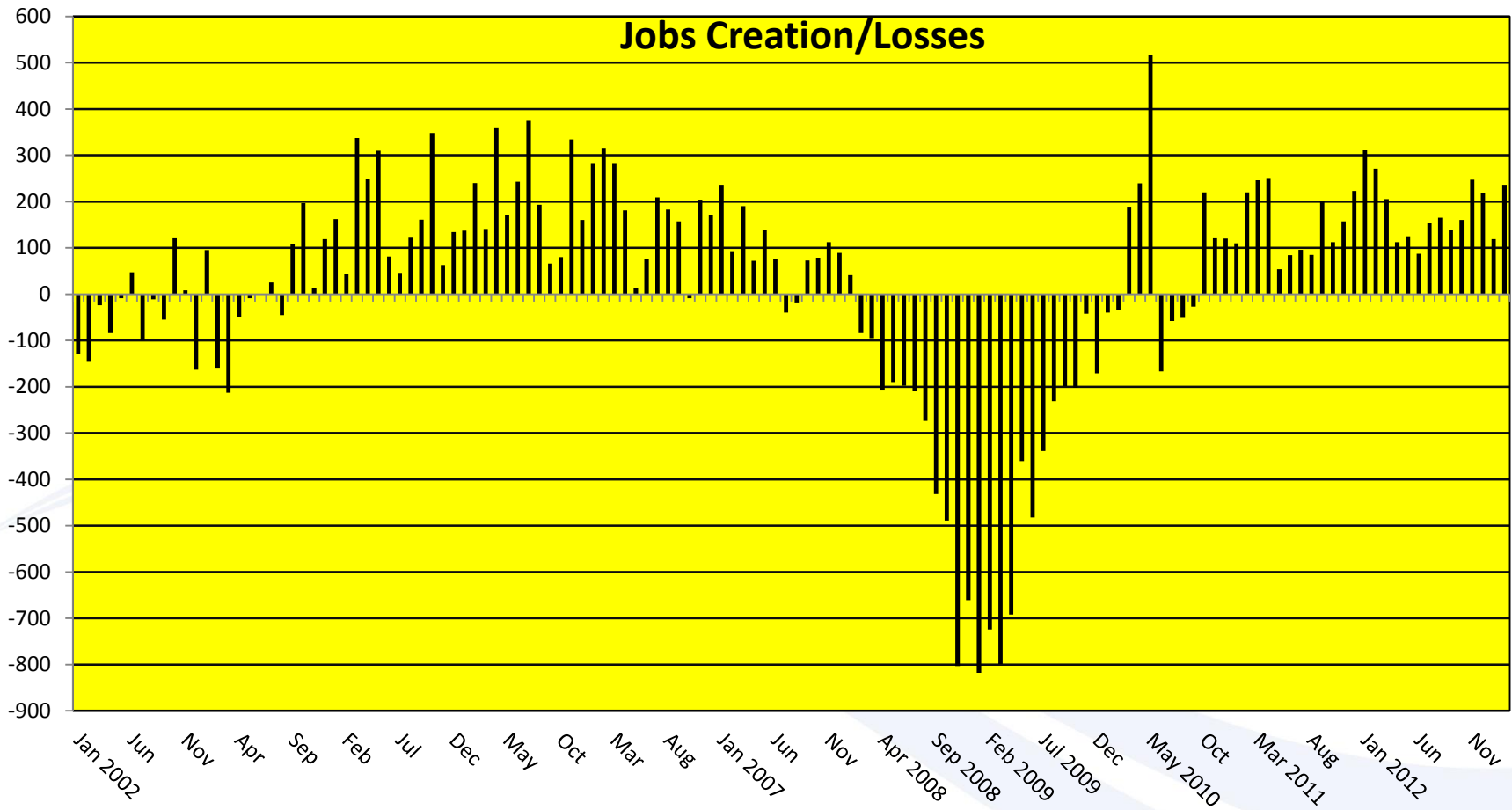
- The unemployment rate is 7.7%, still too high, but at least it is headed in the right direction! One very encouraging number is the average workweek in February increased to 34.5 hours. This metric was 34.7 when the economy peaked in 2006! As that number gets higher, employers increase their hiring!
- Our largest trading partner the Eurozone's unemployment rate is 10.5% - ouch! Spain's unemployment rate is the highest in 18 years at 24.4% and Standard and Poor's downgraded their credit rating two more notches after a two notch drop earlier in 2012.
- The labor department revised estimates upward for all of 2012 by 335,000.



