



The NCUA headquarters building in Alexandria, Va. (CUNA photo)

Fryzel Vows Decisive Regulation

NCUA Board Chairman Michael Fryzel last week vowed a decisive, assertive regulatory approach to preserve confidence in the credit union system.

“Where I see a balance sheet problem, I will move decisively to resolve it. Where I see adverse trends, I will take steps to correct them. And where activities carry unacceptably high levels of risk and expose consumers to potential loss, I will intervene decisively,” Fryzel said.

He announced a comprehensive stress test of the National Credit Union Share Insurance Fund, aimed at determining the Fund’s strength to withstand stresses that could develop as a result of credit and mortgage dislocations.

Fryzel said his experience as a former state regulator of credit unions has formed his philosophy that regulations should create a climate for credit unions “to function as strong, dynamic, consumer-oriented financial service providers.”

He stated that “like every other financial institution in these turbulent times, corporate [credit unions] have

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Treasury Plan Likely to Include CUs in Boost

CUNA’s preliminary review of draft legislation unveiled over the weekend finds credit unions appear to be included in the Treasury’s plan to buy troubled mortgage assets from U.S. financial firms.

The Treasury Department on Saturday submitted legislation to Congress requesting authority to issue up to \$700 billion of Treasury securities to finance the purchase of troubled assets.

“Based on our initial review of the draft legislation, it appears credit unions are included in the Treasury plan to protect the financial system, as we have been working to ensure over the last two days,” said CUNA President/CEO Dan Mica.

Mica reiterated that details remain to be clarified. “However at this stage, we are encouraged by what we have seen,” he said.

Meanwhile, a version of the draft bill being circulated in the Senate early Monday explicitly included credit unions he said.

Congress is expected to debate the legislation this week, according to Mica, who noted that details continue to evolve quickly in the rapid pace of events in the financial services world.

Check CUNA’s online daily news source, News Now, for up-to-date information.

 **Daily Credit Union News**
www.cuna.org/newsnow

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>> Legislative Affairs

Financial Services Claims Jurisdiction on Interchange

U.S. Rep. Barney Frank (D-Mass.) has asked House leadership to ensure that the financial services panel, which he chairs, has a role in deciding credit and debit card interchange fee issues that were voted this summer by the House Judiciary Committee.

In a Sept. 12 letter to House Speaker Nancy Pelosi (D-Calif.), Frank stated his case that Judiciary should not claim exclusive jurisdiction over a bill that makes decisions regarding the regulation of financial institutions, which fall under his committee's purview.

Frank's action is a favorable development for CUNA and credit unions. CUNA is opposed to government intervention in setting the fees charged merchants each time a consumer uses a card for a purchase. CUNA has worked strenuously to oppose H.R. 5546, the Credit Card Fair Fee Act, which was approved by a narrow margin in July by the Judiciary Committee.

"This request is great news for credit unions," notes Michele Johnson, CUNA's director of legislative affairs. "We believe that interchange at its core is a financial services issue. If Chairman Frank's request is honored as it should be, this issue can move before the panel that has a deep understanding of what this bill would mean to credit unions and banks."

Johnson predicts that Frank's request will preclude any fur-



House Financial Services Committee Chairman Barney Frank (D-Mass.), left, confers with CUNA President/CEO Dan Mica during a hearing on Capitol Hill earlier this year. (CUNA photo)

ther consideration of H.R. 5546 this session of Congress and that into 2009 the Committee on Financial Services could be fully engaged in the issue. 📌

CUNA Issue Summary: Interchange Fees

www.cuna.org/gov_affairs/legislative/issues/download/interchange_fees.pdf

Possible Lame Duck Session

In all likelihood, this week will not be the final legislative week of the year for the U.S. Congress. The House and the Senate had set Sept. 26 as the target adjournment date; but the events in the economy of last week have compounded an already complicated adjournment strategy.

The House and the Senate reconvened today and CUNA expects both chambers to be in session at least until Friday, and perhaps into the weekend. It also appears very likely that Congress will return to Washington in November—during the week of Nov 17—for a lame duck session that could extend into December.

Credit unions could benefit from legislative days being added to the calendar after the Nov. 4 presidential election, says CUNA Vice President of Legislation Ryan Donovan.

"More days gives us more time to keep pushing for action on key credit union issues," Donovan said. "The CUNA legislative team is in high gear following the legislative proposals to deal with the economic crisis and also trying to push CUB-TRRA through the Senate."

