



CU's Urge More Disclosure in Merchant Data Breaches

Harvard University Employees CU President/CEO Eugene Foley testifies during a House Financial Services Committee hearing last week that, not only did his credit union have 700 card accounts compromised in one retailer's incident last year, but Foley himself was a recent victim of identity theft. **STORY PAGE 2.** (CUNA photo)

House Votes to Raise Deposit Insurance

The House last week voted 413-10 to approve the Federal Deposit Insurance Reform Act of 2005 (H.R. 1185), which increases federal deposit insurance coverage for bank and credit union accounts to \$130,000 and indexes it to inflation.

Although CUNA has no position on whether coverage should be increased, the association is adamant that if an increase in Federal Deposit Insurance Corp. coverage is provided, there must be an equal increase in the National CU Share Insurance Fund.

The bill also would merge the bank and thrift deposit insurance funds.

The measure, which the House has easily approved in the last two congressional sessions, faces an uncertain future in the Senate, where key lawmakers object to raising coverage levels. 📌

Deposit Insurance Reform
http://www.cuna.org/gov_affairs/legislative/issues/2005

Bush Intends to Nominate Hood to NCUA Board

President George W. Bush intends to nominate Rodney E. Hood to be a member of the NCUA Board. He is associate administrator of the U.S. Department of Agriculture Rural Housing Service, a post to which Bush appointed him in September 2004.



Rodney Hood

Hood previously worked in marketing for the North Carolina Mutual Life Insurance Company in Durham, N.C. His prior experience includes work with emerging markets at Wells Fargo and community development at Bank of America.

He received his bachelor's degree from the University of North Carolina at Chapel Hill. Hood enjoys tennis, skeet shooting, fly-fishing and opera.

The White House announcement means Hood could be a recess appointment to the NCUA Board, or Bush could submit his name for Senate confirmation.

CUNA President/CEO Dan Mica said Hood has the credentials to make a positive contribution to the NCUA Board.

However, Mica urged the White House, when filling the next seat, to consider it good public policy to have at least one member of the NCUA Board with credit union experience.

Inside

2 | House OKs CU Access Bill

Credit unions could reach more underserved, immigrant communities.

3 | Fee Studies Might Include CUs

Differences between banks, thrifts and credit union fees would be documented.

6 | CUs Anticipate Bankruptcy Changes

Credit unions should expect to see an increase in Chapter 7 filings.

7 | Fed Rate Hike Means Challenges

The adjustment was one more step toward a flat yield curve.



House OKs Bill to Give More Access to CUs

CUNA President/CEO Dan Mica thanked the sponsors of the Expanded Access to Financial Services Act (H.R. 749) offering “sincere appreciation” for their efforts to help pass the bill in the House April 26.



“H.R. 749 will enable credit unions to reach many individuals in the underserved and immigrant communities.”

Dan Mica

CUNA President/CEO Dan Mica

“Your introduction of H.R. 749 and leadership in moving this legislation through the House with such broad support will bring credit unions one step

closer to providing remittance, check cashing and money order

services to underserved and immigrant communities,” Mica wrote.

The credit union leader said CUNA and its member credit unions greatly appreciate their leadership in helping pass this important legislation.

During debate of the bill, Mica said H.R. 749 will “enable credit unions to reach many individuals in the underserved and immigrant communities that typically do not use formal banking institutions and are forced to use high-priced money-transmitting businesses.”

“Credit unions would then have an opportunity to educate and build trusting relationships with these individuals, encouraging them to join a financial institution so they have access to a full array of financial services,”

Mica explained. ■

Governmental Affairs
http://www.cuna.org/gov_affairs

CUs Urge More Disclosure in Merchant Data Breaches



CUNA Legislative Affairs Vice President Gary Kohn (left) and Eugene Foley, president/CEO of Harvard University Employees CU, Cambridge, Mass., before the start of last week's hearing. (CUNA photo)

Gene Foley, president/CEO of Harvard University Employees CU and board chair of the Massachusetts CU League, told House lawmakers May 4 that the frequency of major credit card data compromises is increasing at an alarming rate.

“While card issuers fastidiously comply with protecting sensitive account data, the resources

they expend in this effort are squandered if merchants are not held to the same standard,” Foley testified before the House Financial Services Committee.

Foley told the committee not only did his credit union have 700 card accounts compromised in one incident last year, but Foley himself was a recent victim of identity theft.

“Given my position, I am particularly responsive in protecting my own sensitive information,” recounted Foley. “But this caution is meaningless when entities that have captured and retained the data contained on the card stripe are careless or not compliant with security standards.”