## Economic Outlook

- This means that the economy added about 180,000 jobs a month last year vs. the 151,000 originally estimated!
- It typically requires job gains of at least 150,000 to bring down the unemployment rate though that rate is falling as more Baby Boomers retire, reducing the number of people looking for work. 10,000 baby boomers are retiring each day!
- 236,000 private sector jobs were created in February.

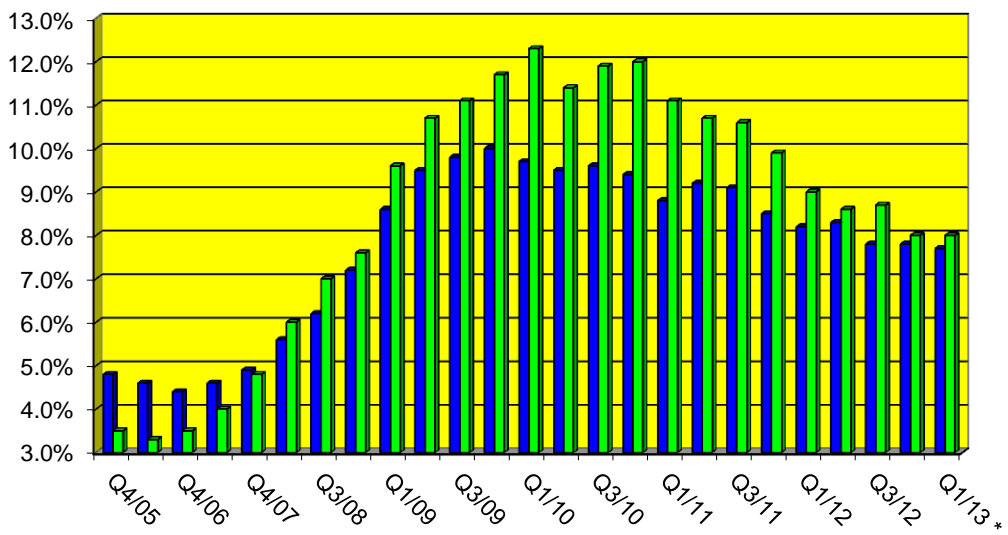




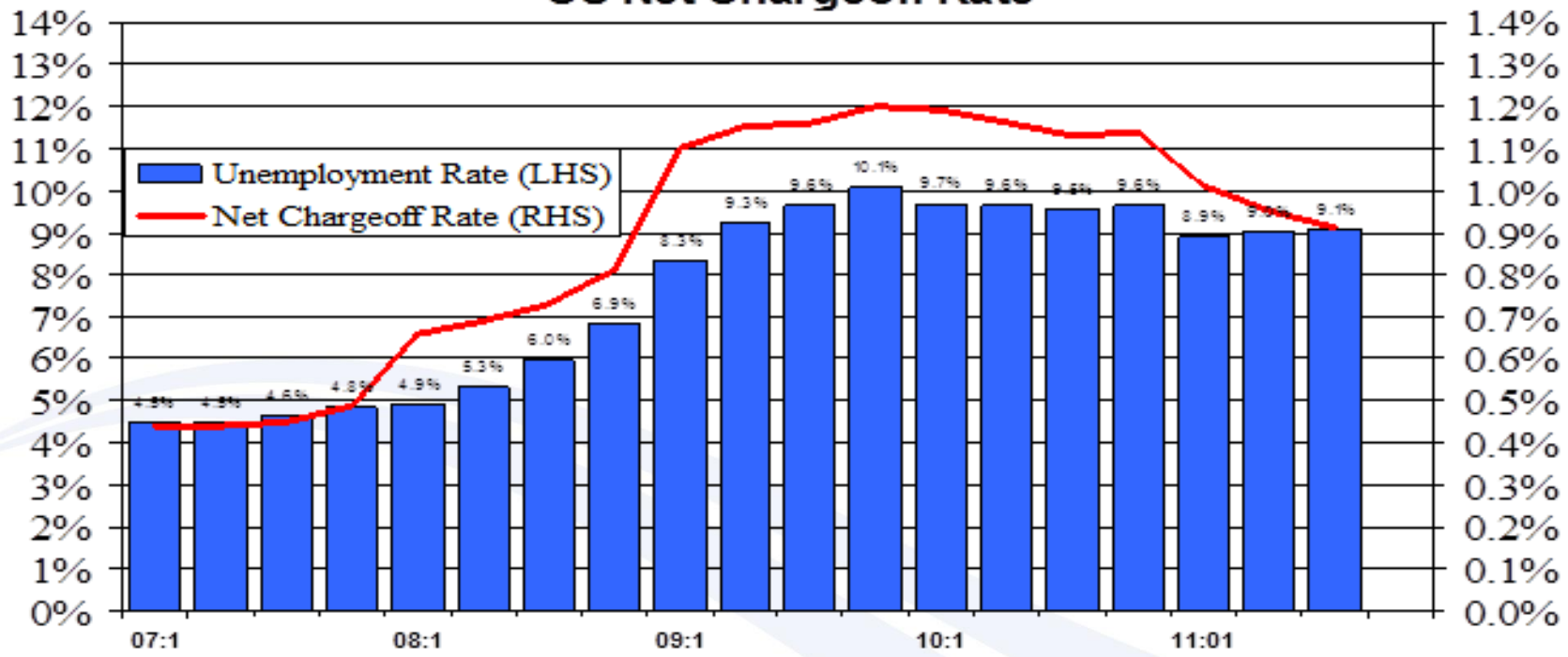
# Unemployment Rate

USA

Florida



### Unemployment Rate Versus CU Net Chargeoff Rate



Source: Department of Labor, NCUA, CUNA



The Office of Federal Housing Enterprise Oversight (OFHEO) estimates and publishes quarterly house price indexes for single-family, detached properties using data on conventional conforming mortgage transactions obtained from the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae).

Quarterly house price indexes (HPI) are reported for the nation, the nine U.S. Census divisions, the 50 states, and the District of Columbia. The HPI for each geographic area is estimated using repeated observations of housing values for individual single-family residential properties on which at least two mortgages were originated and subsequently purchased by either Freddie Mac or Fannie Mae since 1975.

The use of repeat transactions on the same physical property units helps to control differences in the quality of the houses comprising the sample used for statistical estimation. For this reason, the HPI is described as a “constant quality” house price index.



