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December 18th, 2014

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- › NCUA Sues Trustees of Mortgage-Backed Securities
- › What Are the Top 10 Apps for CU Marketers?
- › Live Webinar and Q&A for CUNA Mutual Group Stakeholders: Conducting Vendor Due Diligence

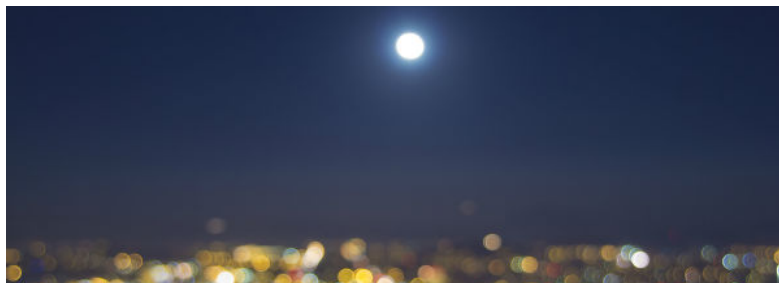
President/CEO Greg Michlig Discusses 'Giant Leap' for CUs in Latest CUinsight Blog

HIGHTSTOWN, N.J. – Is your credit union looking to the sky and moving forward? NJCUL President/CEO Greg Michlig is a regular contributor to the *CUinsight* community and in his latest [blog post](#), he opens with a scene of talking to his youngest about landing on the moon and showing him the video of Neil Armstrong's "one giant leap". Though it happened close to 50 years ago, and the footage is grainy in comparison to the HD videos of late, the youngster was enthralled.

"That's when it hit me," says Michlig.

He goes on to list a few lessons he learned from this interaction that could be applied to the credit union system as we turn the calendar over to another New Year and look to the future and beyond, including "sometimes what made a difference 45 years ago can still make a difference today", "everyone is aspirational and the right message at the right time can ignite new thoughts of what the future may hold", and "let's not outthink ourselves".

Click [here](#) for Michlig's latest blog post in its entirety.



- › Vendor Due Diligence
- › McWatters Calls for 'Unambiguous' Responsibility for Info Breach
- › First 2015 LICU Grant Round Opens Feb. 2
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Donate Automatically to the NJ CU Foundation Through AmazonSmile this Holiday Season

As you're building your wish list on Amazon and planning gifts for loved ones in anticipation of the holiday season, remember to shop through [AmazonSmile](#) in support of the New Jersey Credit Union Foundation!

Through AmazonSmile, the Foundation receives 0.5% of eligible purchases made through the



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Get in the Game! Creative You 2015 is Underway!

We know you have innovative ideas, just like our five teams that took part in the first year of Creative You!

Get in the game! Creative You is a program designed for credit unions to share their innovative and creative solutions to challenges the system is facing here in New Jersey. It's a collaborative initiative with a competitive element that brings together credit unions and their ideas.

We have our first official team sign-on for 2015! Welcome aboard Nicole Andretta, Matt Brazinski, Jessica Revior, and Rich Stubbs from First Financial FCU! Who's going to challenge them next year?!

Want more information? Have an idea? Let us know! Fill out the 2015 [Entry Form](#) to submit an idea, sign-up your team, or request to be placed within a team. Please return the form to Barbara Agin at bagin@njcul.org.

All of the details for the 2015 round of Creative You are available at www.njcul.org/creative-you-2015.aspx. Click [here](#) to see the journey the 2014 teams took and to get an idea of what participating entails.

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McWatters: Transparency, Open Participation Imperative to Regulation

ALEXANDRIA, Va. – Open communication is essential to effective regulation. NCUA Board Member J. Mark McWatters said, and he

made through the program.

It's a simple and automatic way to support the Foundation every time you shop, at no cost to you. To shop at AmazonSmile to benefit the Foundation, click [here](#).

Upcoming Events:

January 20, 2015
Webinar: HMDA: What to know Now & What's on the Horizon?
3:00 pm to 4:30 pm
[More Information Click Here](#)

January 21, 2015
Webinar: Advanced Endorsements: POAs, Businesses, Trusts & More
3:00 pm to 4:30 pm
[More Information Click Here](#)

January 22, 2015
Webinar: Director Series: Credit Union Bylaws: Understanding & Assessing Your Governance Documents
3:00 pm to 4:30 pm
[More Information Click Here](#)

Contact Us:

Address
299 Ward Street
Hightstown, NJ 08520
Driving directions

Phone

regulation, NCUA Board member J. Mark McWatters said, and he stressed the need for continued dialogue and communication.

