



Together, CUs Are Better

Juan Carlos Li Guzmán (left), Victoria Hernandez, and Oscar Hidalgo Chaves, employees of the Costa Rican credit union *Coopeservidores*, depart an International Credit Union Day reception on Capitol Hill. Costa Rican credit unions have developed partnerships with Alabama credit unions in the United States. See the credit union's website at www.coopeservidores.fi.cr. (CUNA photo)

Credit unions around the world Thursday celebrated International Credit Union Day with the theme "Credit Unions: Together We're Better."

Worldwide, 46,377 credit unions in 97 countries serve more than 172 million people.

During a reception on Capitol Hill in Washington, D.C., the World Council of CUs Board Member Ron Hance told assembled guests and congressional staff that credit unions provide opportunities for everyone—"rich or poor, village or city, peace or war."

"In Afghanistan, both men and women are experiencing democracy for the first time," said Hance, who also is president/CEO of Heritage Family FCU in Rutland, Vt.

He pointed out that U.S. credit unions can learn new ideas and practices from working beyond local communities. He said rich and poor people face many of the same challenges in life, and both need credit unions' help.

"We have the ability," Hance said of credit unions. "Therefore we have the responsibility." 🏠

Reg Z Plan Needs Serious Changes

CUNA urged the Federal Reserve Board to be cautious about making any changes to its Regulation Z that could diminish credit unions' ability to offer multi-featured, open-end lending products.

In a recent comment letter, CUNA said it supports the Fed's long-term process aimed at simplifying Reg Z disclosures so consumers can better understand the terms of credit extensions. Reg Z implements the Truth in Lending Act (TILA).

CUNA also said it agrees with the Fed that a focus on consumer testing should help in these efforts.

However, CUNA strongly objected to the Fed's plan as written. Even prior to its comment letter, CUNA, along with CUNA Mutual Group (CMG), met with the Fed to outline credit union concerns that the agency's proposal could unintentionally cut into products favored by credit unions and their members, such as the LoanLiner program offered by CMG.

CUNA wrote that if the Fed is "irrevocably determined to go forward" with its changes, the regulator should consider an alternative approach: that the Board requires only that the closed-end disclosures be provided for any credit that is not "self-replenishing."

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CURIA: Questions & Answers

Part VI



MODERNIZING FINANCIAL SERVICES
FOR WORKING FAMILIES

This report found that as financial institutions increased their size through mergers, they did less small business lending. Modestly easing credit union member business lending restrictions would therefore help to fill this vacuum.

Royce: Because it is understood that member business lending is a “niche market” for credit unions, CURIA replaces the existing 12.25% cap with a higher 20% limit. We believe this is a reasonable request considering the current limit on non-real estate lending for thrift institutions is comparable.

Q. What changes to the 2007 bill did the most to broaden support for CURIA in the 110th Congress, and how will they help the “Little Guy”?

Kanjorski: Many supporters of CURIA in the 110th Congress like the changes to help credit unions move into underserved areas. These changes will especially help the “Little Guy” by encouraging credit unions to move into areas where more financial services are needed.

Royce: I think the bill offers a common-sense approach to modernizing credit union regulation and members understand that. But without the grassroots support which has been the driving force behind this legislation we would not be in the position we are today.

Q. What are the most important points credit union representatives can share with their lawmakers to encourage support for the bill?

Kanjorski: Credit union members should tell their Members of Congress

by other depository institutions. This new provision would reverse a recent NCUA rule change. We also expanded the criteria used for determining eligible underserved areas.

Royce: As we have done in previous years, Rep. Kanjorski and I looked at the bill in its entirety and targeted provisions we believed could be improved. One of our changes revises capital ratios to correspond more closely to capital standards for other financial institutions, like banks and thrifts.

