Introducing the 2016 NACUSO Network

We were inspired by three of our Platinum partners to brand our annual event. CUNA Mutual has the DISCOVERY Conference, CO-OP has THINK! and CU Direct has the DRIVE event. It seemed a natural to name ours “NETWORK” since we get some of the highest ratings around the networking opportunities provided at the conference.

Network is the perfect word to describe the CUSO philosophy as well. It’s about connecting like-minded leaders.

Mark your calendars:
April 4th - 7th, 2016
Encore Las Vegas Resort

Early-bird registration is open!
Book your room today, they sell out fast.
2015 NACUSO Next Big Idea Competition Winner

Pictured below with Shark Tank star and judge Daymond John, Conor White and Mike Groat of IdentityX, were the winners of the 2015 Next Big Idea Competition. Last month Bob Long, SVP Sales for Daon and Mike shared the stage at the NASCUS Summit Conference in New Orleans to share their story. Congratulations!

2016 will mark the 4th year of The Next Big Idea Competition. We feel it’s time to evolve and bring credit unions that are interested in investing and/or participating in CUSO innovations with the entrepreneurs that present on the main stage. We’re calling it The Next Big CUSO Opportunity! You won’t want to miss it.

NACUSO Member Spotlights

In September we began featuring our NACUSO members by interviewing one of their executives. We published their stories in a casual Q and A format and focused on their early life, who were their mentors and what were the challenges that faced CUSOs and now face credit unions?

We also asked each person to submit a fun photo, instead of the typical corporate head shot.

If you didn’t get a chance to read them, here are the links to:

- Paul Ablack, Chief Evangelist of OnApproach
- Dale Fosselman, President and CEO of Denali Analytics
- Mansel Guerry, CEO of CU24

Paul Ablack, CEO of OnApproach and Matt Davis, Founder of GameFI are pictured above presenting in 2015.
The NCUA adopted a final rule on CUSO's in late 2013 that requires CUSOs to report certain specific information to the NCUA on an annual basis. The NCUA has created a “CUSO Registry” to accumulate the information provided by CUSOs.

NCUA is testing a beta version of a new website, which they plan to start using after 3rd quarter call reports are filed/completed. In the beta version, NCUA has a landing page for the forthcoming CUSO Registry. NCUA is beta testing the actual CUSO Registry with a handful of CUSOs now. NCUA plans to begin communicating to both credit unions and CUSOs in November – December about the specific information requirements needed for CUSOs to register. NCUA plans to open the CUSO registry up for official, initial registrations for a three-month period starting early January 2016 through the end of March 2016. After the initial registration closes, NCUA will comb through the data and ensure it is valid and eliminate any duplication. Each year thereafter, they will open registration up for new CUSOs and updated information, to make sure info is updated annually.

NCUA anticipates that before mid-year 2016, the basic CUSO Registry information (i.e. names of CUSOs, contact information) will become public and searchable (proprietary CUSO data such as client lists will not be public). Based on NCUA's preliminary research, they expect over 1,300 CUSOs will be required to register. Each CUSO will be required to create a registry log-in and provide Employer ID Number, indicate the type of CUSO legal entity, along with CEO information and Admin information. Once NCUA verifies the EIN and provides the CUSO with a permanent registry number, each CUSO will log into the registry to provide the following additional required information:

- General Information
- Services offered
- Additional service information for CUSOs identified as high risk or complex
- Customer list (credit union customers only)
- Owners (report ownership percentage, with both loan and investment amounts)
- Financial statements

Once the above information has been entered, the CUSO certifies and submits registration to NCUA. This process will be followed each year for annual updates, and for newly formed CUSOs to register with NCUA.

Here's a link to the beta site.
NCUA Adopts Risk Based Capital Rule

The NCUA Board approved, on a vote of 2-1, the RBC2 proposal, with some important modifications. Although we are still reviewing the 424 page final rule, one of the important changes in the final rule reduced the risk weight for equity investments in multi-credit union owned CUSOs to 100% if the total of equity exposure is less than 10% of the sum of the credit union's capital elements of the risk-based capital ratio numerator.

