



VyStar CU President/CEO Terry West testifies on CUNA's behalf that the current financial crisis, and the federal regulator's corporate credit union stabilization plan that the crisis has necessitated, make legislative actions to further empower the National Credit Union Share Insurance Fund particularly important for credit unions. Also shown (behind West) CUNA's Chief Economist Bill Hampel (left), Deputy General Counsel Mary Dunn, and Director of Federal Legislative Affairs Michele Johnson. (CUNA Photo)

CUNA to Congress: More NCUSIF Powers

CUNA was front and center last week testifying on Capitol Hill on share insurance issues, as well as legislation addressing overdraft protection plans and credit card practices (see related front page story).

Representing CUNA before the Senate Banking subcommittee on financial institutions, Terry West said that it is imperative that the U.S. Congress enact legislation to give the National Credit Union Share Insurance Fund (NCUSIF) additional authority.

Credit unions and other institutions that continue to do the right thing for the nation during its current tough economic times by lending, should not be disadvantaged in the political

>> [See page 3](#)

CUNA Wants Measured Consumer Safeguards

CUNA cautioned Congress that bills to improve consumer protections in overdraft and credit card practices could have an opposite result.

Doug Fecher, president/CEO of Wright-Patt CU, Fairborn, Ohio, testified on legislation that would classify overdraft protection products as lending products under the Truth in Lending Act (TILA), and include a service fee for the program to be within APR calculation.

Fecher said this could force federal credit unions out of offering the bounce-protection plans, highly favored by consumers, by causing them to bump up against their statutory 18% usury ceilings.

He said this could drive consumers into the grasps of the very "high-cost services" the legislation is intended to eliminate.

The controversial bill is the Consumer Overdraft Protection Fair Practices Act (H.R.1456). The hearing was before the House Financial Services subcommittee on financial institutions and consumer credit. It also addressed a bill on abusive credit card practices.

Fecher said credit unions favor consumer protections, but insisted there must be an equitable balance between those protections, and the needs of service providers to be fairly compensated for the service, and not hit with unnecessary regulatory burdens.

 **CUNA Testimony**
www.cuna.org/gov_affairs/legislative/testimony/index.html

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Obama Loan Mod Plan Not Meant to Work in a Vacuum



Jeffrey Bloch,
Senior Assistant General Counsel

Although the causes of the current economic crisis are complex, few can doubt that the skyrocketing rate of mortgage loan defaults and foreclosures of the past few years were the catalyst, with the resulting drop in housing values serving to exacerbate these problems.

The Obama administration recently announced the details of its “Making Home Affordable Program,” which is designed to help up to 9 million families either refinance their existing mortgage or modify their current loan, all in an effort to reduce payments and curtail future foreclosures. The broad parameters of the program were announced on Feb. 18 and additional guidance was issued on March 4.

The goal of this new program is to stabilize and eventually strengthen housing prices. This is critical for economic recovery. Yet, the program is not intended to work in a vacuum. The new stimulus law and proposed budget, along with the overall Financial Stability Plan, which includes the reconstituted TARP Program and the various other credit and liquidity initiatives from the Fed, are all designed to work together to lift this country out of what many believe will be the deepest recession since the Great Depression.

Coordinating all the efforts

Loan modification efforts to address the current housing crisis are not new. Previous efforts you may have heard about include the Hope Now Alliance, the Streamlined Modification Programs from Freddie Mac and Fannie Mae, and the Hope for Homeowners Program that is geared to borrowers with FHA-backed loans.

What is new is the administration’s effort to centralize these efforts under a single plan.

The Obama approach actually provides two potential options for borrowers seeking to reduce their mortgage payments. One focuses on borrowers who are current on their payments but have not been able to refinance their loan to take advantage of lower interest rates because their home has decreased in value. The other is a loan modification program for those who are behind in or struggling to make their payments.

Under the loan refinance program, borrowers will be able to refinance if the loan is owned or securitized by Freddie Mac and Fannie Mae, as long as the balance is no more than 105% of the current market value of the home. Until now, borrowers could not refinance if the loan was above 80%, unless this included mortgage insurance or other credit enhancements. This has prevented many from taking advantage of lower mortgage rates, which have recently hovered around 5%.

