

Magill, Sagar Join CUNA Team



John Magill and Dean Sagar. (CUNA photos)

FCUs Get Info on Insurance Changes

The NCUA issued a letter to federal credit unions last week that details changes to share insurance rules, the ones effective April 1, and the ones that will come later—even years later.

The letter noted the agency issued an interim final rule with request for comment implementing changes enacted into law in February. The letter reminded credit unions that the new laws maintain parity between credit union share insurance and bank and thrift deposit insurance. It added that credit unions can expect in the near future:

- ▶ An increase in NCUSIF coverage to \$250,000 for certain retirement accounts, such as IRAs and Keoghs. This change is effective April 1.
- ▶ An expansion of NCUSIF coverage to provide for pass-through coverage on employee benefit plans at the adequately and well-capitalized institutions that may accept them; and
- ▶ Changes to the official NCUSIF logo to display the statement that insured accounts are “backed by the full faith and credit of the United States Government.”

The letter also noted changes beginning in 2010 when the NCUA and FDIC will jointly consider whether an inflation adjustment to the maximum insurance amount >>

▶ See page 3

CUNA announced two important additions to its legislative team last week. John Magill, chief of staff for Rep. Wally Herger (R-Calif.) of Ways and Means, will become the group’s senior vice president of legislative affairs on May 1.

And Dean Sagar, the top financial services policy staff member for House Financial Services Committee Ranking Member Barney Frank (D-Mass.), will join the CUNA staff on April 3 as vice president of legislative affairs.

Magill has nearly 30 years’ experience on Capitol Hill, the last 19 of those working for Rep. Herger, chairman of the human resources subcommittee. He is considered a prominent and accomplished congressional staff administrator.

CUNA President/CEO Dan Mica said of Magill, “John’s long-time experience on the Hill has resulted in countless close associations with current and former members of Congress, on both sides of the Hill, and their staff members. Credit unions can look forward to benefiting from his experience and wisdom.”

Mica added Magill’s understanding of the legislative process is unsurpassed.

Sagar also has extensive Capitol Hill experience with more than 25 years’ tenure as a congressional staff member and nearly 10 years’ in lobbying Congress for trade and other groups. He was part of the development, debate and enactment the CU Membership Access Act of 1998 as a senior legislative analyst for what is now called the Financial Services Committee.

“Dean’s background and understanding of federal credit union legislation is unmatched by any other national credit union trade lobbyist today,” said Mica. 🏠

 **CUNA Legislative Affairs**
www.cuna.org/gov_affairs

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Which quote was uttered by a bank trade association exec?



>> Legislative Affairs

Congress Urged to Reject Bankers' Anti-CU Tactics

CUNA Chairman Juri Valdov sent a letter to each member of Congress asking lawmakers to ignore the bankers' attempts to hobble credit union efforts to better serve their members.

Valdov in his letter blasted efforts by three banking trade groups, which recently voiced opposition to the CU Regulatory Improvements Act (CURIA, H.R. 2317).

"I urge you to reject the entreaties of the American Bankers Association, America's Community Bankers, and the Independent Community Bankers of America as merely obstructionist tactics



Juri Valdov

designed to hobble or hold back credit unions from fulfilling their role of serving their members," wrote Valdov, president/CEO of Northwest FCU, Herndon, Va.

He pointed out that CURIA is meant to "modernize credit union law, and give credit unions more flexibility in providing outstanding consumer service to their members."

Valdov wrote that banker efforts to "keep credit unions in check" have last-

ed 70 years and are led by extremists, most recently such as ABA Chairman Harris Simmons.

He added, "Through that entire time, credit unions have persevered, and American consumers are clearly better for it.

"Credit unions merely want to serve their consumer members as effectively as possible; CURIA gives them the tools for doing just that," Valdov concluded. 🏠

BANK ATTACKS: CUs Fight Back!
http://www.cuna.org/initiatives/bank_attack

House Committee Approves Data Bill

The House Financial Services Committee approved a data security bill last week that would mandate a strong national standard for data protection.

The measure, known as The Financial Data Protection Act (H.R. 3997), would require institutions responsible for security breaches to notify consumers of possible compromised personal information.

H.R. 3997 also would require institutions responsible for data breaches to provide consumers a six-month credit monitoring service upon notification of a compromise.

Among the CUNA-backed changes approved by the committee in its 48-17 vote:

- ▶ A requirement that major credit card companies notify financial institutions when a breach has occurred and authority for financial institutions to disclose the source of the breach to the consumer.
- ▶ NCUA was included on a list of federal regulators involved in any rulemaking related to the bill.
- ▶ A federal preemption of varying state laws.

