

Frist: CU Tax Status Stays

Echoing the Bush administration's support of credit unions' federal tax exemption, Senate Majority Leader Bill Frist (R-Tenn.) told applauding attendees of the Feb. 28 GAC general session that Congress absolutely would uphold the current tax exemption for credit unions. For more GAC coverage, SEE PAGE 2. (CUNA photo)

Eyes on Senate for Reg Relief

After a strong show of support in the House for regulatory relief for credit unions, banks and thrifts, all eyes of interested parties now turn to the Senate, which has yet to introduce a bill comparable to the one passed last week by the House 415-2.

Predictions of the likely outcome of regulatory relief efforts for the year have varied widely, from unbridled confidence to outright pessimism. But CUNA's legislative experts advise that cautious optimism is the most appropriate response.

The Senate is steps ahead of where it was two years ago when the House overwhelmingly approved a regulatory improvements bill and the Senate failed to act. The Senate Banking Committee has twice in the past year gathered financial experts to testify on the issues, most recently on March 1 [▶ See page 7](#)

House Votes for Relief Bill

The Financial Services Regulatory Relief Act (H.R. 3505) received an unequivocal endorsement from the House last week when 415 U.S. Representatives voted to approve the bill and only two voted against it. The remaining 13 House Members did not vote, while two seats remain vacant.

CUNA President/CEO Dan Mica said he hoped action in the Senate on regulatory relief would soon get underway. "We will urge senators to include even more relief for credit unions in that measure, particularly in regard to updating Prompt Corrective Action (PCA) for credit unions," he said.

The House-approved bill, designed to reform some of the regulatory burdens of credit unions, banks, and thrifts, was introduced last July by Reps. Jeb Hensarling (R-Texas) and Dennis Moore (D-Kan.), and is virtually identical to one approved by the House in 2004. That bill was approved with a 392-25 vote, but momentum died when the Senate never acted on a comparable measure.

Use the link below to read the important credit union provisions contained in the 2006 House bill.

Financial Services Regulatory Relief Act (H.R. 3505)

www.cuna.org/gov_affairs/legislative/issues/2006

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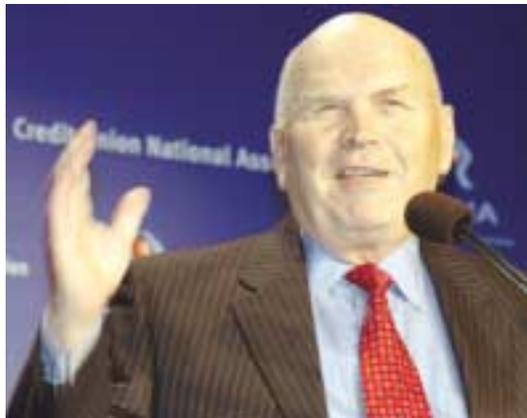
What's common about these 13 FDIC headlines?



>> Governmental Affairs

Valdov: HLPR Exemplifies CU Mission

CUNA Chairman Juri Valdov during his Feb. 28 speech at the GAC General Session urged credit unions to participate in the Home Loan Payment Relief (HLPR) mortgage, a new national initiative to make home ownership affordable for people of modest means.



Besides supporting what he called a “pillar of financial independence,” the HLPR mortgage program will demonstrate quantitatively the credit union difference to members of

Congress. Valdov is president/CEO of Northwest FCU, Herndon, Va.

“Our challenge is to prove that we deserve our tax-exempt status,” Valdov said. “On Capitol Hill, on the Ways and Means Committee, they’re asking for more. We tell them our stories, but they want statistics.”

Valdov said that more than 100 credit unions have signed on to the HLPR mortgage program since it was rolled out last October, collectively pledging more than \$1 billion to the effort to help people buy their own homes.

Along with financial education, said Valdov, the HLPR mortgage initiative gives the credit union movement one of its best opportunities to differentiate itself from the banking industry and provide statistical proof that credit unions truly make a difference in members’ lives.

Visit CUNA’s website for more information about HLPR. 🏠

HLPR
<http://www.cuna.org/initiatives/hlpr>

GAC Quotables



Mike Michaud

“Credit unions are about more than just financial services. It’s the human, caring part of credit unions that makes them so great. Today, that’s too often forgotten.”