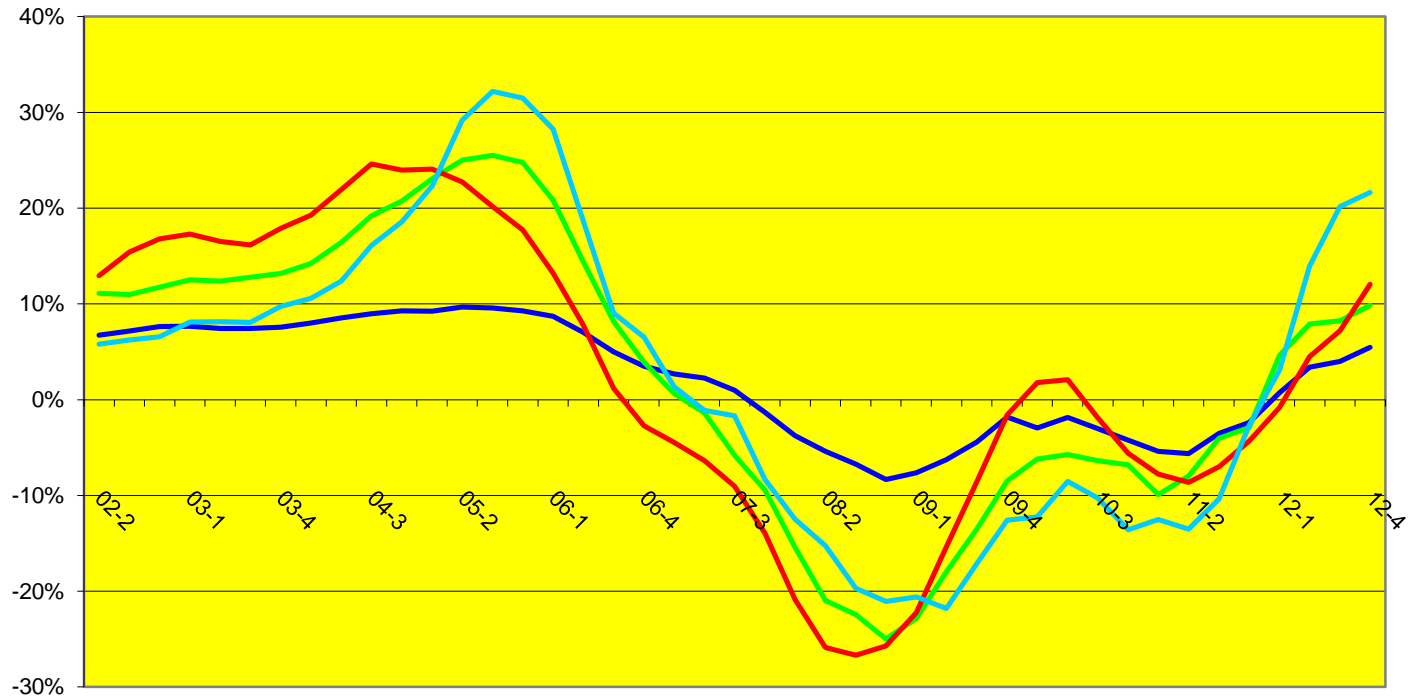
# Real Estate Prices

USA

Florida

California

Arizona



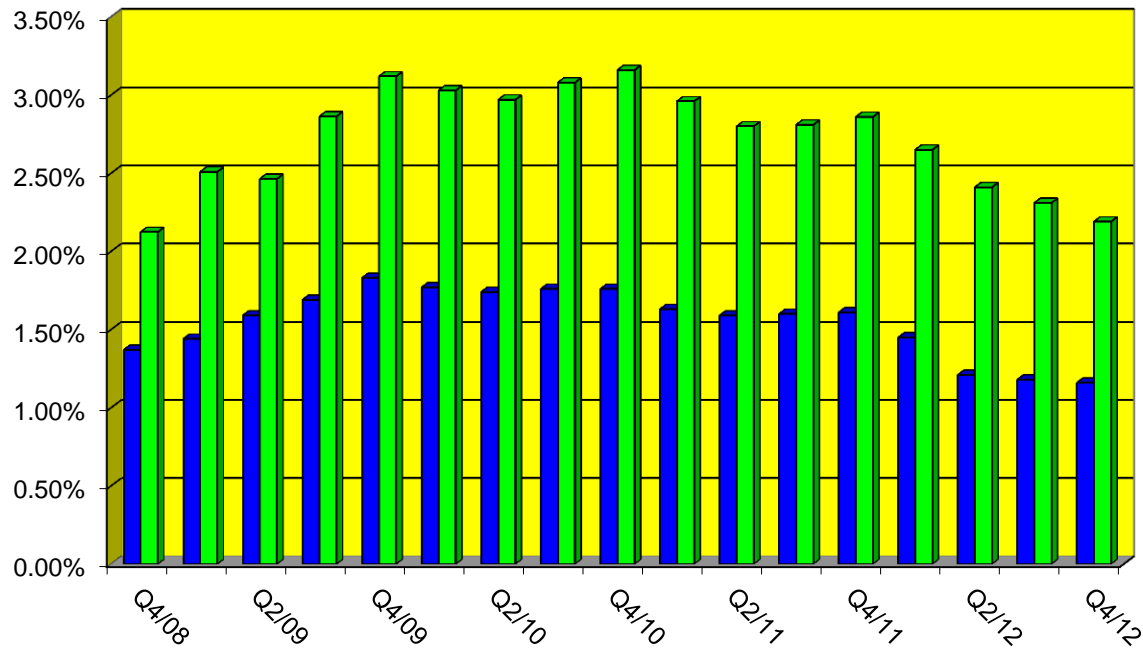
The following seven graphs have been developed by downloading and analyzing current and historical Call Report Data from the NCUA.