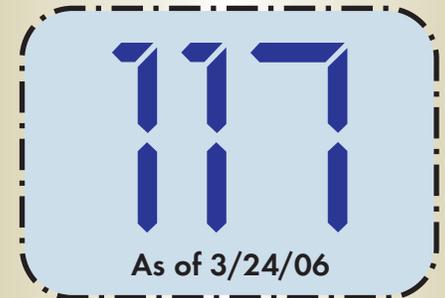
However, H.R. 3997 is one of at least a half-dozen bills on data breaches currently circulating in the House.

The Commerce Committee is expected to hold a mark up on its data security bill this week. That bill, the Data Accountability and Trust Act (H.R. 4127), carries a controversial provision that would put oversight of much of the data protection rules under the Federal Trade Commission rather than federal financial regulators. Also on the House side, the Judiciary Committee is expected to unveil its own bill.

In the Senate, the Judiciary and Commerce Committees are working on separate bills that fall within their respective jurisdictions. The Senate Banking Committee is in the process of drafting legislation. 🏠

Issues 2005: Data Security
http://www.cuna.org/gov_affairs

CURIA Co-Sponsors Count



The newest CURIA co-sponsors are:

Rep. Anna Eshoo (D-Calif.)

Rep. Daniel Lipinski (D-Ill.)

Rep. Zoe Lofgren (D-Calif.)

Rep. Hilda Solis (D-Calif.)

For a complete list of co-sponsor names, visit CUNA's website at <http://capwiz.com/cuna/issues/bills>



>> Regulatory Affairs

Hyland Says Regulators' Role is Two-fold

NCUA Board Member Gigi Hyland last week said in response to criticism from a powerful House Republican that it is not contrary to her goal of being an objective regulator to be supportive of a viable credit union system.

"Being a regulator, part of that is making sure the institutions you regulate have the opportunity to succeed," she said.



Bill Thomas

She was responding to a letter sent by Rep. Bill Thomas (R-Calif.) in which the House Ways and Means chairman said his "fear" that the NCUA lacks objectivity and independence from the movement it regulates was confirmed by recent remarks by Hyland.

Thomas referred to comments by Hyland, as reported by *CU Times*, that credit unions could use the NCUA's data collection pilot

program to "tell stories of people helping people in a way that will appeal to Capitol Hill" and as a "chance for credit unions to frame the argument themselves."

He called on the Government Accountability Office (GAO) to expand its current review, requested by Thomas to look into the credit union tax status, to include "an analysis of the independence and objectivity of the NCUA."

On Friday, NCUA Chairman JoAnn Johnson responded to Thomas' letter saying, "Let me state unequivocally that NCUA is entirely committed to responding to your request for information in a complete, accurate, and thorough manner, utilizing valid statistical methods to determine the income and service levels that federal credit unions provide their members." 📌



Gigi Hyland

Is Suspicion Enough to Close an Account?

Once a credit union identifies suspect activity in a member's share account and files a suspicious activity report (SAR), can the credit union go ahead and close that account?

That is one of the questions posed by CUNA's March Compliance Challenge. And the answer is "no."

According to the NCUA Examiner's Guide, a credit union cannot close the account and can't even restrict services based solely on a SAR filing.

The guide says: "Since a credit union member has a fundamental right to maintain a share account and participate in elections, the credit union cannot deny someone credit union membership because it has identified suspicious activity."

"However, the credit union may wish to consider limiting access to certain services. To do so, the credit union must have established its policy in writing and notified its members of the policies in advance."

Similarly, according to CUNA's compliance team, a credit union may find it necessary to consider reassigning or terminating the services of an employee who is the subject of a SAR. The credit union should seek advice from counsel in these situations. For more on this and other compliance topics, see the Compliance Challenge on CUNA's website. 📌 <http://www.cuna.org/compliance>

▶ From page 1

Insurance Changes

for all covered accounts is appropriate and, if so, what the increase should be. That process will be repeated every five years.

Also in the coming years, NCUA and FDIC will conduct studies on the feasibility of other changes to federal share and deposit insurance systems.

The NCUA has asked for public

comments on its interim final rule by May 22, and specifically seeks comment on whether it should expand application of pass-through coverage to all employees in an employee benefit plan, regardless of membership status.

CUNA has issued a comment call to credit unions seeking comments by May 11.