— Rep. Mike Michaud (D-Maine)



Emil Henry

“The NCUA, CUNA, and other credit union trade associations have been actively working to develop proposals that alter credit unions’ capital requirements. This work has led to a number of positive proposals, such as applying a risk-based framework to more credit unions and properly accounting for credit unions’ investment to the NCUSIF.”

— Emil Henry, assistant secretary of the Treasury for financial institutions



Joe Knollenberg

“By supporting affordable remittances and training credit union staff and managers, credit unions provide hope for grassroots businesses in areas that are rural, impoverished, or suffering from AIDS/HIV epidemics.”

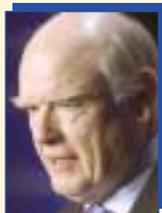
— Rep. Joe Knollenberg (R-Mich.)



Ted Koppel

“The problem with better communications is the trivial tends to take up so much of our time. The focus isn’t on what’s important, but on what’s most current.”

— Retired ABC News Anchor Ted Koppel



John Snow

“I don’t know of any other institutions in the financial services industry that have a heart the way you do. The president and I support your continuing tax exemption.”

— Treasury Secretary John Snow



Mike Oxley

“When you go to the Hill tomorrow, I’m asking that you ask your representatives, your senators, to support CURIA and ask for support for (H.R. 3505). Let’s do regulatory relief and follow it up with CURIA.”

— House Financial Services Committee Chairman Mike Oxley (R-Ohio)



JoAnn Johnson

“NCUA, under my leadership, is not about to embark on a path that would lead you to CRA. Credit unions simply don’t deserve that kind of burden which would inhibit, rather than enhance, your efforts in reaching out to Americans from all walks of life.”

— NCUA Chairman JoAnn Johnson



Mica: Bankers Need to Rethink Priorities

CUNA President/CEO Dan Mica told a record crowd attending the group's Governmental Affairs Conference in Washington on Feb. 27 that it is time for bankers to consider the good they could be doing if they worked alongside credit unions, instead of waging an ill-conceived cold war against the movement.

Mica told credit union representatives that the American Bankers Association (ABA) spent \$1.75 million lobbying in the first half of 2005—mostly against credit unions.

The CUNA leader questioned whether that is really how bankers want their dues dollars spent—for instance secretly photographing some credit union facilities.

He furthered questioned if the ABA reflects its members concerns by placing credit union attacks ahead of fighting terrorism and Enron-like corporate fraud as a priority.

Listing several issues of concern to all financial institutions—such as credit card fraud, identity theft, financial literacy—Mica encouraged credit unions to talk to banking industry colleagues about these issues, as well as asking federal legislators to tell bankers to “knock it off” when it comes to attacking financial cooperatives. ☰

GAC Capitol Hill Visits



Thousands of credit union faithful trooped up to Capitol Hill during the 2006 GAC. During one such visit (from left), Kathy Burch; Sandy Glasson, vice president of corporate sales and community relations, Coastal FCU, Raleigh; and Joy Watts, president/CEO, Carolina Postal CU, meet with North Carolina Rep. Patrick McHenry (R-11) during March 1 Capitol Hill visits. Burch is the wife of Chuck Burch, a volunteer board member of Carolina Postal CU, Charlotte. (CUNA photo)

“It is important to remember that the difference in credit union tax treatment relates back to the difference and purpose of the credit union movement.”

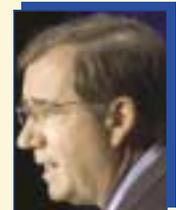
— Senate Banking Committee Ranking Member Paul Sarbanes (D-Md.)



Paul Sarbanes

“Passing major reform legislation is never an easy task... Building up a bi-partisan group of (113) co-sponsors is not a simple feat... Back in 1998, we saw how effective you can be—we need to see that effectiveness again.”

— U.S. Rep. Ed Royce (R-Calif.)



Ed Royce

“One-third of the House was not here when you passed (H.R. 1151, CU Membership Access Act). So you need to bring them up to speed... Your job is to get out and inform that new third of the Congress what your movement is all about.”

— U.S. Rep. Paul Kanjorski (D-Pa.)



Paul Kanjorski

“We shouldn't shy away from approving FOM expansion—such as community charters or applications to serve underserved areas—when applications are in compliance with a federal statute and NCUA's standards and guidelines.”

— NCUA Board Vice Chairman Rodney Hood



Rodney Hood

“Credit unions have a vital place in the financial services arena and I want to ensure that anyone has the opportunity to join a credit union. So, if striving to balance safety and soundness with regulatory flexibility is being a “cheerleader,” then I confess—guilty as charged.”