# Delinquent Loans to Loans

USA

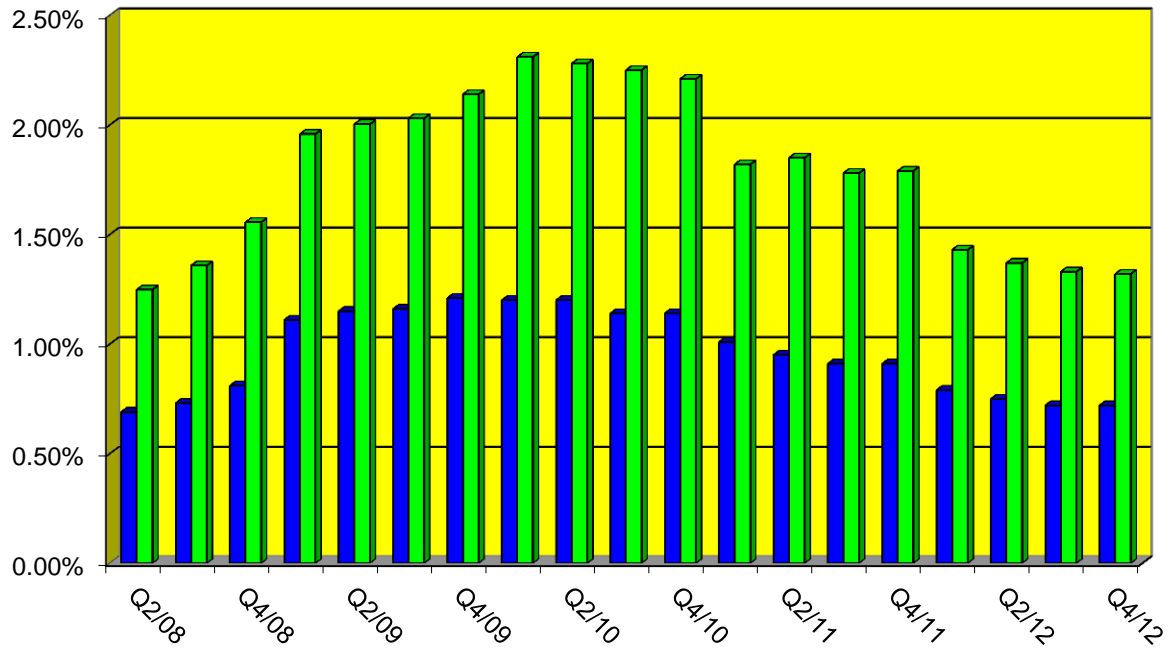
Florida



# Net Charge-Offs

USA

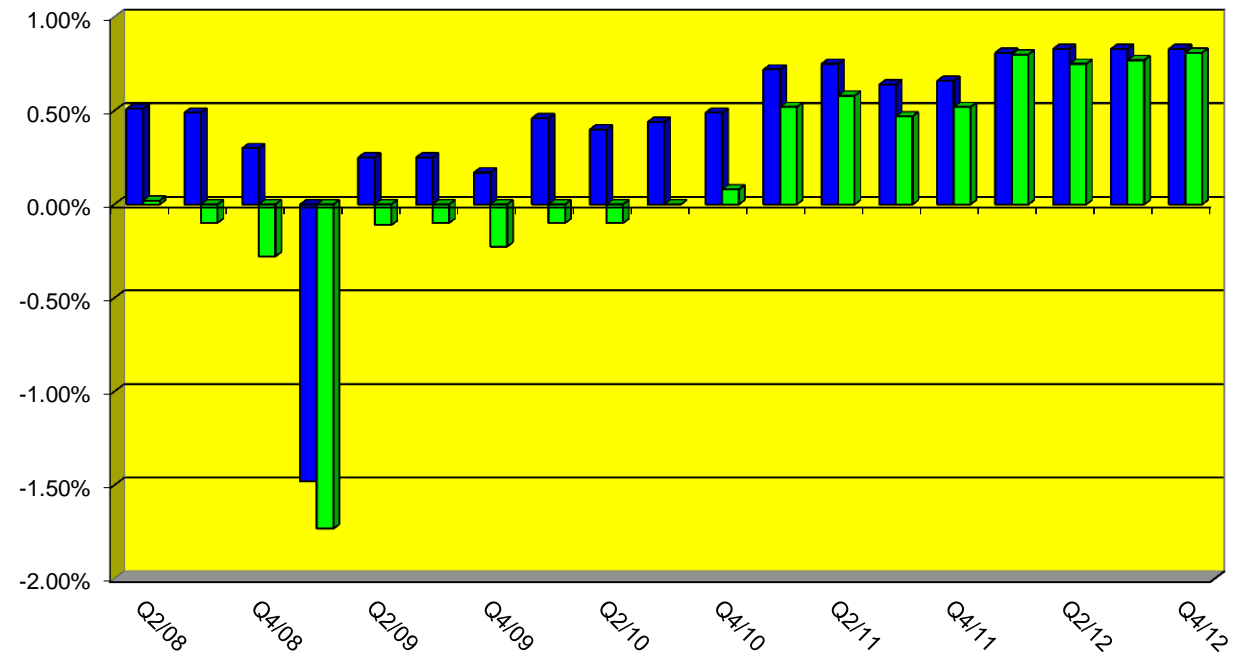
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# ROAA