Borrowers interested in refinancing these loans will be instructed to contact their servicer and this includes credit unions that service Freddie Mac and Fannie Mae loans. Both Freddie Mac and Fannie Mae will be providing more guidance to lenders on the process of refinancing loans under this program, which is scheduled to end in June 2010.

The loan modification program, open to borrowers until Dec. 12, 2012, is the other option and is the one geared towards those who are struggling to make their payments. In addition, the loan must:

- ▶ Be for a home that is the borrower’s primary residence;

- ▶ Have a principal balance of no more than \$729,750;

- ▶ Have been originated before Jan. 1, 2009; and

- ▶ Currently result in a mortgage payment that exceeds 31% of income, and borrowers must seek HUD-approved counseling if all their debts exceed 55%.

All-or-nothing approach

The modification program is voluntary, but takes an “all or nothing” approach in that the initial decision to participate is optional. However, if the decision is made to participate, all loans must be modified if they otherwise qualify and if the cost of modification is less than foreclosure. If not modified, lenders would then be required to explore other alternatives to foreclosure.

The program also provides incentives for all parties involved. The lender or investor must first absorb the cost of taking efforts to reduce the payments to 38% of the borrower’s income, and the government will then split the cost to further reduce payments to 31% of income. This is to be accomplished by reducing the interest rate to no less than 2%, which is fixed for five years and can then be increased by 1% per year until it reaches the prevailing rate that was in effect at the time of the modification.

If rate reduction is not sufficient, the term of the loan must then be extended to up to 40 years and then, if necessary, the lender must defer principal, which will be due when the loan is repaid or the house is sold. Principal reduction is also an option, but not required.

The program provides additional payments. Servicers will receive a \$1,000 payment for each modification, or \$1,500 if the borrower is current on the mortgage. Servicers will also be eligible for up to \$1,000 a year for three years if the loan continues to perform. Lenders or investors are eligible for \$1,500 for each modified loan if the borrower is current at the time of the modification.

Borrowers will also be eligible to receive up to \$1,000 a year for up to five years if they stay current on their mortgage, but this must go directly towards principal reduction.

In addition, an incentive payment of up to \$1,000 is available to pay off junior lien holders, which would apply to credit unions with these types of loans. Again, there is no requirement to accept these payments. Servicers will also receive an additional payment for each junior lien that is extinguished.

These payments and incentives are not available until after a three-month trial period in which borrowers successfully make payments during this timeframe. Servicers must by that time sign contracts with a Treasury financial agent before receiving these payments, but these will not be available until next month.

One shot for borrowers' new success

Borrowers have only one shot at this program. If they fail to keep up with their payments, their modification agreement is terminated and they do not get a second chance.

Overall, this modification program takes a "carrots" and "sticks" approach. The incentives are the carrots, but the stick is the Obama administration's commitment to pursue changes in the Bankruptcy Code to allow judicial modifications or "cramdowns" of these mortgage loans. The idea is that the threat of

a cramdown will motivate the industry to provide loan modifications.

Congress has already been considering such legislation. CUNA opposes the current proposals, but is seeking changes to reduce the burden and to target those loans that have been primarily responsible for the rapid rates of default and foreclosures.

Although the administration has provided details on two separate occasions, CUNA recognizes that credit unions need additional information on many aspects of these programs, such as how to sign-up to receive the incentive payments and having a better understanding of the risks involved. CUNA has already issued an analysis and will provide more information as it becomes available.

More importantly, CUNA will host an audio conference call on April 2 that will include speakers from the Treasury Department, Freddie Mac, and Fannie Mae, who will provide additional information and answer questions you may have.

Please use the resource link below for more information and to register for this call.

In the meantime, the administration has created a website, www.financialstability.gov, that includes additional information. The administration has committed to providing more guidance in the future and also recognizes these programs may need to be modified to increase participation. For these reasons, you will want to refer to this website often and to CUNA's website on a regular basis to ensure you have the most up-to-date information on these new and evolving programs. 🏠

 **CUNA Audio Call Registration**
www.training.cuna.org/audio/audio_start.html

Obama Administration Website
www.financialstability.gov

CUNA To Congress: More NCUSIF Powers

 From page 1

process, West said. He is president/CEO of VyStar CU in Jacksonville, Fla., and chairman of CUNA's Corporate CU Task Force and was testifying at the subcommittee hearing titled, "Current Issues in Deposit Insurance."

