



Following the year's last monthly NCUA Board meeting on Dec. 15, new Board Member Gigi Hyland and Vice Chairman Rodney Hood were honored during a Senatorial reception in the famous Mansfield Room in the U.S. Capitol. (CUNA photo)

## MBL Regs Finalized, NCUSIF Operating Level Set

At a busy open board meeting last week, the NCUA adopted revisions to member business loan (MBL) rules, proposed limits on the amounts a federal credit union may purchase of indirect vehicle loans serviced by a third party, clarified the approval requirements for purchase and assumption transactions, and approved a normal operating level of 1.3% for its NCUSIF for 2006.

The revised MBL rules include an important change recommended by CUNA. During a comment period, CUNA suggested the agency's >>  See page 3

## CUNA: Conversion Study Must Go Deeper

CUNA is urging Rep. Jeb Hensarling to expand the scope of a pending government study into how the NCUA regulates the conversion of federally insured credit unions to mutual savings banks.



Jeb Hensarling

In a letter to the Texas Republican, CUNA President/CEO Dan Mica made it clear that CUNA does not object to a Government Accountability Office (GAO) study, but said expanding the review would "provide a more informed basis on which public policy decisions can be made...and will assist the GAO in assessing whether sufficient information was provided to members prior to their vote to convert."

Mica added that a broader study also would allow the GAO to examine "what appears to be a gap" between the limits of NCUA's authority and those of the Office of Thrift Supervision, and whether the present regulatory approach adequately protects the ownership interests of credit union members.

CUNA suggests a study of all past conversions address other issues, including:

- ▶ Whether members in all instances received adequate disclosures of the differences between credit unions and mutual savings banks, and understand what they are voting on; and,
- ▶ Whether institutions that converted from credit union to mutual savings bank took the next step of converting to stock institutions and who benefited from such changes.

**CUNA Principles on CU-to-Bank Conversions**  
[http://www.cuna.org/initiatives/conversion\\_principles.html](http://www.cuna.org/initiatives/conversion_principles.html)

Inside

2 | Changes Closer for Deposit Insurance

House, Senate agree on indexing coverage to inflation.

3 | Recommendations for Truth-in-Lending

Changes to TILA required under the new bankruptcy law.

7 | NewsWatch Quick Quiz

What's associated with the new HLP program?

8 | Compliance Challenge

Can a supervisor complete CTRs for staff?



# >> Legislative Affairs

## Mica Urges Swift Senate Action on Katrina PCA Relief

CUNA President/CEO Dan Mica urged the Senate Banking Committee to move quickly to give regulators more flexibility to work with credit unions that encounter Prompt Corrective Action (PCA) problems that occur as the result of the devastation caused by the 2005 hurricanes.

While CUNA believes PCA reform should be made permanent through the Credit Union Regulatory Improvements Act (CURIA), the group also supports providing NCUA with temporary authority to waive certain requirements that would free up capital in response to the unique circumstances brought about by the storms.

In a letter to Committee Chairman

Richard Shelby (R-Ala.), Mica said, "We have serious concerns that the recovery of affected credit unions, as well as assistance from other credit unions, will be significantly limited by current restraints imposed by PCA rules."

The CUNA leader added, "In the aftermath of Hurricane Katrina, a number of credit unions may be experiencing PCA concerns, due in part to the relocation of their membership, as well as to the uncertain future of their communities."



*"We have serious concerns that the recovery of affected credit unions...will be significantly limited by current restraints imposed by PCA rules"*

— Dan Mica

On the House side, the Financial Services Committee has passed bills that would provide PCA flexibility for 18 months for financial services providers that experience growth due to an influx of government assistance funds associated with Hurricanes Katrina, Rita, and Wilma. ■

**Legislative Affairs**  
[http://www.cuna.org/gov\\_affairs](http://www.cuna.org/gov_affairs)



House Financial Institutions and Consumer Credit Subcommittee Chairman Spencer Bachus. (CUNA photo)

## House, Senate Agree on Deposit Insurance Changes

Lawmakers are poised to approve the first reforms in 20 years for the Federal Deposit Insurance Corp. (FDIC). House Financial Institutions and Consumer Credit Subcommittee Chairman Spencer Bachus (R-Ala.) last week announced an agreement in principle with the Senate on a measure that would, in part, index individual deposit insurance coverage to inflation and immediately raise the insurance ceiling for retirement accounts to \$250,000.