— NCUA Board Member Gigi Hyland



Gigi Hyland

“Credit unions have heart and soul; a belief in people; and a willingness to invest in people so they can invest in themselves.”

— U.S. Rep. Butch Otter (R-Idaho)



Butch Otter

“Many American households depend on credit unions for their every financial need—checking, savings, home mortgages, auto loans, and education loans—needs that obviously will increase over the years.”

— U.S. Rep. Maxine Waters (D-Calif.)



Maxine Waters

GAC Daily News
http://www.cuna.org/newsnow/gac_2005.html

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>> Legislation Tracker 2006

ISSUE	SUMMARY	STATUS
Preserving CUs' tax status	CUNA and the leagues are diligently working to preserve CUs' historic tax status at the federal and state levels.	Ongoing advocacy. A 2005 House Ways and Means hearing made a clear call for transparency and accountability.
CU Regulatory Improvements Act (CURIA, H.R. 2317)	Provides increased member business lending authority (up to 20%) and reforms NCUA's prompt corrective action system.	Introduced May 12, CURIA now has 111 co-sponsors in the House. A subcommittee hearing is expected this year.
CU charter conversions	Federal lawmakers look at NCUA's policies and practices involving charter conversions. CUNA opposes The CU Charter Choice Act which strips NCUA of some authority over CU conversions.	The CU Charter Choice Act (H.R. 3206) introduced July 12.
Net Worth Amendment for CUs Act (H.R. 1042)	Addresses unintended consequence that could raise concern about the CU merger accounting; provides for "pooling" accounting method.	Passed House by voice vote June 13, provisions also included in H.R. 2317 and H.R. 3505.
Regulatory relief	CUs remain most highly regulated and restricted of all insured financial institutions. CUs will have to fight this year to get risk-based capital requirements and prompt corrective action reform included.	The House passed on March 8 the Financial Service Regulatory Relief Act (H.R. 3505). The Senate is currently drafting a bill.
Expanded Access to Financial Services Act (H.R. 749)	Permits credit unions to provide money orders, wire transfer services and check cashing to all persons within their fields of membership.	Passed House by voice vote April 26. Referred to Senate Banking Committee. Provisions included in H.R. 2317 and H.R. 3505.
Data security	The issue of security of personal information has exploded as breaches affecting huge numbers of consumers are exposed.	CUNA is monitoring more than a dozen circulating bills, and has sent comment letter to the House Financial Services Committee, which is expected to hold additional hearings and a mark-up in March.
Pension and savings reforms, including Social Security	CUNA is supporting legislative initiatives that will increase the savings rate. While CUNA has no position on whether there should be private accounts, it will be involved in Social Security discussions insofar as they may involve financial institutions offering them.	Congressional action pending. CUNA testified June 23 before a House subcommittee.
Community Development Financial Institution funding and location	The Bush Administration proposed cutting funding for the CDFI program and moving it under the Commerce Department as a block grant program. CUNA supports increased funding and opposes a shift to the Commerce Dept.	The 2006 conference report included \$55 million for CDFI, signed by the President on November 30, 2005. The Bush administration's proposed FY 2007 budget again wants to cease CDFI funding and shift its operations to other agencies.
Predatory lending	Predatory lending measures are on the congressional agenda. CUNA has specific requirements so as not to negatively affect subprime lending, as well as to protect consumers.	The Responsible Lending Act (H.R. 1295) and the Prohibit Predatory Lending Act (H.R. 1182) have been introduced in the House.
Housing government-sponsored enterprises reform	House and Senate banking leaders are considering creating a new regulator for Fannie Mae and Freddie Mac, and other reforms.	Federal Housing Enterprise Regulatory Reform Act of 2005 (S. 190) approved by Senate Banking Committee end of July. The House passed the Federal Housing Reform Act (H.R. 1461) on October 26.
Deposit insurance reform	Raises retirement account coverage to \$250,000 and gives NCUA authority to adjust coverage levels starting in 2010.	President Bush signed into law in February 2006.



>> Notes Bearing Interest

Ways and Means Chair to Step Down

House Ways and Means Committee Chairman Bill Thomas (R-Calif.), who presided over a hearing on credit unions' tax exemption in November, confirmed last week he would not pursue a 15th

term in Congress.