The House passed the Credit Union, Bank and Thrift Regulatory Relief Act (CUBTRRA, H.R. 6312) on June 19 by voice vote. CUNA continues to urge the Senate to act on this bill before the end of the 110th Congress. CUBTTRA combined most of the Credit Union Regulatory Relief Act (CURRA) with the Bank and Thrift Regulatory Relief Act. 📌

▶ List of Sites Added to Unlawful Gambling Bill

CUNA successfully saw an important mandate added back into the Payment System Protection Act (H.R. 6870) before that bill was approved by the House Financial Services Committee last week.

The legislation, sponsored by the committee's chairman, Rep. Barney Frank (D-Mass.), would place a moratorium on the implementation of the Unlawful Internet Gambling Enforcement Act (UIGEA) as currently proposed by the U.S. Department of Treasury and the Federal Reserve Board.

As introduced, the Frank bill lacked an important provision found in an earlier version of the bill, one which would require Treasury to compile and maintain a list of unlawful internet gambling sites, similar to the Office of Foreign Assets Control (OFAC) list.

Prior to the committee's consideration of the bill, CUNA President/CEO Dan Mica wrote to Frank: "We feel very strongly that such a list is absolutely essential for credit unions and other financial institution to be able to comply with the extraordinary burdens of UIGEA."

Mica also voiced CUNA's strong support of H.R. 6870 and noted that without intervention by Congress in the implementation of UGEIA, credit unions and other financial institutions would be forced to comply with a regulation that does not even define the type of transactions that would be required to be blocked.

CUNA Legislative Issues: A-Z
www.cuna.org/gov_affairs/legislative/issues/2008



>> Regulatory Affairs

Two Finals, One Proposal at Fryzel's First Meeting

The NCUA is scheduled to take up two final rules at its open board meeting Thursday, one addressing requirements for use of the official insurance sign in advertising and the other intended to streamline the agency's system for complying with freedom of information and privacy laws. It will also consider proposing changes to its Regulatory Flexibility Program.

The open meeting will be the first since Michael Fryzel became chairman of the agency. He was sworn in on July 30 and historically the NCUA suspends open board meetings for the month of August.

It will also be the first since Sarah Vega, a former director of the Illinois Department of Financial Institutions, came on board as Fryzel's chief of staff and senior policy advisor.

The agenda item of most interest to credit unions is the vote on proposed revisions to requirements for use of the official insurance sign and official advertising statement, meant to give credit unions added flexibility in advertisements.

Check CUNA's *News Now* online for complete coverage.  **CUNA News Now**
www.cuna.org/newsnow



NCUA Posts 2009 Board Meeting Schedule

The NCUA last week posted to its website its 2009 board meeting schedule. The Board plans to convene each month on a Thursday at 10 a.m. ET on the following dates:

- ▶ January 15
- ▶ February 19
- ▶ March 19
- ▶ April 16
- ▶ May 21
- ▶ June 18
- ▶ July 16
- ▶ September 2
- ▶ October 15
- ▶ November 19
- ▶ December 17

The Board meeting schedule is subject to change. The NCUA board historically does not meet in open session in August.

▶ NCUA Names Kutchey as OEI Deputy Director

John Kutchey started his career at NCUA 18 years ago as an examiner in Baltimore, Md. In early September, Kutchey started his new duties as deputy director of the agency's Office of Examination and Insurance (OEI), where he will assist in overseeing the agency's supervision and examination program, risk management and data collection programs.

In the intervening almost two decades, Kutchey has held a variety of posts. Most recently he was OEI's director of risk management. He also has served as a problem case officer, supervisory examiner, and director of supervision in Region II.

Kutchey has also completed several details with the NCUA, most notably as the associate regional director—operations in Regional V and as the director of insurance in Region II. The NCUA has noted that Kutchey has received numerous awards highlighting his accomplishments and contributions to the agency.

NCUA Director Leonard Skiles, announcing Kutchey's new position, said, "In filling this important leadership position, John will bring valuable field management expertise that will serve to further strengthen the agency's supervision and examination program."



Mike Schenk

CUNA Plumbs Trends in HMDA 2007 Data

CUNA is currently analyzing recently released mortgage lending data, particularly credit union information, preparing to report any significant trends.

The lending data is available through the Federal Financial Institutions Examination Council (FFIEC) and it covers the mortgage activity of 8,610 financial institutions covered by the Home Mortgage Disclosure Act (HMDA).

Mike Schenk, CUNA vice president of economics and statistics, noted it will take time to cull the enormous HMDA database. However, he said CUNA expects the numbers to show that credit unions, compared to other lenders, continue to be more likely to approve mortgage loan applications, and that their relatively high approval rates will continue to stand out across the income spectrum and in all key ethnic groupings.