Q. How does CURIA address safety and soundness issues for credit unions?

Kanjorski: CURIA makes modest adjustments to the prompt corrective action (PCA) system imposed in 1998 in order to place credit unions on a more equal footing with other financial institutions and institute a state-of-the-art capital system. These changes will give credit unions more flexibility without affecting their safety and soundness. I was very pleased that Chairman Barney Frank (of the House Financial Services Committee) recently recognized the need to work on this issue.

Royce: I believe it is important to focus on maintaining the safety and soundness of all financial institutions. As you know, our 2005 proposal replaced the “one-size-fits-all” capital requirement with a more rigorous approach designed to more closely reflect actual risk. In the newest version of CURIA, we built upon this model and tweaked the capital ratios.

Q. How does CURIA address member business lending?

Kanjorski: CURIA would help credit unions improve economic growth by allowing them to make more small business loans. A recent study by the Federal Reserve Bank of Atlanta identified a real need for more small business lending.



U.S. Rep. Paul
Kanjorski (D-Pa.)



U.S. Rep. Ed Royce
(R-Calif.)

The last major changes to the Federal CU Act occurred in 1998, with the passage of the CU Membership Access Act (H.R. 1151). The past nine years have provided an opportunity for credit unions to identify unnecessary and outdated provisions and recommend common sense improvements. Congress, during its last three sessions, has introduced The CU Regulatory Improvements Act—known by its acronym, CURIA (H.R. 1537).

Of particular interest for credit unions is raising the cap on member business lending, implementing a risk-based capital structure and expanding services to underserved areas. Visit CUNA’s website for additional details about the proposed bill.

U.S. Reps. Paul Kanjorski (D-Pa.) and Ed Royce (R-Calif.) are the bill’s authors and have championed CURIA during the past three Congresses.

Q. What changes were incorporated into this year’s version of CURIA?

Kanjorski: One of the major changes we made in this year’s version of CURIA incorporated provisions to help credit unions of all types to expand into areas with high unemployment and low median incomes that tend to be underserved

about how CURIA can strengthen their institution and how it will allow them to better serve their communities. It is also helpful to tell them about how many credit union members live in the district or state.

Royce: Over the years I have come to realize people tend to like their banks, but they love their credit unions. I think lawmakers need to hear this from their constituents. It is also important to note how this bill will improve the ability of credit unions to serve their 89 million members across the country.

Q. What kind of grassroots support would you like to see from credit unions?

Kanjorski: We made great advances in the credit union movement with passage of the Credit Union Membership Access Act of 1998. During consideration of that law, many Members of Congress on both sides of the aisle began to understand the importance of credit unions and their grassroots potential. I would encourage credit union members to continue developing relationships with their Members of Congress by writing or calling them and visiting their Member's office when they are in Washington, D.C. We now have more cosponsors of CURIA than ever. We need to continue

▶ NewsWatch CURIA (H.R. 1537) Q&A Series

- ▶ Part I: Sandy Lingerfelt
- ▶ Part II: Rudy Hanley
- ▶ Part III: Bruce Foulke
- ▶ Part IV: John Magill and Richard Gose
- ▶ Part V: Chris Johnson

to rely on your grassroots to build momentum for consideration of the bill by the Financial Services Committee.

Royce: Credit unions' grassroots support has been the driving force behind their past successes. Dating back to my time in the California State Senate, I have seen the extent to which credit unions can rally the troops and get their members to participate. I think it is important to continue this effort and meet with legislators in Washington as well as their district offices. The more often legislators hear from credit unions, the more likely it is that they will understand why it is important to support CURIA. 🏠

Learn more about CURIA, H.R. 1537
www.cuna.org/initiatives/member/curia.html

High Level House Members Back CURIA

CUNA VP of Legislative Affairs Ryan Donovan says "it speaks volumes" to note a recent spate of prominent signatures added in support of the CU Regulatory Improvements Act (CURIA, H.R. 1537).



Ryan Donovan

"The placement of every name on the House co-sponsor list for CURIA is important. However, the recent addition of a number of highly placed House members particularly shows both the hard work of credit unions and the increasing awareness in Congress of how this bill will help credit union members," Donovan said.