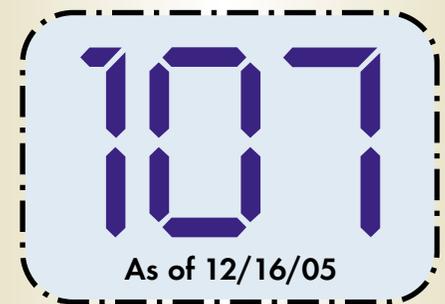
CUNA has monitored progress of deposit reform legislation, maintaining that any reform measure must provide the same treatment for credit union accounts under the National Credit Union Share Insurance (NCUSIF) Fund as is given to the FDIC's bank and thrift funds. The House panel's bill, the Federal Deposit Insurance Reform Act (H.R. 1185), provides parity.

Key provisions in the House-Senate agreement include:

- ▶ Merger of the Bank Insurance Fund and the Savings Association Insurance Fund;
- ▶ Coverage of retirement accounts to increase immediately to \$250,000;
- ▶ Cumulative five-year inflation indexation in \$10,000 increments for all accounts beginning in 2010, including municipal and retirement accounts;
- ▶ Premium dividend of 50% of the excess premiums beginning when the net worth of the fund exceeds 1.35% of the value of insured deposits;
- ▶ Transitional credits to institutions in existence on Dec. 31, 1996.

**Legislative Affairs**  
[http://www.cuna.org/gov\\_affairs](http://www.cuna.org/gov_affairs)

## CURIA Co-Sponsors Count



The newest CURIA co-sponsors are U.S. Reps. Dennis Kucinich (D-Ohio), James Gibbons (R-Nevada), Russ Carnahan (D-Mo.) and John W. Olver (D-Mass.).

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



# >> Regulatory Affairs

## CUNA Sends Extensive TILA Comments to Fed

CUNA submitted extensive comments to the Federal Reserve Board on the agency's proposed changes to Truth-in-Lending Act (TILA) rules that apply to open-end credit, changes that include new disclosures for periodic statements and for credit card applications and solicitations.

These disclosures required under the Bankruptcy Act should be limited to credit cards, and not include other types of open-end credit products, the CUNA

letter says, adding that disclosures regarding minimum payments should be provided to all credit card account holders regardless of whether they revolve their balances or make payments that are above the minimum amount.

The 22-page CUNA letter is the culmination of a CUNA working group's efforts on the issue and active solicitation by CUNA of credit union comments. The Fed is undertaking a comprehensive review of its Regulation Z

open-end credit rules and in December 2004 issued its initial request for comments on possible changes to the rules.

To read CUNA's full recommendation to the Fed, use the link below. ☰

**Regulatory Advocacy**  
[http://www.cuna.org/reg\\_advocacy/comment\\_letters/comment\\_letters05.html](http://www.cuna.org/reg_advocacy/comment_letters/comment_letters05.html)

**TILA Compliance Updates**  
<http://www.cuna.org/compliance/member/eguide>

▶ From page 1

## MBL Regs Finalized, NCUSIF Operating Level Set

proposed definition of construction and development (C&D) loans was too broad and would capture instruments not intended to be covered. Agency staff acknowledged that it made changes in the final definition in response to comments received, and that the final definition attempts to include only "true" C&D loans to borrowers who have already acquired the subject property or rights to it.

Effective in 30 days, the MBL rule refines the definition of minimum capital requirements federally insured corporate credit unions must meet to make unsecured MBLs to members that aren't a credit union or corporate credit union service organization (CUSO). It also clarifies that the definition of net worth in the MBL regulation is now the same as in prompt corrective action (PCA) rules.

The NCUA Board also issued proposed limits on the aggregate levels a federal credit union may purchase of indirect vehicle loans serviced by one third party. For the first 30 months of a new relationship, a credit union could not surpass 50% of its net worth. After 30 months experience with a servicer's program, the credit union could increase its interests to 100% of its net worth.