Schenk said the numbers also historically have shown credit unions to be much less likely to saddle consumers with high-cost loans and that credit unions remain true to their mission: compared to other lenders, credit unions reported a larger share of the total mortgage lending to low/moderate income consumers.

"Credit unions were not contributors to the subprime mess, and have remained active, responsible lenders—the FFIEC data should reflect this fact," the CUNA economist said. 

 **Order HMDA information online**
www.ffiec.gov/hmda/orderform.htm



John Kutchey



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TERRY BELCOE

President/CEO
North Coast Credit Union
Bellingham, WA

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>> Governmental Affairs

CNN, Bloomberg Note CU Safety Amid Turmoil

The effect on consumers of the turmoil caused by such events as the government takeover of Freddie Mac and Fannie Mae could easily be overstated, Bill Hampel, CUNA chief economist, stated during an interview on Bloomberg TV Thursday.

“The typical consumer probably didn’t know until a couple of weeks ago what a Freddie or a Fannie might be,” Hampel said, and added that consumers are more affected by drivers like high gas prices.



CUNA Chief Economist Bill Hampel appears live on Bloomberg Television. (CUNA photo)

The CUNA chief economist noted that there are even some consumer winners amid the lending crunch. He reiterated that credit unions are well capitalized, didn’t engage in the subprime mortgage practices that have gotten some lenders into trouble—and therefore credit unions have funds to lend.

“If you are a consumer with a really

good credit rating, you can get credit now. In fact, a first-time homebuyer with good credit and a down payment is in a good position to get a loan,” he added. Hampel reminded that deposits in credit unions are safe and federally insured, with rules and coverage similar to that of the Federal Deposit Insurance Corp.

“I’m not saying it’s happy days—but there are some positives to offset the negatives,” Hampel said.

Meanwhile on the same day, CNN Television told viewers “if there’s a calm in the economic storm, it may be credit unions, whose investors are sleeping through the night.”

The exchange happened during an interview by CNN’s Susan Lisovicz with Neil Weinberg, senior editor of *Forbes Magazine*.

Weinberg reiterated that most credit union accounts are federally insured by the government at least to \$100,000.

“They tend to be conservatively managed and federally insured, which in this day and age is what you want,” advised Weinberg.

“I got the message,” said Lisovicz. “You want to go for a credit union.”

CU's in the Media
www.cuna.org/newsnow/keyword_headlines

Fryzel Vows Decisive Regulation

▶ From page 1



Michael Fryzel

faltered” and “must regroup and regenerate themselves to withstand the balance of this economic downturn.”

The chairman added that the NCUA is committed to maintaining the integrity of the corporate network and is actively monitoring the corporates. It will take “all necessary measures” to “restructure, reenergize and maintain the corporate system as a viable entity,” he said.

He noted Congress’ interest in credit unions now and said that he is keeping lawmakers well informed about the corporates. He made his remarks at the National Association of Federal Credit Unions Congressional Caucus in Washington, D.C.

Fryzel also said his agency is currently expanding Vice Chairman Rodney Hood’s risk mitigation efforts, and is organizing a high level industry summit with the trade associations on the ramifications of “continued volatility in the credit and mortgage markets and to identify measures to mitigate the impact.”

CUNA Regulatory Advocacy
www.cuna.org/reg_advocacy



If Credit Unions Don't Vote, Credit Unions Don't Count.

Register to vote on CUNA's website
www.cuna.org/pol_affairs/election



>> Notes Bearing Interest

Mass. Ruling Impedes Use of Foreclosure Powers

A recent Massachusetts trial court ruling highlights the fact that unfair mortgage terms and origination practices can jeopardize a lender's ability to foreclose on a property whose owner is in default.

Chris Johnson, vice president of CUNA's State Governmental Affairs has advised credit unions that in the case *Commonwealth of Massachusetts v. Fremont Investment & Loan*, the court limited a lender's exercise of all of its specific rights under its mortgage agreements with its borrowers.

In the case, the Massachusetts attorney general obtained a preliminary injunction against Fremont, a subprime lender that originated thousands of mortgages in Massachusetts and whose lending practices were considered by the attorney general to have contributed significantly to the foreclosure crisis in that state.



Chris Johnson

Johnson noted the court's order prohibits Fremont from initiating or advancing foreclosures on loans with terms that are "presumptively unfair."

Under the terms of the injunction, Fremont must provide the attorney general's office with at least a 30-day notice of all foreclosures it intends to initiate for the loans that Fremont owns and services. In turn, the AG has an opportunity to object to the foreclosure going forward.