Just since the beginning of October, the official CURIA co-sponsor list has witnessed the addition of:

- ▶ Rep. Maxine Waters (D-Calif.), who is chairwoman of the House subcommittee on housing and community opportunity. Now four of five chairs of House Financial Services subcommittees are co-sponsors;
- ▶ Rep. Pete King (R-N.Y.), senior Republican member of House Financial Services;
- ▶ Rep. Chris Van Hollen (D-Md.), who is chairman of the Democratic Congressional Campaign Committee;
- ▶ Rep. Dave Camp (R-Mich.), a member of the powerful House Ways and Means Committee, with jurisdiction over all tax matter;
- ▶ Rep. Richard Neal (D-Mass.), who is chairman of the House Ways and Means subcommittee on select revenue measures.

Also, 13 House members from Georgia—six Democrats and seven Republicans—last week sent a letter to Committee leadership urging a CURIA hearing. That letter came less than a month after a similar missive from six representatives from Texas. 🏠

CURIA, H.R. 1537
www.cuna.org/initiatives/member/curia.html

CURIA CO-SPONSORS COUNT

135

AS OF 10/19/07

CURIA
 MODERNIZING FINANCIAL SERVICES FOR WORKING FAMILIES

CURIA, H.R. 1537
www.cuna.org/gov_affairs



THE GAC:

IT'S RED, WHITE, AND YOU
NEED TO BE THERE!

Be part of this exciting year when the CUNA Governmental Affairs Conference moves to the Washington Convention Center. Bring your managers and board along for the experience — the greater our turnout, the greater credit unions' political impact on Capitol Hill. With high profile speakers, entertainment and a spacious new location, it will be the GAC you know, **only better!**

- Hear from Washington's most influential policy makers
- Hone your political advocacy skills in workshops that help you deliver the credit union message
- Make an impact on Congress with Capitol Hill visits that show your strength in numbers
- Ensure lawmakers understand the credit union difference to protect your tax-exempt status and advance CURIA



Washington Convention Center

HOUSING IS
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THIS YEAR'S GAC HAS IT ALL!



AMERICA

presented by CUNA Councils.

America, the band that's had us all riding the "Ventura Highway" for decades will entertain you at the NEW Sunday kick-off concert.



GEN. COLIN POWELL

One of the most admired men in America, Gen. Colin Powell will open the GAC, providing leadership strategies to take charge during times of great change.



CHRIS MATTHEWS

Always ready to play "hardball," Chris Matthews will provide his no-nonsense take on the 2008 political scene.



DAVE BARRY

The GAC will end on a lighter note with humorist and best-selling author Dave Barry offering his unique and always-entertaining take on current events.

HOUSING INFORMATION

Make your lodging reservations on November 5, starting at 2:00 p.m. EST. Visit gac.cuna.org and click on *Housing*. This link will take you to the CUNA Housing Bureau, where you can choose from nine comfortable hotels within walking distance of the convention center. Shuttle service is provided Sunday through Thursday for these official conference hotels:

- Grand Hyatt Washington
- Renaissance Washington, DC
- Capital Hilton
- Embassy Suites DC Convention Center
- Marriott at Metro Center
- JW Marriott Hotel
- Hilton Garden Inn WDC-Downtown
- Courtyard by Marriott Convention Center
- The Mayflower Hotel

CULAC RAFFLE

The CULAC Grand Raffle drawing will be held at the closing session.

WIN A VACATION PACKAGE

Don't miss the opportunity to win one of two Grand Prize Vacation Packages, valued at \$1,500 each. Drawings will be held Sunday before the concert and at the closing general session on Thursday, March 6. You must be present to win.

LEARN MORE TODAY!

Visit gac.cuna.org and download the FAQs or call 800-356-9655, ext. 5700.