📌 **CUNA's eGuide: Share Insurance**
www.cuna.org/compliance

▶ 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:

▶ **Banking Agency Review to Reduce the Burden of Regulations Regarding Prompt Corrective Action and CRA-Related Agreements**

Agency: FDIC
Due date: April 4

▶ **Bank and Thrift Agency Guidance on Commercial Real Estate Lending**

Agency: FDIC
Due date: April 13

▶ **SAR Form Revisions**
Agency: Financial Crimes Enforcement Network (FinCEN)
Due date: April 18

▶ **Supervisory Committee Audit Rules**
Agency: NCUA
Due date: April 24

▶ **Standards for Attestation Engagements**
Agency: American Institute of Certified Public Accountants (AICPA)
Due date: May 19

▶ **Share Insurance Rules**
Agency: NCUA
Due date: May 22

📌 **Comment Calls**
http://www.cuna.org/reg_advocacy

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>> Notes Bearing Interest

CFA Weighs in on Conversion Disclosure

A national consumer rights group weighed in this month on the issue of credit union conversions to mutual savings bank form. The Consumer Federation of America (CFA), in a letter to the NCUA, urged the agency to insist that members are fully informed about all relevant aspects of a proposal to convert.

Addressing a specific pending conversion plan, CFA Executive Stephen Brobeck wrote that the application of \$1.8 billion DFCU Financial FCU, Dearborn, Mich., “strongly smells of self interest.” But he said it is not that element that prompted his letter.

CFA was concerned, he wrote, that as of the group's March 20 letter, DFCU Financial failed to mention anything on its website about the proposed conversion, and that according to press reports, at the credit union's annual meeting members opposed to the conversion were prohibited from distributing materials.

“We very much fear that most DFCU Financial members will first learn of the proposal when they receive a complex, legalistic description together with biased recommendations from the board,” Brobeck wrote.

“Accordingly, we urge NCUA to ensure that DFCU members have an adequate opportunity to consider this conversion proposal and that the DFCU management and board fully disclose any financial interest they may have in it, including board compensation and potential stock options.” the CFA concluded. 🏠

CUNA Principles on CU-to-Bank Conversions
http://www.cuna.org/initiatives/conversion_principles.html

June Will Bring Call Report Changes

In a letter to federally insured credit unions, NCUA Chairman JoAnn Johnson reminded directors of changes to the agency's Financial and Statistical Reports—also known as 5300 call reports—that are set to take effect with the June 30 reporting cycle.



The revised rules require all federally insured credit unions to file the same quarterly Call Report. An abbreviated report (5300SF) previously filed in the first and third quarters by credit unions with assets less than \$10 million has been eliminated.

NCUA believes the abbreviated report is no longer needed because the revised report will simplify the reporting process for all credit unions, while also providing many benefits to the agency.

The new 5300 report consolidates information and reduces a number of schedules, shortening the report from 19 pages to 16 pages and decreasing the number of ancillary schedules from seven to three. The report is also reorganized so only the first 10 pages require input from all credit unions, Johnson wrote in her letter.

“The reorganization of the 5300 Call Report and the elimination of the 5300SF will improve the agency's efficiency, increase the accuracy of the information collected, and simplify the reporting process for all credit unions,” she said. 🏠

Payment Systems Issues Explored in New Conference

A new conference devoted entirely to payment systems—from regulatory and security issues to trends and new product innovations—was recently created by CUNA. The Payment Systems Conference, designed for CEOs, management and operations staff, will take place Apr. 19-21 in Washington, D.C.

General session topics and breakout sessions will cover: electronic payments trends and growth, advances in payment security, regulatory issues and upcoming legislation, new product innovations, automated clearinghouses (ACH), the Electronic Crimes Task Force, and more.

Additionally, the conference contains two separate breakout session tracks, to cover topics of interest for CEOs and managers as well as for operations staff.

Track one breakout sessions that are designed specifically for CEOs and managers will cover topics including: ACH originations, interchange debates, and payment risks, along with an overview of VISA, ACH, and payment systems.

Track two breakout topics cover areas of interest for operations staff, such as: card basics, remittances, stored value cards, fraud and security breaches, and preventative factors in data breaches.

Speakers include NCUA Vice Chairman Rodney Hood and Federal Reserve Bank of Kansas City Vice President of Payment System Research Stuart E. Weiner.

Visit CUNA's website for more information and to register.

Payment Systems Conference
<http://training.cuna.org>



>> Special Report

Feds Provide Pandemic Flu Guidance

NCUA and the federal banking and thrift regulators issued a joint release this month intended to “raise awareness regarding the threat of a pandemic influenza outbreak and its potential impact on the delivery of critical financial services.”