McWatters made his remarks during a roundtable discussion on Dec. 12 in Boston with CEOs of federally insured credit unions. The roundtable was hosted by the Massachusetts, Rhode Island, and New Hampshire credit union leagues. McWatters addressed a variety of industry concerns, including regulatory relief, accountability, interest-rate risk, risk-based capital, the NCUA budget and increased public access to information.

"As we address these increasingly complex issues, I appreciate and welcome credit unions' concerns and feedback," McWatters said. "It's imperative for NCUA to provide a regulatory environment that includes a sharing of information and open participation."

McWatters said NCUA has taken steps to give stakeholders accurate and concise disclosure, such as the additional information found in the [2015 Operating Budget Board Action Memorandum](#) and the [Board Action Memorandum for the 2015 Corporate Stabilization Fund](#).

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Liberty Savings FCU Shares How the CU Can Help the Community at Hudson County Networking Meeting

Liberty Savings FCU attended the December 2014 Hudson County Community Networking Association meeting, which brings the community together.

Liberty Savings FCU discussed how the credit union can serve that Hudson County community.



800.792.8861
609.448.2426

Fax
609.448.3499

E-mail
info@njcul.org

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NCUA Issues Statement on Info Breach Involving FCU Exam

ALEXANDRIA, Va. – NCUA issued a statement Wednesday saying the information breach associated with the federal examination of a California credit union is an "unfortunate, but isolated, incident," resulting from a failure to follow agency policies on securing sensitive data that have been in place since 2008.

The agency will, however, reinforce training on protecting sensitive information and review data security policies and procedures.

NCUA Executive Director Mark Treichel said in the agency statement, "The security of credit union members' personally identifiable information is a top priority for NCUA. The agency takes its responsibilities in this area very seriously and expects credit unions to do likewise. NCUA is also committed to ensuring that the data shared in exams is protected at all times."

NCUA Tuesday confirmed the loss of a thumb drive during a federal examination of \$12 million-asset Palm Springs FCU. Treichel reiterated that the thumb drive did not include passwords or PINs and that the agency has received no indication of any unauthorized access to members' accounts or attempts to gain improper access.

The executive director said that since 2008 the agency's procedures require NCUA examiners "at all times to properly secure and control electronic devices containing sensitive or confidential information." He added that the agency has conducted more than 28,000 examinations since these security policies have been in effect "without encountering a notable problem."

The agency said it will use this event "as an opportunity to learn."

"We are reinforcing training on protecting sensitive information, we are reviewing our policies and procedures in this area, and we are moving as quickly as possible to consider and adopt additional safeguards to protect electronic data," Treichel added. Those actions include:

- Creating a team to review the circumstances surrounding this incident;
- Directing the already-established review team responsible for NCUA's Guidelines for Safeguarding Member Information (Part 748 of regulations) to study whether to require federally insured credit unions to encrypt electronic member information; and
- Evaluating the development of a system for sharing information between the agency and federally insured credit unions through a secure portal, rather than using hardware such as a thumb drive.

such as a trunk drive.

NCUA requires all staff to complete annual security awareness training, which includes training on the protection of personally identifiable information. That was last done in November. Further, field staff has been reminded of their responsibilities for maintaining information security, and field directors will review certain security policies at their next group meetings.

The agency plans additional security training in 2015.



The nationwide [Stop the Data Breaches](#) grassroots campaign continues. CUNA and the NJCUL are encouraging all credit union professionals, volunteers and members to [email](#) their lawmakers in Congress.

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NCUA Sues Trustees of Mortgage-Backed Securities

ALEXANDRIA, Va. – The NCUA has filed suit in federal court against U.S. Bank National Association and Bank of America National Association, alleging the banks violated state and federal laws by failing to fulfill their duties as trustees for 99 residential mortgage-backed securities trusts.

NCUA's complaint is available online [here](#). The agency's suit seeks damages to be determined at trial.

"NCUA will diligently continue to pursue legal remedies against parties that contributed to losses suffered by the credit union system," NCUA Board Chairman Debbie Matz said. "U.S. Bank and Bank of America had obligations under federal and state law, and they failed to live up to those obligations. This caused significant harm to trust beneficiaries, including the corporate credit unions and ultimately consumer credit unions. Our legal efforts are aimed at promoting accountability within the financial system."

Five corporate credit unions—U.S. Central, WesCorp, Members United, Southwest, and Constitution—purchased approximately \$5.8 billion in residential mortgage-backed securities issued from the trusts between 2004 and 2007. Those securities lost value, contributing to the failure of all five corporates.