USA

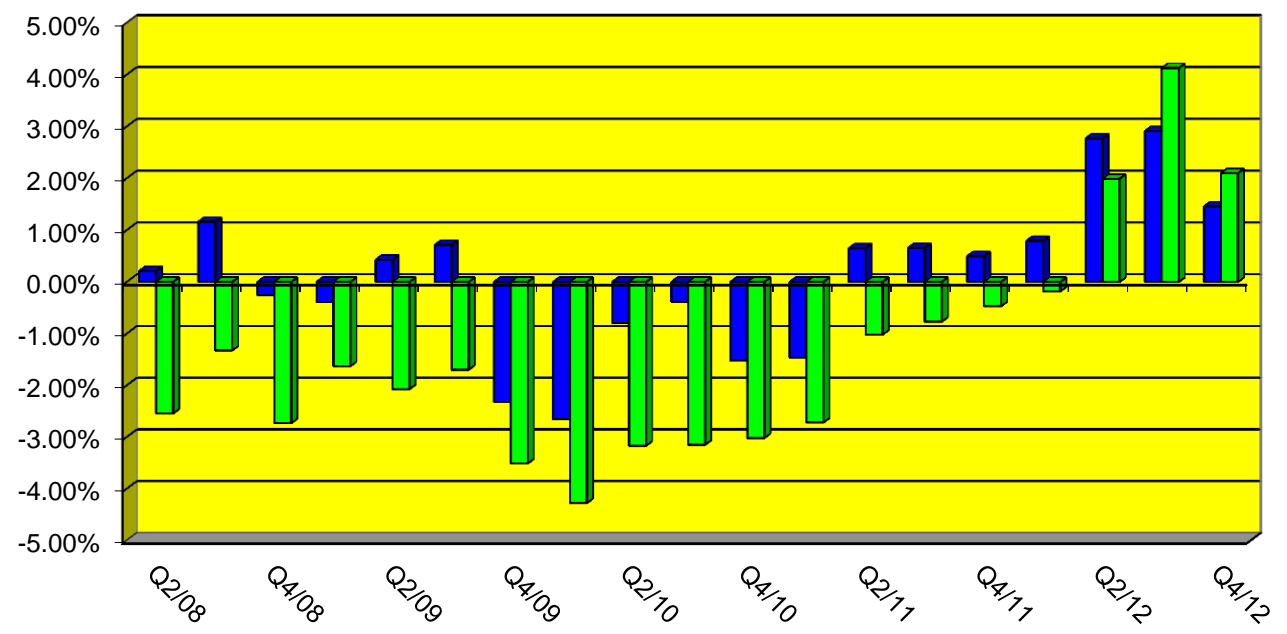
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# Auto Loan Growth

USA

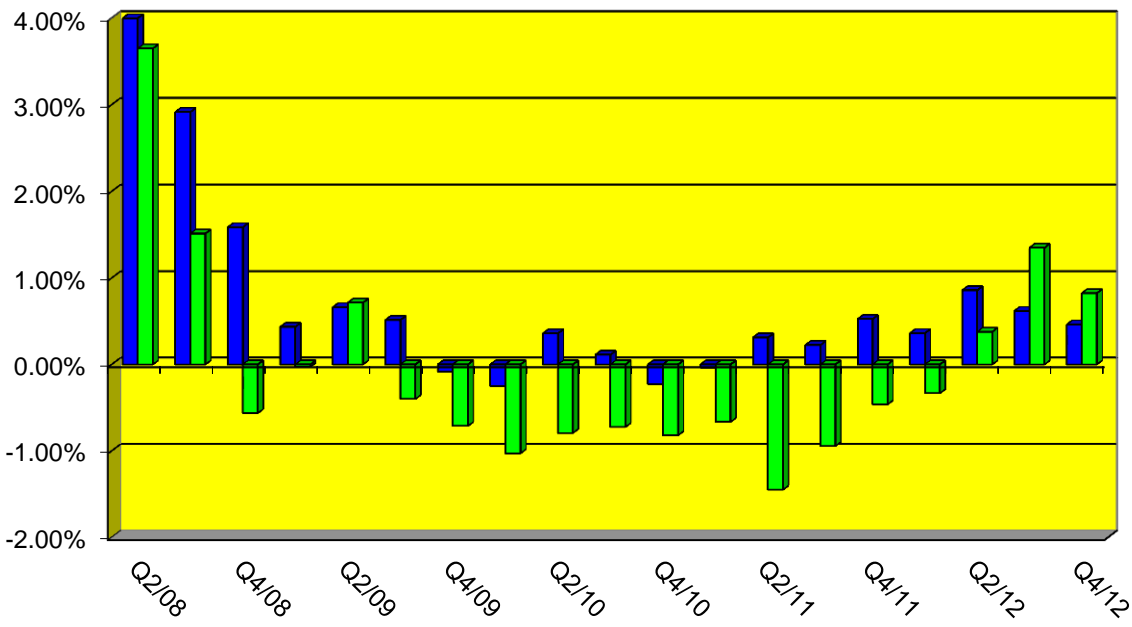
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# Real Estate Loan Growth