"The insurance fund needs authority to address insurance issues and manage insurance costs, both to facilitate its operations, and to help credit unions handle their expenses," he testified during the Senate hearing.

West said credit unions could be more of a factor in the effort to get the economy out of its current freeze, if Congress also enacted these other proposals:

- ▶ Give NCUSIF power to allow credit unions to spread premium expenses over eight years, and urged the Senate to encourage NCUA to use existing authority to spread cost;

- ▶ Broaden NCUA's Central Liquidity Facility's (CLF) authority to provide liquidity to the credit union system to include corporate credit unions, and natural persons credit unions; and

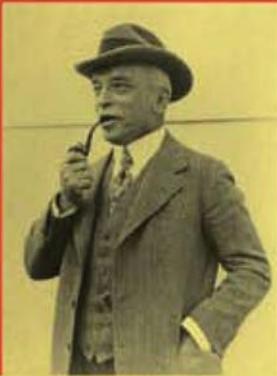
- ▶ Include specific statutory language clarifying that NCUA has the same systemic risk authority as the Federal Deposit Insurance Corporation (FDIC).

West said credit unions already are pitching in to help the economy recover from its current doldrums, as other financial institutions struggle simply to survive.

"As banks cut back on lending, credit union loans rose by 7% in 2008 to more than \$575 billion--\$35 billion from the previous year," he pointed out. 🏠

 **CUNA Testimony**
www.cuna.org/gov_affairs/index.html

REVOLUTION



JUNE ²¹/₂₄ 2009
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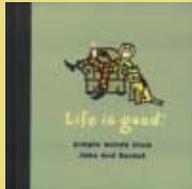
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MONDAY
JUNE 22 2009 | **OPTIMISM CAN TAKE YOU ANYWHERE**

BERT JACOBS CO-FOUNDER AND CHIEF EXECUTIVE OPTIMIST OF LIFE IS GOOD, INC.

In the 1980s, Bert and John Jacobs were hawking their T-shirt creations out of their van. Today, Life is Good tops \$100 million a year in sales, carrying out a mission “to have greater positive impact on human culture than any consumer brand in history.” If you aspire to do well by doing good, don’t miss this session!



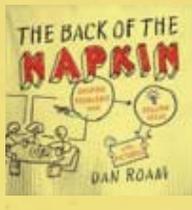
TUESDAY
JUNE 23 2009 | **THE ECONOMY AND ITS IMPACT ON CREDIT UNIONS**

BILL HAMPEL **MIKE SCHENK**

SVP RESEARCH, CHIEF ECONOMIST, CREDIT UNION NATIONAL ASSOCIATION

VP ECONOMICS & STATISTICS, CREDIT UNION NATIONAL ASSOCIATION

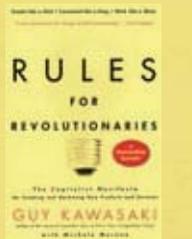
What’s the outlook for the economy and credit unions into next year? How long and deep will the economic slowdown be, how will it affect credit unions, and what’s our best response? Two credit union economists will provide valuable insights into our economic challenges.



TUESDAY
JUNE 23 2009 | **BACK OF THE NAPKIN: SOLVING PROBLEMS AND SELLING IDEAS**

DAN ROAM AUTHOR OF THE BACK OF THE NAPKIN: SOLVING PROBLEMS AND SELLING IDEAS WITH PICTURES

How can you describe complex concepts, solve difficult problems and sell others on breakthrough ideas? Forget the PowerPoint and use pictures. Dan Roam demonstrates how anyone—regardless of artistic talent—can use pictures to meet challenges in this unique, refreshing and effective way.



WEDNESDAY
JUNE 24 2009 | **RULES FOR REVOLUTIONARIES**

GUY KAWASAKI AUTHOR OF RULES FOR REVOLUTIONARIES: THE CAPITALIST MANIFESTO FOR CREATING AND MARKETING NEW PRODUCTS AND SERVICES

In this entertaining session, Guy draws on his experience with Apple and other world class companies to discuss how to innovate, improve and create revolutionary new products and services.