CUNA GOVERNMENTAL AFFAIRS CONFERENCE
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>> Regulatory Affairs

FinCEN: How to Avoid 10 Common SAR Errors

The Financial Crimes Enforcement Network, known as FinCEN, issued a notice last week detailing common errors on suspicious activity reports (SARs) that credit unions and other filers should avoid.

FinCEN said it came up with its list of 10 common errors mostly by studying SARs filed by money services business. However, when it released the list the agency said it believes the information will be useful for all financial institutions in their efforts to “implement simple strategies to provide accurate and complete information in their SAR filings.”

The FinCEN document, in part, went over some familiar ground. For instance, it noted that among the mistakes most often made was filing with an empty or inadequate narrative field.

“SAR narratives should describe, as fully as possible, why the activity or transaction is unusual for the customer, taking into consideration the types of products and services offered by your industry and the nature and typical activities of similar customers,” the FinCEN guidance said.

The 10 common errors noted by FinCEN:

- ▶ Empty narrative;
- ▶ Failure to Explain Information in Supporting Documents;
- ▶ Inadequate Narratives;
- ▶ Inaccurate Special Responses;
- ▶ Missing or Incomplete Filer Employer Identification Number (“EIN”);
- ▶ Missing Filer Telephone Number;
- ▶ Invalid Subject Social Security Number (“SSN”)/EIN;
- ▶ Incomplete Subject Information; Government Issued Identification;
- ▶ Missing Category, Type, or Characterization of Suspicious Activity; and
- ▶ Incorrect Characterization of Suspicious Activity.

CUNA’s Bank Secrecy Act Task Force continually seeks to identify credit union compliance challenges with complicated anti-terrorism, anti-money laundering laws. FinCEN, in apparent response to concerns expressed by CUNA and others, has issued occasional guidance on Bank Secrecy Act issues. ☷

FinCEN Compliance Tips
www.fincen.gov/SAR_Common_Errors_Web_Posting.html

▶ Reg Z Plan Needs Serious Changes

▶ From page 1

CUNA strongly supported a plan to eliminate the requirement to disclose the “effective” APR on the periodic statement, which is the APR that incorporates certain fees and costs. CUNA also supported a change to require a 30-day advance notice before changing certain terms of an open-end credit plan, instead of the current 15-day requirement, saying such a change would be useful for consumers.

Overall, the Fed’s proposed Reg Z modifications include comprehensive changes to the format, timing, and content required for the five main types of open-end credit disclosures that are required under the regulation. These include credit card application and solicitation disclosures, account-opening disclosures, periodic statements, change-in-term notices, and advertising provisions.

Complete CUNA comment letter
www.cuna.org/download/cl_101107.pdf

Compliance: Security Letter Confidentiality

Credit union officials and employees responsible for compliance need to know just how much confidentiality the government requires surrounding National Security Letters (NSLs).

NSLs are those written investigative demands that may be issued by the local FBI and other federal government authorities during counterintelligence and counterterrorism investigations.

Credit unions and other financial in-



stitutions are charged with keeping these communications private. For instance, a credit union should not provide copies of any national security letters to an examiner for review—even upon request.

No credit union, officer, employee or agent of the credit union can disclose to any person that a government authority or the FBI has requested or obtained access to records through the NSL process.

Credit unions that receive NSLs must take steps to ensure the confidentiality of the letters is maintained. If the credit union files a suspicious activity report (SAR) after an NSL is received, the SAR should not make any reference to the receipt of the NSL—only those facts relative to the suspicious activity in question.

Any questions the credit union receives regarding an NSL should be directed to its local FBI office. ☷

CUNA Compliance Challenge
www.cuna.org/compliance



>> Notes Bearing Interest

Broad Financial Education Survey Launched

CUNA launched a movement-wide survey to determine what level of commitment already exists among credit unions for the goal of “empowering members through financial literacy,” according to Juri Valdov, director of the CUNA board.

Valdov, who also is chairman of the CUNA Financial Literacy Task Force, unveiled CUNA’s “Long-Term Strategic Plan to Empower Members by Improving Financial Literacy” this month.