The lesson of the Fremont case, according to Johnson, "is that the lender's inequitable origination practices have now hamstrung its ability to foreclose on properties that secure mortgages that it owns."

Johnson further noted that although Fremont ultimately is likely to be able to exercise its foreclosure rights, "it will generally not be able to do so until after it has incurred significant expenses, and lost considerable time, in complying with the terms of the injunction."

CUNA State Governmental Affairs
www.cuna.org/gov_affairs/state_affairs

Top 20 Political Action Committee (PAC) Contributors to Federal Candidates, 2007-2008*

PAC Name	Total Amount
Operating Engineers Union	\$2,612,560
National Assn of Realtors	\$2,289,750
Intl Brotherhood of Electrical Workers	\$2,286,550
AT&T Inc	\$2,065,200
American Assn for Justice	\$1,904,000
National Beer Wholesalers Assn	\$1,856,500
Machinists/Aerospace Workers Union	\$1,840,300
American Bankers Assn	\$1,818,520
International Assn of Fire Fighters	\$1,787,600
National Auto Dealers Assn	\$1,696,000
National Air Traffic Controllers Assn	\$1,638,825
Air Line Pilots Assn	\$1,634,000
Service Employees International Union	\$1,631,000
Laborers Union	\$1,548,500
Credit Union National Assn	\$1,530,699
American Dental Assn	\$1,530,412
Sheet Metal Workers Union	\$1,509,010
United Parcel Service	\$1,502,001
Plumbers/Pipefitters Union	\$1,467,150
American Crystal Sugar	\$1,336,500
Totals include subsidiaries and affiliated PACs, if any.	

*For ease of identification, the names used in this section are those of the organization connected with the PAC, rather than the official PAC name. For example, the "Coca-Cola Company Nonpartisan Committee for Good Government" is simply listed as "Coca-Cola Co."

SOURCE: Center for Responsive Politics based on data released by the FEC on July 28, 2008.

▶ Seeking CU Comment...

These issues are open for comment by the general public. Credit unions are asked to submit a copy of their comments to CUNA:

- ▶ **PCA: Amended Definition of Post-Merger Net Worth**
Agency: NCUA
Due date: Sept. 29

- ▶ **Proposed Revision to Reg S—Reimbursement to Financial Institutions for Records**
Agency: Federal Reserve
Due date: Sept. 29
- ▶ **Workplace Financial Education Honor Roll Program**
Agency: Treasury
Due date: Oct. 27

Comment Calls
www.cuna.org/reg_advocacy



>> Political Affairs

Disaster Preparedness and Response Links

These online links will help credit unions access information about disaster recovery with Hurricane Ike and prepare for other disasters.

For disaster preparedness:

▶ Disaster Preparedness: Includes pandemic information and a link to the National Credit Union Foundation Disaster Relief Fund.

www.cuna.org/initiatives/disaster_prepare

▶ CU Locate: Toll-free emergency number to publish or broadcast during a disaster for credit union members that will provide information about the status of their credit union.

www.cuna.org/initiatives/disaster_prepare/member/tools.html

▶ Texas Credit Union League

Disaster Preparation: Information regarding Texas credit unions affected by Hurricane Ike.

www.tcul.coop/Disaster_Preparation.html

R.E.S.C.U.

Relief Effort and Support for Credit Unions

For CUNA Strategic Service providers:

▶ Strohl Systems/CUNA Strategic Services: Software tools to assist with disaster preparedness and recovery.

http://strategicservices.cuna.org/csa_strohl.html

▶ VoiceGard/CUNA Strategic Services: Telephone continuity and recovery solutions and emergency response service.

http://strategicservices.cuna.org/csa_voicegard.html

▶ Agility Recovery Solutions/CUNA Strategic Services: Agility provides business recovery and continuity solutions for credit unions.

http://strategicservices.cuna.org/csa_agility.html

Credit unions looking for assistance:

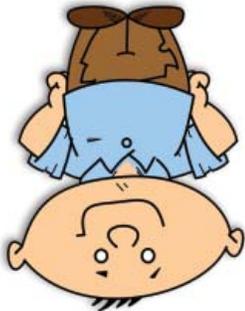
▶ CUAid: Make donations through this National Credit Union Foundation website to benefit credit union employees and members affected by the hurricanes. One hundred percent of the donations go to help credit union members and employees in need.

www.cuaid.coop

▶ Texas Credit Union League: Needed and available resources for credit unions.

www.tcul.coop/Recovery_Resources.html

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www.lookoutforthelittleguy.org



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FIRST CLASS TIME SENSITIVE MATERIAL

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