NCUA's complaint states the value of the securities depended on the quality of the pooled mortgage loans the trusts contained, and the banks, as trustees, had contractual and statutory duties to protect the interests of certificate holders. The complaint states that, despite knowing about defects in the mortgage loans, U.S. Bank and Bank of America failed to provide required notices to certificate holders and

other parties and failed to take timely action to force the repurchase, substitution or cure of defective mortgage loans or otherwise preserve trust remedies.

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What Are the Top 10 Apps for CU Marketers?

Wednesday, January 7
Marketing Roundtable:
What's Working for Today's CU Marketers?
10:00 a.m. to 12:30 p.m.

Are you curious about the marketing apps that credit unions like yours are using? Are you wondering how much time and money you could

be saving on your marketing...if you just knew about the right technology? After speaking with diverse credit unions throughout the U.S., Laura Enock, founder of CUContent.com, came up with the best 10 marketing apps credit unions are using—and most are low cost—or even FREE!



From digital marketing to creating forms and social media tools, NJCUL's first Marketing Roundtable

of the New Year features credit unions and the apps they're using, plus the pros and cons for each of them. Includes a Q and A session!

The session will take place from 10:00 a.m. to 12:30 p.m. and will include lunch. Join us "live" at the league office or via conferencing at Atlantic FCU in Kenilworth or Members 1st of NJ FCU in Vineland. The cost to attend is \$25.

There is also a 50% discount for credit unions below \$10 million in assets. Contact Mary Zelinsky at mzelinsky@njcul.org or 800-792-8861 ext. 100 for more information.

To register and pay by check, send an email to Mary Zelinsky at mzelinsky@njcul.org and your credit union will be invoiced. To register and pay online, click [here](#).

EDUCATION CANCELLATION POLICY: NJCUL must receive written cancellation in our office seven (7) days prior to the education session in order for you to receive a refund; substitutions only after this date. All cancellations will be subject to a \$25 cancellation fee.



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Live Webinar and Q&A for CIINA Mutual

LIVE Webinar and Q&A for CUNA Mutual Group Stakeholders: Conducting Vendor Due Diligence

Conducting Vendor Due Diligence
Wednesday, January 14
11 a.m. EDT

Relationships with third-party vendors play an increasingly important role as credit unions strive to become more efficient, competitive, and expand services; however, these relationships can expose credit unions to greater risks.

[Sign up now](#) for the January 14th complimentary Webinar from CUNA Mutual Group to better understand your potential risk exposures when choosing third-party vendors in today's high-tech world. This Webinar is free for CUNA Mutual Group policyholders.

So please don't delay...[register today!](#)

P.S. YES, you can share this Webinar sign-up with your coworkers. Anyone at your credit union is eligible to attend these Webinars at no cost. Spread the word!

[Access Webinar Library](#) to view webinar recordings on additional risk areas. If you don't have a User ID and Password, go to cunamutual.com, click "My Services", then "Register for a new User ID."

Sneak Peek at the Next Webinar: Managing Risks for Emerging Payments, February 11 @ 2 p.m. EDT (90 minute deep dive)

What's new with payments? Plenty. Learn about emerging payment trends and risks to help keep payments fast, reliable, and secure.

See the full [2015 calendar of Credit Union Protection Webinars!](#)

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McWatters Calls for 'Unambiguous' Responsibility for Info Breach

ALEXANDRIA, Va. – NCUA board member J. Mark McWatters called on his agency Wednesday to "unambiguously" take responsibility for a lost flash drive of sensitive data that went missing during the federal examination of a California credit union. McWatters made the comments in an email sent to the CUNA.

NCUA Tuesday confirmed a data breach caused by the loss of a flash drive containing member information during an examination of Palm Springs FCU.

After the agency's Executive Director Mark Treichel released an official comment Wednesday, McWatters contacted CUNA to make the following observations which he said reflect his understanding of the facts as presented by NCUA staff.

McWatters said, "An officer of the Palm Springs Credit Union gave an

NCUA examiner an unencrypted flash drive containing sensitive and confidential information. While in the possession of the NCUA examiner the flash drive went missing and has not been recovered.

"The credit union sent a letter to its members notifying them of the data breach. The letter stated that the breach was caused by 'auditors' or during an audit process. NCUA staff reviewed the letter before it was sent to the credit union members.

"NCUA should have unambiguously taken responsibility for the breach. The credit union was not at fault and the credit union's auditors were not at fault. NCUA was at fault. Any attempt to shift culpability to unnamed auditors was ill advised. NCUA performs an examination and supervision function and not an audit function.

"The resolution of this matter and the payment of any amounts in settlement of any claims to the credit union, its members or other persons should be addressed in an open and fully transparent meeting of the NCUA board.