The survey, outlined in the plan, asks credit union CEOs:

- ▶ What kinds of financial education are available for adult and youth members?
- ▶ What barriers they face in trying to educate member?
- ▶ What staff and monetary resources they devote to member financial education?

CUNA’s poll is being conducted under the auspices of the Financial Literacy Task Force, which organized CUNA’s 2006 National Financial Literacy Summit. The results will be released at the 2008 Governmental Affairs Conference.

Also in 2008, the task force is scheduled to hold a second national forum on financial literacy. Its other goals include:

- ▶ Developing an online financial literacy resource center to provide information about financial education best practices;
- ▶ Conducting recurring research to identify information members and potential members want and need, what credit unions are doing to educate them, and how much the movement is improving financial literacy;
- ▶ Developing and testing tools to assess the return on investment of credit union financial education programs.
- ▶ Creating a “National Financial Literacy Champion” designation to recognize credit unions’ commitment to financial literacy in their strategic plans.

CUNA has incorporated financial literacy into its Three-Year Strategic Plan, a move intended to demonstrate that CUNA is the leading proponent of financial literacy.  **Member Financial Literacy Resources** <http://finlit.cuna.org>

▶ CUNA Board Voting Begins Oct. 24

Ballots are being distributed for CUNA’s annual board election, which begins Oct. 24 and closes Dec. 14.

Nominations were due Oct. 19.

Positions up for election are:

- ▶ District 1, Class A;
- ▶ District 1, Class D;
- ▶ District 2, Class B;
- ▶ District 2, Class D;
- ▶ District 3, Class C;
- ▶ District 4, Class A;
- ▶ District 5, Class A (Special election);
- ▶ District 5, Class C; and
- ▶ District 6, Class B.

Visit CUNA’s website for a list of candidates and more information.

 **About CUNA Board**
www.cuna.org/cuna



The Situation Toon

CUNA emailed to selected Capitol Hill lawmakers and staff a series of daily credit union “Situation Toons.” The cartoons spotlighted efforts of banking groups to disrupt legislative efforts designed to help credit unions serve all members—including the “Little Guy.” The email read, “89 million Americans deserve low-cost options in financial services. Support the Credit Union Regulatory Improvements Act (CURIA, H.R. 1537). Learn more at lookout-forthelittleguy.org.”



>> Political Affairs

CUs Hike Down the Hill

CUNA and the state credit union leagues wrapped up another Hike the Hill season in which credit unionists from 42 states trekked to Washington, D.C., to press credit union issues with federal lawmakers.

The visits focused primarily on urging lawmakers' support for the CU Regulatory Improvements Act (CURIA, H.R. 1537) of 2007.

Additionally, according to Tom Gannon, CUNA's director of grassroots, CUNA staff updated Hike the Hill participants on the latest information addressing such key topics as data security legislation, credit union tax exemption, financial services appropriations for such programs as the Community Development Financial Institutions program under Treasury, and more.

Gannon said that each year since the Hikes were started in 1999, the number of credit unions that participate in the contact program increases.

"This program is important to the credit union movement because it establishes a permanent presence on Capitol Hill for credit unions—and underscores and enhances what is begun in February during CUNA's annual governmental affairs conference," according to Gannon.



U.S. Sen. Olympia Snowe (R-Maine), left, talks with Jim Lemieux, president/CEO of Sebasticook Valley FCU, which has locations in Pittsfield and Newport. Lemieux was part of a contingent from Maine's credit unions who went to Washington, D.C., in October to visit with Maine's Congressional delegation. (Maine CU League photo)

During their trips to Washington, many Hike the Hill volunteers also host receptions for lawmakers and staff at the Credit Union House on Capitol Hill. [Hike the Hill program](http://www.cuna.org/pol_affairs)



www.cuna.org/pol_affairs

Look Out for the Little Guy www.cuna.org



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