



# Kansas Department of Credit Unions

## KDCU Newsletter

VOLUME 3, ISSUE 4

DECEMBER 5, 2008

### THIS ISSUE AT A GLANCE

- **Proposed 12-month Examination Cycle**
- **Call Report Dates**
- **Bulletins Issued**
- **Holiday Season Cyber Crime**
- **Credit Union Advisory Council Meets**

### Kansas Department of Credit Unions

400 Kansas Avenue,  
Suite B  
Topeka, KS 66603

Phone: 785-296-3021  
Fax: 785-296-6830

## PROPOSED 12-MONTH EXAMINATION CYCLE

Then NCUA Board on November 20 approved changes to its risk-based scheduling policy for credit union examinations. Examinations will now be based on a 12-month cycle, instead of the current 18-month cycle.

KDCU has not received complete details of the proposed NCUA change. However, Kansas credit unions should see little change in examination frequency as KDCU is currently on a 12 to 15 month cycle. K.S.A. 17-2206 requires KDCU examine credit unions "...not less than every 18-months." If through the examination, quarterly call reports or other monitoring, increased risk or safety and soundness concerns occur, credit unions are placed on monthly reporting. Examiner on-site contacts may also occur. Currently 18 credit unions are on monthly reporting

What may change is the frequency of on-site contacts. KDCU policy is to be present when NCUA examiners are on-site. Scheduling these contacts, if NCUA insists on being present, may become an issue.

To implement these changes, KDCU plans to become more efficient through use of technology. No new staff is to be added at this time.

In 2008, KDCU examiners were provided smart phones enabling their real time receipt and sending of e-mails 24/7.

Telephone communications with examiners can now occur without use of the credit union telephone system or calling the Topeka office.

Dick Yadon

dick.yadon@kdcu.ks.gov

785 217 3547

Jim Klausen

jim.klausen@kdcu.ks.gov

785 217 5780

Valorie White

valorie.white@kdcu.ks.gov

785 217 4940

Mike Baugh

Mike.baugh@kdcu.ks.gov

785 217 3109

Jonathan Hankin

Jonathan.hankin@kdcu.ks.gov

785 217 4234

Chris Taylor

Chris.taylor@kdcu.ks.gov

785 217 3070

Tana Hoffman

tana.hoffman@kdcu.ks.gov

785 215 5581

Billy Vardaman, Jr.

billy.vardaman@kdcu.ks.gov

785 217 3053

Manny Lopez

manny.lopez@kdcu.ks.gov

785 220 3298

New laptop computers will become available in 2009. Call reporting may change at that time. We all must learn how to use technology to become more efficient.

Receipt of reports from credit unions must also be done in a more timely manner. Document of resolution reporting, call reports and other reports usually have a date for a response. Credit unions are subject to a \$50/day assessment at the discretion of the Administrator for neglecting to submit reports as directed (K.S.A. 17-2206). If reports are not received, an on-site contact and a fee assessment may occur. Credit unions are urged to cooperate with KDCU so resources can be used appropriately.

### End of Year Call Reports

Call report materials will be mailed to credit unions in December 2008. Call reports are due by January 20, 2009. Examiners will be reviewing information submitted and contacting credit unions if questions exist.

### Bulletins Issued

Bulletins issued since the last news letter:

2008-KDCU-CUB-09 FACT Act Red Flag Rules

2008-KDCU-CUB-10 Elements of Effective Loan Policies

2008-KDCU-CUB-11 The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act).

2008-KDCU-CUB-12 Third Quarter 2008 Call Report Statistics

### Holiday Season Cyber Scammers Target Victims

The FBI is reminding people this holiday season that cyber criminals continue to aggressively seek ways to steal money and personal information. Scammers are using several techniques to fool potential victims, including sending unsolicited e-mails that contain attachments such as electronic greeting cards containing *malware* (malicious software), setting up spoofing websites that look like legitimate commercial sites, and unleashing phishing and vishing attacks where individuals receive e-mails asking for personal data.

In the greeting card scam, the cards, which are also referred to

as e-cards or postcards, are being sent via spam. Like many other Internet fraud schemes, the criminals use social engineering tactics to entice the victim, claiming the card is from a family member or friend. Although there have been variations in the spam message and attached malware, generally the spam directs the recipient to click the link provided in the e-mail to view the e-card. Upon clicking the link, the recipient is unknowingly taken to a malicious webpage.

Spoofing scams are when criminals create a false or shadow copy of a real website or e-mail in a way that misleads the recipient. All network traffic between the victims' browser and the shadow page are sent through the spoofer's

machine. This allows the spoofer to acquire personal information, such as passwords, credit card numbers and account numbers.

Even though the e-mail looks like the real thing, complete with authentic logos and working web links, it's a fake. The website where you're told to enter your account information is also fake. In some instances, really slick spoofers direct you to the genuine website, then pop up a window over the site that captures your personal information. The information entered does not go to the legitimate site, but rather to the spoofer's account. The information you entered will most likely be sold to criminals, who will use it to ruin your credit and drain your account.

In phishing and vishing attacks, individuals report receiving e-mails or text messages indicating a problem with their account. They are directed to follow the link provided in the message to update their account or correct the problem. The link actually directs the individuals to a fraudulent website that looks legitimate where their personal information, such as account number and PIN is compromised.

*(Taken from the FBI NATIONAL PRESS OFFICE website)*

## CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on December 4, 2008. Council members participating were Garth Strand, Chair, Mark Kolarik, Secretary, Gilbert Benton, Sue Henke, Denise Bonner, and Jim Holt.

The Council received several reports:

- ◆ KDCU personnel and training update
- ◆ Credit union status reports
- ◆ KDCU financial reports

The Kansas Credit Union Association reported formation of a Task Force to begin a review of Kansas credit union statutes. The CUNA Model Credit Un-

ion Act is being used as a resource. The review should be complete by January, 2010.

◆ Financial Examiner Administrator Dick Yadon reviewed the proposed two percent reduction in the FY 2010—2011 budgets and reported that additional reduction may occur.

The Administrator reported that two regulations are in the draft stage, one updating how credit union mergers occur and another defining ATMs and similar devices not to be a credit union branch.

Implementation of SB 535 continues with the KDCU office reviewing field of

membership for the credit unions required by December 31, 2008 to comply with the new statute.

The next meeting of the Credit Union Advisory Council is scheduled for March 5, 2009. The seven-member Council is appointed by Governor Sebelius to advise the Administrator on issues and needs of credit unions. Credit union members and officials are invited and encouraged to attend Council meetings.

### Kansas Department of Credit Unions Staff

John P. Smith, Administrator  
 Dick Yadon, Financial Examiner Administrator  
 James Klausen, Financial Examiner Principal  
 Valorie White, Financial Examiner Principal  
 Michael Baugh, Financial Examiner Principal  
 Jonathan Hankin, Financial Examiner

Manny Lopez, Financial Examiner Principal  
 Christopher Taylor, Financial Examiner  
 Tana Hoffman, Financial Examiner  
 Billy Vardaman, Jr., Financial Examiner  
 Cheryl Bishop, Administrative Specialist  
 Freda Chabira, Administrative Specialist