>> Special Report

WOCCU Supports Global Female Leadership Role

The World Council of Credit Unions (WOCCU) believes women are a neglected resource in efforts by developing countries to build stronger credit union systems, and has launched an initiative to help women in developing countries build their leadership capacity.

The WOCCU program will help women in these countries assume a stronger leadership role in creating and strengthening credit unions. It would do this by providing funds to help women in need with educational opportunities, and expand local microfinance efforts.

WOCCU is participating in this project with the Canadian Cooperative Association (CCA), which, as part of its effort, maintains a web site to offer educational resources and information about women worldwide.

The goal of both organizations is to make it easier for women to become part of credit union organizations in their countries. And there is definitely an interest in this role, according to those who are leading the initiative.

Even when facing social obstacles, women do lead in the economic development of their countries, and in managing family finances, according to WOCCU Executive VP/COO Brian Branch. He said this places women in potentially strate-

gic roles as a link between communities and their credit unions.

Sri Lanka was cited as an example. In that country, Women's Bank, a financial cooperative owned by women, provides financing and education to women farmers. The coop also guarantees funding for groups of elderly women and other needy groups.

WOCCU noted that despite subjection to social restrictions under Islamic law, women in Afghanistan have started working with Islamic investment and finance cooperatives (credit unions) to secure small loans to start businesses.

It said funds donated to the Global Women's Leadership initiative will support existing development and education efforts. This includes scholarships in the peer learning session, and day-long forums to be held in conjunction with



Women members of one of Afghanistan's Islamic investment and finance cooperatives (IIFCs), the country's name for credit unions, attend a credit union orientation meeting. Since 2004, WOCCU has developed IIFCs throughout Afghanistan, helping women to rise above poverty levels and begin new lives. (WOCCU photo)

WOCCU's World Credit Union Conference July 26-29 in Barcelona.

Parties interested in contributing to the initiative may contact Valerie Breunig at vbreunig@woccu.org for more information. ☛



FASB Seeks to Clarify Fair Value Issues

CUNA is asking credit unions to submit comments by March 24 on proposed guidance issued last week by the Financial Accounting Standards Board (FASB) on fair value measurements, and impairment of securities.

The accounting regulator's guidance takes the form of two proposed FASB staff positions (FSPs). One is intended to provide help in making fair-value measurements more consistent with the

principle presented in FASB statement No. 157. The other is to provide more guidance and consistency in accounting for, and presenting, impairment losses on securities.

The accounting proposals came after Chairman Paul Kanjorski (D-Pa.) of the House Financial Services subcommittee on capital markets complained that FASB was taking too long to clarify current standards as they apply in illiquid

markets. He told the Board to have final guidance within three weeks.

FASB set a 15-day public comment period, ending April 1, for its proposed FSPs. If approved, both amendments would be effective for interim and annual periods ending after March 15. ☛





>> Regulatory Affairs

Online reporting, TISA comments sought

The National Credit Union Administration (NCUA) wants comment on two new plans; one implementing the agency's shift to an online system for credit union reporting, another to bring NCUA Truth in Savings Act (TISA) rules into conformity with those of the Federal Reserve Board's Regulation DD.



The proposed reporting rule would provide a web-based system to allow federally insured credit unions to submit reports and information online. Comment period is 60 days. The new system is expected to be implemented the third quarter of 2009.

The NCUA said it will send a letter to credit unions regarding the new system in early September and will make the system mandatory for credit unions with Internet access by Oct. 1. For the approximately 150 small credit unions without Internet access, NCUA will allow them to submit paper call reports and then the agency will enter their call report information into the online system for them. NCUA also plans to hold a webinar about the new system.

Regarding TISA disclosures, the NCUA's rule is statutorily required to be "substantially similar" to the Fed's. With a 60-day comment period, the NCUA plan would require credit unions to disclose on the periodic statement the dollar amounts charged for overdraft fees and returned item fees, both for the month and the year-to-date. Currently, only credit unions that promote

or advertise the payment overdrafts are required to provide these disclosures.

The proposal would also require credit unions to provide account balance information through an automated system that discloses only the amount of funds available for withdrawal, without including the additional funds that would be available under an overdraft program.

The NCUA also approved a final rule that increases the period of time within which a federal credit union must partially occupy a completed new premises without obtaining a waiver from NCUA. Previously, a RegFlex FCU had three years to at least partially occupy or it had to get a waiver. The new final rule increases that to six years, but only for acquisitions of unimproved land.