USA

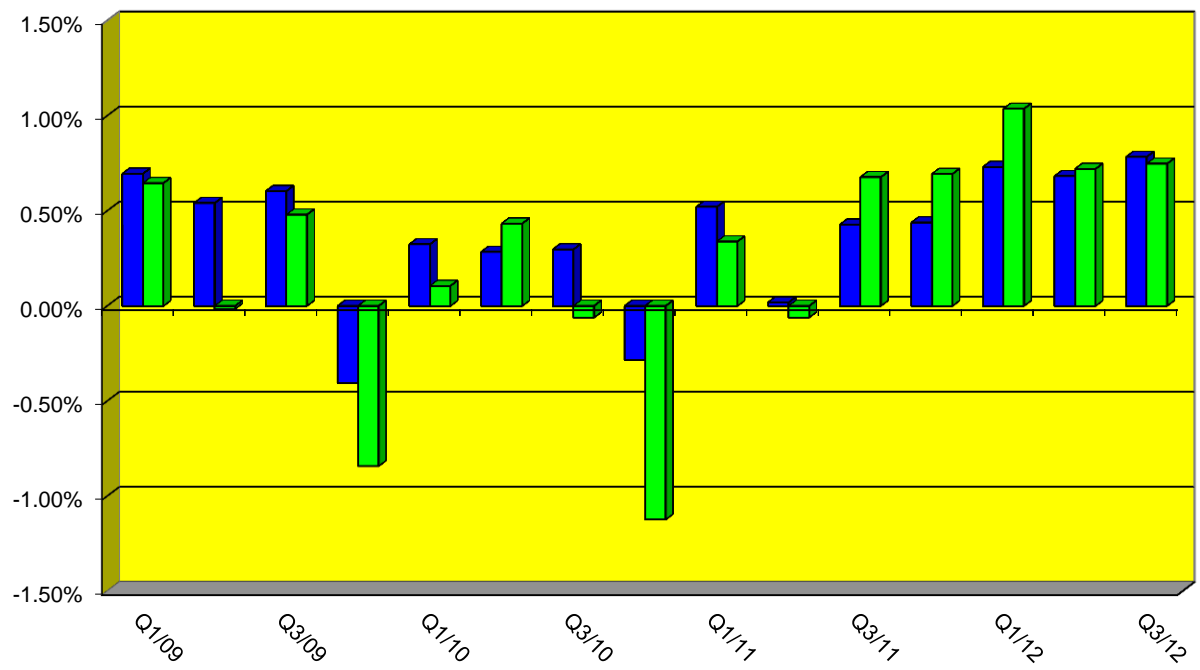
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# Membership Growth