"In my view, the NCUA (Office of Inspector General) should consider investigating this matter."

When contacted by CUNA for comment, NCUA Chief of Staff Steve Bosack offered the following information about the agency's notification process:

"NCUA follows the data breach guidance from the U.S. Office of Management and Budget (OMB). According to OMB's Recommendations for Identity Theft Related Data Breach Notification: 'Whenever possible, to avoid creating confusion and anxiety, the actual notice should come from the entity which the affected individuals are reasonably likely to perceive as the entity with which they have a relationship (i.e. their credit union).

"Public announcement of the breach could itself cause criminals engaged in fraud under the guise of providing legitimate assistance, to use various techniques, including email or the telephone, to deceive individuals affected by the breach in disclosing their credit card numbers, bank account information, SSNs, passwords, or other sensitive information...'

"When determining the level of risk of identity theft, 'the agency should consider not simply the data that was compromised, but all of the circumstances of the data loss, including...the means by which the loss occurred, including whether the incident might be the result of a criminal act or is likely to result in criminal activity...and the evidence that the compromised information is actually being used to commit identity theft...for example, as a general matter, the risk of identity theft is greater if the covered information was stolen by a thief who was targeting the data (such as a computer hacker) than if the information was inadvertently left unprotected in a public location, such as a brief case in a lobby.'

"OMB's supplemental guidance to agencies, Safe Guarding Against and Responding to the Breach of Personally Identifiable Information, cites: 'Chilling Effects of Notices. A number of experts have raised concerns about unnecessary notification and the chilling effect this may have on the public. In addition, agencies should consider the costs to individuals and businesses of responding to notices where

costs to individuals and businesses of responding to notices where the risk of harm may be low. Agencies should exercise care to evaluate the benefit of notifying the public of low-impact incidents.'

"A lost thumb drive at a 1,600-member credit union, with no evidence of theft or misuse, would qualify as a 'low-impact incident.' In fact, this is the only incident we know of among tens of thousands of NCUA exams conducted since the OMB guidance was established in 2006."

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First 2015 LICU Grant Round Opens Feb. 2

ALEXANDRIA, Va. – Applications for the first round of 2015 technical assistance grants from NCUA will open Feb. 2. The grants are designed for low-income credit unions to pay for training for staff and volunteers or for hiring interns.

Details for the two grant categories for the first round are:

- Staff or volunteer training: \$3,000 will be available for selected credit unions to pay for in-person or web-based training including, but not limited to, compliance, lending and collections, and business operations. A bid or cost estimate is not required to apply. NCUA is allocating \$150,000 for this initiative; and
- Student internships: Up to \$4,000 will be available to each credit union to hire students enrolled in high school or college. Credit unions receiving grants must select interns by June 15, with internships completed by Aug. 14. NCUA is allocating more than \$200,000 for this initiative.

According to NCUA, it will provide at least \$360,000 in grants for more than 100 credit unions during the first round of 2015. The intern and training grants are considered separate initiatives, and interested credit unions can apply for both.

The funds come from the Community Development Revolving Loan Fund (CDRLF), which was created by Congress to support low-income credit unions. A funding bill containing \$2 million for the CDRLF was approved by the Senate last weekend.

The fund was originally scheduled to receive \$1.071 million, but CUNA and others advocated for the higher amount that was eventually incorporated into the bill.

The grant program is administered by NCUA's Office of Small Credit Union Initiatives. Credit unions can apply online between Feb. 2 and March 3.

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Credit Unions, Mark Your Calendars

HIGHTSTOWN, N.J. – The New Jersey Credit Union League would like you to mark your calendars for these upcoming events:

January 7 -- [Marketing Roundtable: What's Working for Today's CU Marketers?](#)

January 12 -- Free CU Wallet Lunch and Learn (More Info Coming Soon)

January 13 -- [South-Central Chapter Meeting: Development Education](#)

January 14 -- [Reality Fair at Jackson Liberty High School](#)

March 8-12 -- [CUNA's 2015 GAC](#)

April 13-15 -- [2015 CU Reality Check at the Golden Nugget Atlantic City](#)

April 28 -- [NJCUL's 27th Annual Golf Tournament](#)

June 1 -- North Jersey Federal Credit Union Foundation's Annual Golf Outing

June 10 -- [Reality Fair at Ewing High School](#)

July 20 -- Garden Savings FCU's 5th Annual Golf Outing at Fiddler's Elbow Country Club

September 28 -- Picatinny Federal Credit Union 17th Annual Golf Outing

October 4-6 -- NJCUL's 81st Annual Meeting & Convention

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