Also at the NCUA monthly meeting, agency staff presented a report on the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF's equity level was at 1.28% as of Feb. 28, and is projected to rise to 1.30% in March and stay there for the rest of the year.

As with the report with January figures, the NCUSIF shows it has already accrued the anticipated NCUSIF premium even though NCUA has not yet collected it. In response to a question from Vice Chairman Rodney Hood regarding when the agency intends to bill federally insured credit unions for the premium, NCUA CFO Mary Ann Woodson responded, "We will bill for that later this year."

NCUA Website
www.ncua.gov/

Compliance Challenge

Q4: John, VP of lending at ABC FCU, attended a seminar where he was told that credit unions can't extend a closed-end loan's first payment beyond 30 days. Is this correct?



A. No. A credit union may extend the first payment for a closed-end loan more than 30 days beyond the date the loan is closed. Regulation Z, Section 226.17 (c) (4), states that for loans whose terms are greater than one year or less than ten years, in making calculations and disclosures, a creditor may disregard an irregular first period that is not more than 11 days shorter or 21 days longer than the normal payment period. Read more in CUNA's March *Compliance Challenge*.

Compliance Challenge
www.tinyurl.com/dhun7w

CUNA's eGuide: Truth in Lending, Reg Z
www.tinyurl.com/cd6kbs

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- ▶ U.S. Central's evp of asset/liability management, Dave Dickens, has left the company, effective immediately. More in Friday's News Now. **18 hours ago**
- ▶ A Connecticut low-interest student loan bill, developed by the state's credit unions and governor, was introduced in the state assembly. **19 hours ago**
- ▶ House Committee OKs CUNA-backed TARP reform measure—increases NCUA borrowing authority, provides 5-yr. restoration to replenish NCUSIF. **2 days ago**
- ▶ NCUA has posted accounting bulletin on corporate stabilization plan. Find here <http://tinyurl.com/cb7na5>. Read News Now Thursday. **2 days ago**
- ▶ NCUA Bd Member Hyland: "all other reasonable alternatives" to fund corporate assistance plan and reduce assessment on CUs must be considered **2 days ago**
- ▶ more...



>> Notes Bearing Interest



Credit Unions Recognized as REAL Deal™

Almost 1,000 REAL Deal™ credit unions were recognized by CUNA President/CEO Dan Mica and Vice Chair Harriet May at the 2009 CUNA Governmental Affairs Conference, marking the first public recognition of credit unions designated by their state leagues as meeting the outreach criteria of the REAL Deal™ initiative.

REAL Deal™ is an outreach framework developed and adopted by state leagues in partnership with CUNA and the National Credit Union Foundation, leveraging the foundation's REAL Solutions program. REAL Deal™ credit unions reach out to members of their communities who need access to mainstream financial services. The REAL Deal™ brand is designed to highlight the

positive impact of the credit unions' outreach efforts and recognize their success in making a difference.

The four pillars of REAL Deal™ involvement are:

▶ REAL Programs — Products and services promoting a “good deal” for members, including REAL Solutions® initiatives.

▶ REAL Sources — Consumer information on credit union services and financial education.

▶ REAL Community Help/Commitment — Community involvement and charitable initiatives, or contributions of resources to charitable programs.

▶ REAL Partnerships — Outreach through partnerships with community development credit unions or other

community organizations.

The REAL Deal™ supports credit unions and their state leagues in demonstrating the value proposition of credit unions to consumers, policymakers and members. The impact that credit unions have on members and communities can be identified and presented as a significant part of the credit union difference.

In the coming months, CUNA will be working with state leagues to gather information on the number of people assisted by the program's outreach efforts and other measures of their impact on communities served by them. 📈

 **REAL Deal™**
www.aacul.org/real_deal.html

REAL Deal™ Credit Unions
www.aacul.org/download/rd_alpha.pdf

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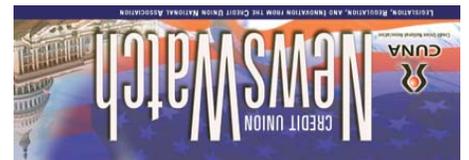


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FIRST CLASS TIME SENSITIVE MATERIAL

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