USA

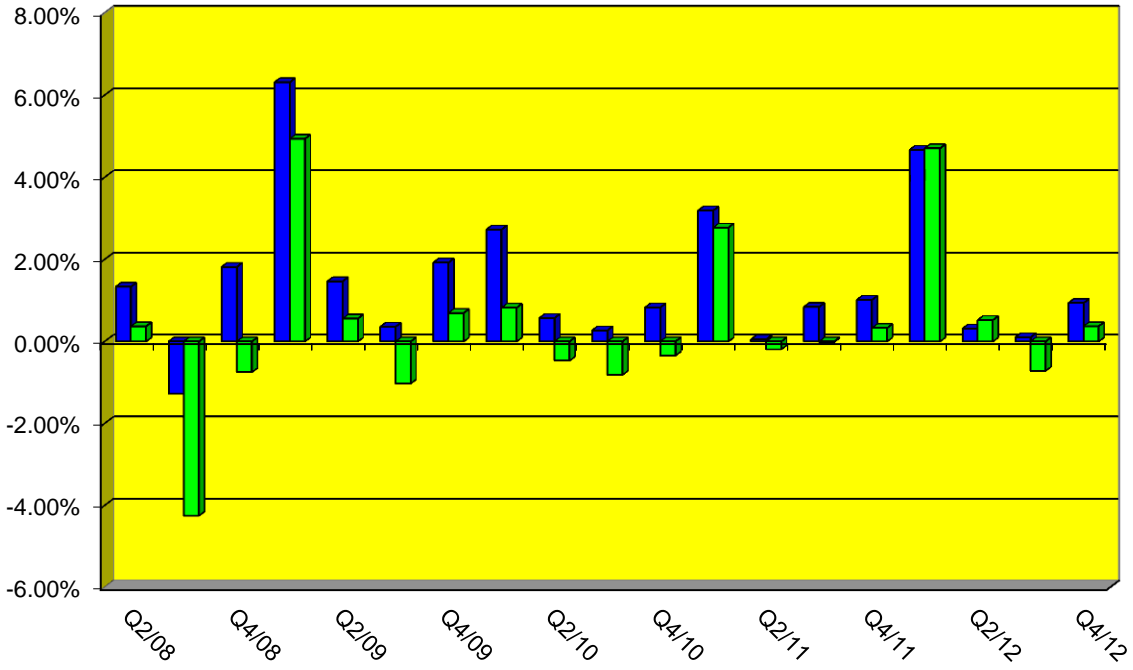
Florida





# Savings Growth

USA Florida



## Mortgage Lending Rules---New CFPB rules finalized in 2013

- The Loan Originator Reg. Z final rule issued by the CFPB on January 20, 2013, is available [here](#).
- The CFPB Summary of the Loan Originator rule, is available [here](#).
- The Appraisals for Higher-Priced Mortgage Loans Reg. Z final rule issued by the CFPB and other agencies on January 18, 2013, is available [here](#).
- The CFPB Summary of the Appraisals for Higher-Priced Mortgage Loans, is available [here](#).

- The Disclosure and Delivery Requirements for Copies of Appraisals and Other Written Valuations Under the Equal Credit Opportunity Act final rule issued by the CFPB on January 18, 2013, is available [here](#).
- The CFPB Summary of the Disclosure and Delivery Requirements for Copies of appraisals..., is available [here](#).
- The Mortgage Servicing final rule under Regulation Z (issued by the CFPB on January 17, 2013), is available [here](#).

- The Mortgage Servicing final rule under RESPA (issued by the CFPB on January 17, 2013), is available [here](#).
- The CFPB Summary of the Reg. Z and RESPA Servicing rule, is available [here](#).
- The Ability to Repay and qualified Mortgage Standards final rule issued by the CFPB on January 10, 2013, is available [here](#).
- The CFPB Summary of the Ability to Repay rule, is available [here](#).

- The Escrow Requirements Reg. Z final rule issued by the CFPB on January 10, 2013, is available [here](#).
- The CFPB summary of the Escrow Requirements rule , is available [here](#).
- The High-Cost Mortgage and Homeownership Counseling final Reg. Z and RESPA (Reg. X) Amendments issued by the CFPB on January 10, 2013, is available [here](#).
- The CFPB Summary of the High-Cost and Homeownership Counseling Amendments, is available [here](#).

- CUNA's Final Rule Analysis for the CFPB's Escrow Requirements Final rule, is available [here](#).
- CUNA's Final Rule analysis for the CFPB's Mortgage Servicing Rules: Regulation Z and Regulation X, is available [here](#).
- CUNA's Final Rule Analysis of the CFPB's Mortgage Loan Originator Compensation rule, is available [here](#).
- CUNA's Final Rule Analysis for Appraisals under Reg. B is available [here](#).
- CUNA's Final Rule Analysis for the Interagency Rule on Appraisals for Higher-Priced Mortgage Loans is available [here](#).