The release is not a reaction to any pending threat, but rather a response to concerns about a recent outbreak of avian flu in Asia. It is unknown whether the virus may mutate over time to become transmissible to humans, but the White House last November issued the National Strategy, which discusses the

threat and potential impact of a pandemic influenza event.

The release identifies the roles and responsibilities for the federal government, the private sector, and others. The regulators’ joint release encourages financial institutions to become familiar with the government’s expectations regarding their roles in the event of such an emergency.

NCUA said specific information regarding the business continuity and disaster recovery process is covered in NCUA’s Letter to CUs #01-CU-21 “Disas-

ter Recovery and Business Resumption Contingency Plans.”

That letter says threats can be natural, human, or technical and credit union’s contingency plans should consider a worst-case scenario.

“To be effective, the plans should assume that the credit union could not continue operating at its physical location, due to a natural disaster or some other unforeseen event, for an extended period,” wrote the NCUA. ☛

National Strategy for Influenza Pandemic
<http://www.pandemicflu.gov>

CU Disaster Preparedness Reviewed in New Orleans

CUNA’s Disaster Preparedness Committee held its first meeting in New Orleans March 7-8.

The meeting began with a two-hour bus tour of the damage caused by Hurricane Katrina last year, said the league. It included parts of Lakeview, New Orleans East, the Ninth Ward, Gentilly and St. Bernard Parish.

Committee members and CUNA Mutual Group Claims Manager Mike

Retelle discussed lessons learned from the hurricane and past disasters, such as 9/11 and the Oklahoma City bombing, all of which affected credit unions directly.

The group concluded the Credit Union System needs a comprehensive plan to manage resources that may be needed for future disasters.

The discussions focused on centralized communications; coordination of equipment and staffing donations; pre-planned

credit union assistance partnerships; and a centralized online donation system.

The committee plans to present a white paper on disaster preparedness to the CUNA Board after completing its comprehensive plan.

Guy Hood, president/CEO of the Florida CU League, chairs the committee. Paul Parish, president of Wings Financial FCU, Apple Valley, Minn., is vice chair.

Disaster Preparedness Committee roster
www.cuna.org/cuna/member/committees.html



Post-Disaster Planning Focus of New Conference

If the events of last year taught us anything, it was that disaster could strike anytime and anywhere. For this reason, a new conference was created by CUNA to help credit unions develop strategies for recovering from a disaster in a timely and efficient manner.

The Disaster Recovery Conference will take place May 17-19 in San Antonio, Texas, to cover the many aspects of business continuity planning for security officers, managers, internal auditors and volunteers.

The conference will open with a panel of credit union and league representatives who have experienced life-altering disasters first-hand and can provide practical advice. The agenda will also cover NCUA requirements and issues for disaster recovery plans, talking to the media, helping staff recover, developing and testing a business continuity plan, and educating and training staff on the essential components of the plan.

On the final day, attendees will become part of a team and put their business continuity knowledge to work in a tactical exercise. The simulated disaster will give attendees an opportunity to practice making critical decisions and communicating with the emergency operations center.

Visit CUNA’s website for more information. ☛ **Disaster Recovery Conference**
http://training.cuna.org/on_site/DRCTX06_fct.html

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NewsWatch Quick Quiz

Quick!

Which quote was uttered by a bank trade association official?

- A.** “[Credit unions’] advantages make for an uneven playing field, a condition that Congress should reexamine and seek to resolve.”
- B.** “I worked hard throughout my career on the Senate Banking Committee staff, at the Treasury Department, and in private practice to enable banks to compete vigorously to provide consumers with the broad range of financial products and services they demand, wherever they demand it.”
- C.** “And, by the way, I have a position on that issue: credit unions ought to pay taxes.”
- D.** None of the above.

BANK ATTACKS: CUs Fight Back!
http://www.cuna.org/initiatives/bank_attack/index.html

The answer is: D. None of the above.

That’s right. No bank association cheerleading happening here—each of these comments was spoken by a federal banking regulator during the past two years:

- A.** Testimony of then FDIC Vice Chairman John M. Reich (former banker and current Office of Thrift Supervision director) before the Senate Banking Committee. (6/22/04)
- B.** Spoken during a speech by Comptroller of the Currency John Dugan at the American Bankers Association Annual Convention. (9/26/05)
- C.** In a speech by then FDIC Chairman (and former banker) Don Powell at an Independent Community Bankers Association conference. (3/16/04)



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