Two important caveats were proposed. First, the proposal would allow for a waiver of the limits under certain conditions. Second, the rule would not require divestiture for credit unions that currently exceed the limits, although it would prohibit them from purchasing additional loans until their holding are below the ceiling.



The Board also adopted a clarification of requirements for purchase and assumption transactions, adding a specific exemption for these transactions from the approval requirement when they occur between federally insured credit unions. For its NCUSIF, the agency board approved a normal operating level of 1.3% for 2006 and signaled that there would be no insurance premium for 2006, and also that a dividend is highly unlikely. ☰

**Regulatory Advocacy**  
[http://www.cuna.org/reg\\_advocacy](http://www.cuna.org/reg_advocacy)



With NCUA Board Chairman JoAnn Johnson participating by telephone, Vice Chairman Rodney Hood (left) and Board Member Gigi Hyland review with NCUA Chief Financial Officer Dennis Winans the National Credit Union Share Insurance Operating Level for 2006. (CUNA photo)

# DON'T LET BANKERS DELIVER FALSE MESSAGES ABOUT CREDIT UNIONS.



**COME TO THE 2006 CUNA GOVERNMENTAL AFFAIRS CONFERENCE!**

Don't let the bankers deliver a false message about credit unions. **You** have the opportunity to represent more than 87,000,000 members who care about the credit union movement...**you** can put your own stamp on what it means to be a credit union...**you** can do it at the GAC's sessions and breakouts. And, you'll have the chance for a *special delivery* visit to

Capitol Hill, where you can make the case for proactive credit union legislation and tell lawmakers what makes us unique. Bring your entire team to the GAC...be pro-active...pro-educational...and pro-political. Together, we can deliver *our* message. And the bankers' message? Return to sender!

**VISIT [WWW.CUNA.ORG](http://WWW.CUNA.ORG)**





# Register today

- STEP 1: Hotel Reservations** (see below)  
**STEP 2: Conference Registration** (next page)

## HOTEL RESERVATIONS

Housing is now open.

### ONLINE HOTEL ROOM RESERVATIONS AVAILABLE

Visit [www.cuna.org](http://www.cuna.org), click on GAC 2006 and click on Housing Information/Reservations — 24 hours a day, 7 days a week. This will link you to the CUNA Housing Bureau web page. Once on the web page, just follow each easy step.

OR

Call 800-492-7886 Monday through Friday from 9:00 a.m. – 5:00 p.m. EST.

- A \$200 per room deposit, payable by major credit card, is required for ALL reservations at the time of booking. A \$50 per room cancellation fee will be charged for all cancellations at any time.
- Your credit card will be charged immediately, and the room confirmation will come directly (via e-mail) from the Housing Bureau.
- Your initial method of payment for your deposit cannot change at a later date. If it does for any reason, it will be considered a cancellation and a \$50 fee will be charged.
- Hotel rates listed are subject to a 14.5% sales tax.
- You can also fax your reservation to: 847-940-2386.
- A limit of 10 room reservations per call will apply to all hotels.
- To give more credit unions the opportunity to stay at the conference headquarters, under no circumstances will any one group or organization be allowed to book more than 10 rooms at the Hilton Washington & Towers regardless of how many calls or online reservations are made.
- Any cancellation made prior to or on Thursday, January 5, should be directed to the CUNA Housing Bureau and will be charged a \$50 per room cancellation fee. The remaining deposit of \$150 will be refunded.

#### HOTEL A:

Conference Headquarters  
**Hilton Washington & Towers**  
 1919 Connecticut Ave., NW  
 Hotel: \$198/Single  
           \$218/Double  
 Towers: \$228/Single  
           \$248/Double

#### HOTEL B:

**Capital Hilton\***  
 16<sup>th</sup> & K Streets  
 Hotel: \$208/Single  
           \$228/Double

#### HOTEL C:

**Courtyard by Marriott**  
 1900 Connecticut Ave., NW  
 Hotel: \$179/Single  
           \$196/Double

#### HOTEL D:

**The Jury's Normandy Hotel**  
 2118 Wyoming St., NW  
 Hotel: \$153/Single  
           \$168/Double

#### HOTEL E:

**Omni Shoreham Hotel\***  
 2500 Calvert St., NW  
 Hotel: \$193/Single  
           \$213/Double  
           \$233/Triple  
           \$253/Quad