According to *Roll Call* (March 6) newspaper, Thomas' former aide and current California State Assemblyman Kevin McCarthy would be a strong candidate for the seat.

However the newspaper reports other Republicans may challenge him in the primary.

CUNA President/CEO Dan Mica said Thomas' retirement marks the end

of an era in the Ways and Means Committee, particularly in regard to Rep. Thomas' work on tax relief and Social Security reform.

"Others, however, surely will grasp the baton that the chairman is passing," said Mica. "Similarly, Chairman Thomas' interest in the credit union tax exemption likely will be shared by his successors in the leadership of the committee."

Mica said CUNA has appreciated Thomas' willingness to listen to credit unions' views on "this important matter."

"Credit unions look forward to a continuing dialog with the leadership and members of the Ways and Means Committee, which we are convinced will continue to demonstrate that credit unions earn their tax-exempt status," said the CUNA leader. 🏠



House Ways and Means Committee Chairman Bill Thomas (R-Calif.) during the Nov. 3 hearing on credit unions' tax status. (CUNA photo)

▶ From page 1

Reg Relief in the Senate

when Joe McGee testified on CUNA's behalf, joining a panel of financial industry representatives, which followed a like panel of federal financial regulators.

McGee, president/CEO of Legacy Community FCU, Birmingham, Ala., told the committee that the most critical issue on the horizon for credit unions is the need to reform prompt corrective action (PCA), a reform not contained in the House bill. CUNA is urging the Senate to include PCA reform in its bill.

Optimism that the Senate introduce and vote on a bill in the next month must be tempered by the fact that 2006 is a relatively short legislative year because of upcoming mid-term elections, according to Linda Haer. That means



Joe McGee, president/CEO of Legacy Community FCU, Birmingham, Ala., testifies on March 1 before the Senate Banking Committee. (CUNA photo)

the House and Senate don't have a lot of time to work out differences that may exist between their bills. 🏠

Matrix of Senate Reg Relief Proposals
http://www.cuna.org/gov_affairs/legislative/issues/2006/reg_relief.html

CURIA Co-Sponsors Count



The newest CURIA co-sponsors are Rep. Eddie Bernice Johnson (D-Texas) Rep. Carolyn Kilpatrick (D-Mich.) Rep. Tom Lantos (D-Calif.) Rep. Alan Mollohan (D-W.V.) Rep. Ted Poe (R-Texas)

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

NewsWatch

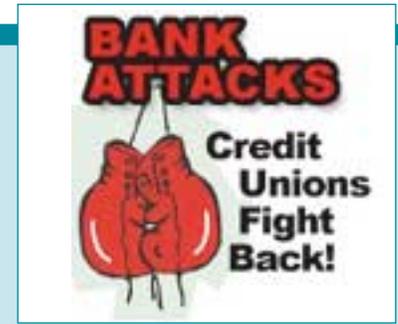
Quick Quiz

Quick!

What do these 13 FDIC headlines have in common?

- ▶ Bank and Thrift Earnings Set Fifth Consecutive Record in 2005
- ▶ Bank and Thrift Earnings Set Fourth Consecutive Annual Record in 2004
- ▶ FDIC-Insured Institutions Report Quarterly, Annual Earnings Records at Year-End 2003
- ▶ FDIC-Insured Institutions Earn A Record \$105.4 Billion in 2002
- ▶ Loan Problems Grow, Even As
- Commercial Bank Earnings Break Record in 2001
- ▶ Bank Earnings Slip in 2000; Snap Eight Year Streak of Annual Record Earnings
- ▶ FDIC Reports Banks, Thrifts Earned Record \$82.6 Billion in 1999
- ▶ FDIC Reports Commercial Banks and Savings Institutions Set New Earnings Records in 1998
- ▶ FDIC Reports Commercial Banks
- and Savings Institutions Earned Record Profits in 1997
- ▶ FDIC Reports Commercial Banks Earned a Record \$52.4 Billion in 1996
- ▶ FDIC Reports Record Earnings for Commercial Banks in 1995
- ▶ FDIC Reports Record Earnings for Commercial Banks in 1994
- ▶ FDIC Reports Record Profits at Commercial Banks, Savings Institutions in 1993

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



The answer is: During each of these 13 years of profit reports, the bankers were complaining about how they are crunched by competition from credit unions! What could all this banker energy achieve if it was put to something productive for consumers, rather than destructive?



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