NCUA has estimated that 95% of credit unions with such investments will be assigned the lower risk weight. NACUSO worked diligently with NCUA to help reduce the CUSO investment risk ratings. Given the original proposed weights of 250% for all CUSO investments in RBC1 and 150% for multi-credit union owned CUSOs in RBC2, this CUSO investment risk rating reduction can definitely be viewed as a victory for CUSOs and credit unions that collaborate and invest in them. The Risk Based Capital rule the NCUA Board approved will take effect in January 2019.

Want to stay up-to-date with NCUA news?

Subscribe to NCUA Email list and receive up-to-the minute information. Best part about it? You can choose the news you want:

- NCUA Newsletter
- Accounting Bulletins
- Corporate Credit Union Guidance Letters
- Federal Credit Union Act Updates
- Federal Credit Union Bylaws Updates
- Interpretive Rulings & Policy
- Legal Opinions
- Letters to Credit Unions
- Letters to Federal Credit Unions
- NCUA Board Member News
- News & Press Releases
- Upcoming Events
- Reports and Publications

NACUSO and GAO

We are working with GAO on a study Congress has asked GAO to complete regarding the impact that current regulations are having on the value of mortgage servicing rights.

Here’s a link to an article by MortgageOrb that explains the issue.

Sign up for Express Messages now!
Finding Opportunity in Managing Vendor Risk

By Guy Messick, NACUSO General Counsel

If you are following the regulatory focus of the credit union and banking regulators, you know that a common concern is the risk vendors pose to financial institutions. It is the lead risk factor for the regulators. With the financial pressures of rising operational costs and the need to acquire affordable expertise for new services, financial institutions are outsourcing more services to third parties. Some of these vendors are critical to the operation of the financial institution and some have access to confidential information. We have seen headlines of bad things that have happened to financial institutions and merchants when third party vendor relationships result in operational failures and security breaches.

This state of affairs results in a regulator driven need for a robust vendor management, enterprise risk management and business continuity programs. There are consultants, service providers and CUSOs that are eager to help credit unions with these services but many credit unions see this activity as just another “check the box” exercise to satisfy the regulator. Yes there is a “check the box” aspect but the risks are real and the value of the information collected should not go to waste. Someone a very long time ago said that knowledge is power.

Once credit unions have a more thorough knowledge of their vendors and the associated risks, that information can be shared and leveraged to enable credit unions to make much more informed decisions about how to structure their vendor relationships, which vendors to use and how to obtain the best contractual terms. Credit unions have the opportunity to turn the “check the box” exercise into a strategic asset.

On the other side of the fence, CUSOs as service providers have the opportunity to be the best of breed strategic partners. CUSOs have traditionally provided complete due diligence packages to their credit union clients, offered credit union friendly terms in their contracts and provided services responsive to the credit union customers’ needs. Are we surprised that a CUSO owned by its customers responds to the customer’s needs better than a company that is not customer owned? CUSOs can effectively sell themselves as a lower risk option for credit unions due to the business model of a customer owned enterprise.

So with most challenges there is opportunity for those with imagination and foresight. Credit unions and CUSOs have opportunities that arise from the regulators’ focus on vendor risk. Let’s not waste this opportunity.

About Guy Messick

Guy Messick is an attorney with the law firm of Messick & Lauer P.C. in Media, Pa., and NACUSO’s General Counsel. He provides legal and consultation services to credit unions and CUSOs. His firm maintains a website at www.cusolaw.com. He may be contacted at 610-891-9000 or gmessick@cusolaw.com.
November is the Month of Giving Thanks

Christmas comes way to soon, and seems to be crowding out an important holiday, Thanksgiving. At NACUSO you won't hear a Christmas song or see any decorations until after we take the time to give thanks for all of our blessings.

We would like to give thanks to our Platinum and Gold Partners who truly live the sixth cooperative principle:

*Cooperation among Cooperatives: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.*

We believe that by working together we strengthen the movement, provide services to credit unions of ALL sizes so they can better serve the needs of their members. The work you do matters.

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**NACUSO Platinum Partners**

- PSCU
- cu Revest
- CUNA Mutual Group
- CUSO Financial Services, LP
- CU Direct
- Co-op Financial Services

**NACUSO Gold Partners**

- FICO
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- ncb
- Credit Union Student Choice
- Open Technology Solutions