#### HOTEL F:

**The Churchill Hotel**  
 1914 Connecticut Ave., NW  
 Hotel: \$165/Single  
           \$185/Double

#### HOTEL G:

**Marriott Wardman Park Hotel\***  
 2660 Woodley Rd., NW  
 Hotel: \$225/Single  
           \$225/Double  
           \$255/Triple  
           \$285/Quad

#### HOTEL H:

**Hilton Embassy Row\***  
 2015 Massachusetts Ave., NW  
 Hotel: \$195/Single  
           \$225/Double

\* Shuttle bus service will be provided between these hotels.

When making your room reservations either by phone, online, or fax, please be ready with the following information:

- |   |   |
|---|---|
| 1. Name of conference—CUNA's Governmental Affairs Conference                              | 7. Names of all occupants in room                                     |
| 2. 1 <sup>st</sup> , 2 <sup>nd</sup> , and 3 <sup>rd</sup> choices of hotels listed above | 8. Arrival time   |
| 3. Arrival and departure dates  | 9. Credit card type, name on credit card, number, and expiration date |
| 4. Number of rooms required   | 10. Individual's organization   |
| 5. Type of room needed—single or double, smoking/non-smoking                              | 11. Address of each person  |
| 6. Number of persons staying in room  | 12. Telephone number of each person                                   |
|   | 13. Fax number of each person   |
|   | 14. E-mail address for each person (required for confirmations)       |

#### Continuing Professional Education (CPE) Credits

CUNA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Nashville, TN, 37219-2417. Web site: [www.nasba.org](http://www.nasba.org).

CPE Credits: You can earn 15 group-live CPE credit hours for the GAC.

## CAPITOL HILL VISITS

CAPITOL HILL VISITS ARE AN IMPORTANT PART OF THE GAC EXPERIENCE. BE SURE TO JOIN YOUR CREDIT UNION COLLEAGUES FOR HILL VISITS ON WEDNESDAY, MARCH 1.

# GAC CONFERENCE REGISTRATION FORM

Hilton Washington  
February 26 - March 1, 2006

Attendee's legal name \_\_\_\_\_

Name preferred on badge \_\_\_\_\_

Title \_\_\_\_\_

Check One:  Credit Union Staff  League Staff  
 Credit Union Director  League Director  Other

*PLEASE NOTE: Those leagues or organizations registering attendees (e.g., directors) must provide the attendee's CU name and CU address.*

CU name \_\_\_\_\_

CU mailing address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

CU phone number ( \_\_\_\_\_ ) \_\_\_\_\_

CU fax number ( \_\_\_\_\_ ) \_\_\_\_\_

Attendee E-mail (required) \_\_\_\_\_

*Important confirmation and program information will be sent electronically to the attendee e-mail address. If you would like an additional confirmation forwarded, provide the contact e-mail here: \_\_\_\_\_*

## CUNA/LEAGUE AFFILIATED:

Yes  No

**Please note:** Affiliation with CUNA/League is required for attendance, but limited exceptions may apply. Please contact CUNA prior to making travel arrangements to confirm eligibility.

## FOR DIRECTORS AND VOLUNTEERS ONLY:

*(Provide the following if you want program information mailed to your home.)*

Home mailing address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Home phone number ( \_\_\_\_\_ ) \_\_\_\_\_

## IN CASE OF EMERGENCY, please contact:

Day contact name \_\_\_\_\_

Day phone ( \_\_\_\_\_ ) \_\_\_\_\_

Night contact name \_\_\_\_\_

Night phone ( \_\_\_\_\_ ) \_\_\_\_\_

Check here if you have a disability that requires special services.  
Please describe \_\_\_\_\_

Check here if this is your first CUNA Governmental Affairs Conference.

*If CUNA requires more registration information, who may we contact?*

Name \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

## CPE CREDITS:

Check here if you are interested in receiving CPE credits.

## SPOUSE/GUEST INFORMATION:

Guest full name (As preferred on badge — only if attending conference.) \_\_\_\_\_

Guest mailing address  Home  CU

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

*(Important confirmation and program information will be sent electronically to the attendee contact e-mail addresses.)*



## REGISTRATION INFORMATION

### PAYMENT AND FEES:

	Postmarked by January 20	Postmarked after January 20
Conference Registration Fee GACDC06	<input type="checkbox"/> \$729	<input type="checkbox"/> \$779

### Spouse/Guest Program GASDC06

Tours & Social Events	<input type="checkbox"/> \$350	<input type="checkbox"/> \$375
Social Events ONLY	<input type="checkbox"/> \$250	<input type="checkbox"/> \$275

Total amount enclosed \$ \_\_\_\_\_

### TAX EXEMPTION/ CONFERENCE AIRLINE:

Federal credit union tax exemption information and airline discount procedures will be sent with confirmation.

### SUBSTITUTION/REFUND POLICY:

Substitutions will be accepted and refunds will be issued until February 6, 2006, minus a \$75 administration fee. All cancellations and substitutions must be submitted in writing either by fax 608-231-4327, or e-mail at [gacinfo@cuna.com](mailto:gacinfo@cuna.com). No refunds will be issued after February 6, 2006.

### CONFIRMATION:

Upon receipt of your registration, a confirmation letter will be sent to your attention via e-mail. Spouse/guest program registrants will also receive a confirmation letter via e-mail. Tour selections will be sent closer to the program date.

### FOR MORE INFORMATION:

For registration information, call 800-356-9655, ext. 5700, or e-mail [gacinfo@cuna.com](mailto:gacinfo@cuna.com). For specific program information, visit [www.cuna.org](http://www.cuna.org) and look for GAC 2006, or call 800-356-9655, ext. 6763.

## THREE WAYS TO REGISTER

### FAX: 608-231-4327

Charge \$ \_\_\_\_\_ to my  Visa  MasterCard

Credit card # \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

Expiration date \_\_\_\_\_

Print name as it appears on card: \_\_\_\_\_

Signature \_\_\_\_\_

### MAIL:

Mail registration form with payment to:  
Credit Union National Association, Inc.  
P.O. Box 78546, Milwaukee, WI 53278-0546

Payment MUST be sent at the time of registering. Checks payable to Credit Union National Association, Inc.

### WEB SITE:

Visit [www.cuna.org](http://www.cuna.org). Look for GAC 2006.

### FOR OFFICE USE ONLY:

12

Customer # \_\_\_\_\_

Parent # \_\_\_\_\_

Authorization \_\_\_\_\_

Order # \_\_\_\_\_

Confirm date \_\_\_\_\_

*Please be advised that CUNA reserves the right to photograph any and all program attendees and guests during program activities and meetings and reprint such photographs, in whole or in part, for future CUNA promotional uses.*



# >> Notes Bearing Interest

## Bush Applauds CUNA Hurricane Aid Efforts



President Bush

President George W. Bush has personally congratulated CUNA for extraordinary efforts to help the victims of Hurricane Katrina.

CUNA and the leagues launched massive efforts after Katrina struck to provide assistance and support for those caught in the destructive forces of the hurricane and its aftermath.

In September, CUNA focused the efforts of the movement through its "Relief Effort and Support for Credit Unions" (R.E.S.C.U.) program which brings all assistance activities under one umbrella, and allows CUNA to more effectively focus the movement's efforts in helping credit unions in Louisiana, Mississippi and Alabama to restore operations and continue serving their members.

In a letter to CUNA, President Bush wrote, "I appreciate your efforts, and our whole Nation is grateful for your kindness and generosity.

"The scenes from Hurricane Katrina have touched our hearts, and our Nation is again showing that the greatest challenges bring out the best in America. Together, we will continue to bring new hope to those affected by this tragedy,

and the Gulf Coast will emerge better and stronger."

Bush added, "The good works of the Credit Union National Association demonstrate the character and great strength of our Nation." 🏠

### ▶ The Daily Starting Point

Stay on top, out in front and all those other places you want your credit union to be. Start your day with the freshest, most in-depth news coverage available. CUNA News Now is news from all fronts, around the clock. Get the industry delivered right to your desk every morning—FREE. Sign-up for daily headlines on CUNA's website.

**FREE Daily CUNA News Now Headlines**

<http://www.cuna.org/newsnow>



**R.E.S.C.U.**

<http://www.cuna.org/initiatives/rescu>

## NewsWatch Quick Quiz

### Quick!

What's associated with the new HLP program?



**A. Hamburger meals**



**B. Teachers' aides**



**C. CU mortgages for low-income borrowers**

The correct answer is: C. CU mortgages for low-income borrowers

CUNA recently designed the \$1 billion Home Loan Payment Relief (HLP, pronounced "helper") program to assist credit unions in making below-market-rate mortgage loans available to borrowers with household incomes at or below the median in their markets. Participating credit unions are voluntarily bearing the cost so that the loans can be offered at a more affordable rate.

It will benefit qualifying borrowers through lower monthly payments; by qualifying for a larger mortgage; or by lowering the income level needed for a given mortgage.

So far, 82 credit unions that together serve more than 10 million members have committed nearly \$1 billion in mortgages to the HLP program, a num-

ber that will rise over time as more credit unions learn of the program and participate, CUNA President/CEO Dan Mica pointed out during a national press conference in December to kick off the program.

**Credit Union Home Loan Payment Relief Program**

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



# >> Regulatory Affairs



## Can a Supervisor Complete CTRs for Staff?

**Q:** Sally is the branch manager for DEF FCU. She has noticed that Miranda, one of her tellers, has not been properly completing the Currency Transaction Report (CTR) forms she files. Instead of meeting with Miranda to diagnose the problem and possibly scheduling her for additional training in this area, Sally has corrected the forms and then submitted them herself. During a recent Bank Secrecy Act (BSA) audit, the compliance officer is alerted to this practice. Should the compliance officer let this practice continue?

**A:** No! During a recent National Association of State CU Supervisors (NASCUS) BSA/AML seminar, an industry consultant noted that inadequate supervision was an area of compliance con-

cern. Supervisors who correct subordinate errors (as opposed to retraining subordinates), as well as supervisors who refuse to address subordinate errors were two examples of "inadequate supervision" noted during the discussion.

In addition, the consultant provided a laundry list of additional red flags that should be considered "compliance areas of concern" for BSA purposes. Among them:

- ▶ Lack of dual control process (for wires, cashier checks, etc.);
- ▶ Lack of segregated duties for tellers and branch managers;
- ▶ Lack of restriction on employee transaction amounts;
- ▶ Lack of BSA understanding on the part of the board and senior management;

- ▶ Failure to tie BSA compliance to performance evaluation, where appropriate;
- ▶ Credit union systems that cannot aggregate cash transactions over multiple days; and
- ▶ Credit union systems that cannot capture structuring over multiple days.

Credit unions should evaluate their current programs to make sure that such deficiencies are not present and where they are evident, develop procedures designed to manage those risks.

To learn more, access the *Compliance Challenge* on CUNA's website. 📖

### Compliance Challenge

[http://www.cuna.org/compliance/member/comp\\_challenge/comp\\_challenge.html](http://www.cuna.org/compliance/member/comp_challenge/comp_challenge.html)

2005 Bronze Award for  
Most Improved Newsletter  
Society of National  
Association Publications



RETURN SERVICE REQUESTED



Published 23 times per year by Credit Union National Association, Inc., 601 Pennsylvania Ave. NW, South Bldg., Suite 600, Washington, DC 20004  
Editorial: (202) 508-6767 • Editorial Fax: (202) 638-7716 • [newswatch@cuna.coop](mailto:newswatch@cuna.coop)  
Address Changes: CUNA ER&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045  
To get free instant e-mail delivery instead of regular mail, log on to [www.cuna.org](http://www.cuna.org) and click Permission E-mail Service. Create your profile and check the box for Newsletter - NewsWatch.  
© Copyright 2005 Credit Union National Association, Inc. ISSN 0899-5597

PRESORT  
FIRST CLASS MAIL  
U.S. POSTAGE  
PAID  
MADISON, WI  
PERMIT NO. 1949

FIRST CLASS TIME SENSITIVE MATERIAL

DECEMBER 19, 2005



A news service of the Credit Union System, sponsored by your League, Credit Union National Association