Foley suggested that when a breach occurs, the major credit card companies should be required to notify financial institutions immediately in an electronic format that is usable for the effected issuer. ■

ID Theft Prevention
<http://www.cuna.org/initiatives/idtheft.html>

▶ Flurry of Financial Ed Bills Introduced

The Senate was active during the last week of April when three pieces of legislation were introduced. CUNA is actively involved in youth and adult financial literacy efforts and will look closely at these bills.

Sens. Jon Corzine (D-N.J.), Daniel Akaka (D-Hawaii), Debbie Stabenow (D-Mich.), Frank Lautenberg (D-N.J.) and Barack Obama (D-Ill.) introduced S. 923 to require a state to promote financial education under the Temporary Assistance for Needy Families program and to allow financial education to count as a work activity under that program.

S. 924 was also introduced to establish a grant program to enhance the financial and retirement literacy of mid-life and older Americans to reduce financial abuse and fraud among such Americans. This legislation was introduced by Sens. Corzine, Akaka, Stabenow, Lautenberg and Max Baucus (D-Mont.).

A third bill, S. 925, was introduced to promote youth financial literacy. Corzine, Akaka, Stabenow, Lautenberg and Baucus introduced this bill.

CUNA Vice President of Legislative Affairs Gary Kohn holds a seat on the Jump\$tart Coalition for Financial Literacy. CUNA has also partnered with the National Endowment for Financial Education for its high school financial literacy program and sponsors the National Youth Savings Challenge, which brought in \$4.6 million in deposits this year.

Thrive By Five
http://www.creditunion.coop/pre_k

CUs Included in Future Fed Fee Studies

CUNA strongly supported the provision of the Business Checking Freedom Act of 2005 (H.R. 1224) and told the House Financial Services Committee that including credit unions in the Federal Reserve Board's annual retail bank fee survey will document the differences in costs between banks, thrifts and credit unions in a way that helps consumers and enhances competition in the marketplace.

The bill was approved in committee on May 27.

The provision has been in the works for years and CUNA has worked closely with several members of Congress to expand the study to include credit unions, noted CUNA's Gary Kohn, vice president of legislative affairs.

Federal law requires the Fed to study and report annually on the cost and availability of certain banking services. H.R. 1224 will make the fee study permanent, and include a number of fees for traditional banking services such as "lifeline" accounts, remittances, electronic banking fees and ATM surcharge fees for non-customers. 🏠

Governmental Affairs
http://www.cuna.org/gov_affairs

Bankers' Bill Would Give Billions in Tax Relief

CUNA said it will not oppose a community bankers sought regulatory relief bill, the Community Banks Serving Their Communities First Act of 2005, introduced May 4 by Rep. Jim Ryun (R-Kan.).

"As with other bills benefiting the banking industry, we chose to take the high road by not opposing their bill, even though they oppose any bill to help credit unions," said Gary Kohn, CUNA vice president of legislative affairs. "We think it is fair, however, to once again point out their hypocrisy."

Kohn pointed out that, on the one hand, bankers continue to complain to elected officials that credit unions should be taxed, while at the same time they have been given relief in the form of more Subchapter S benefits. He said bankers seek in the Ryun bill billions of dollars of tax benefits that far exceed the credit union tax exemption.

"It is inconceivable how they can keep a straight face when urging that taxes should be increased for 86 million Americans while seeking more and more tax cuts for their select list of shareholders," Kohn related.

Credit Union / Bank Comparisons
http://www.cuna.org/econ/cu_stats.html

Video Will Examine Requirements to Pass CURIA

CUNA finished production this month on a new video to explain how the pending CU Regulatory Improvements Act (CURIA) will benefit credit unions and what will be required to pass it.

The bill's two sponsors—U.S. Reps. Ed Royce (R-Calif.) and Paul Kanjorski (D-Pa.)—appear on the video and provide answers to questions about the bill. CUNA President/CEO Dan Mica recorded the introduction and summarized CURIA, which Royce is expected to introduce this month.

"They explained the bill's benefits and what is needed from credit unions to have a successful bill," said CUNA Political Affairs Vice President Richard Gose. The

video was taped at Credit Union House on Capitol Hill and nearly is nine minutes long. It is available from state credit union leagues and on CUNA's website.

The video is part of CUNA and the leagues' broader efforts in a multi-faceted approach to educate credit unions about CURIA, explained CUNA Senior Vice President John McKechnie. "The video—and a series of interviews in CUNA's *NewsWatch*—provide different perspectives of the bill."

He noted that credit unions are consistently more aware of what CURIA means to them since last Congress, when the first version of CURIA garnered 69 co-sponsors. "The message is resonating," said McKechnie. "CURIA is our future." 🏠



A camera angle is checked during April 26 video production at Credit Union House on Capitol Hill. From left, U.S. Rep. Ed Royce (R-Calif.), CUNA Political Affairs Vice President Richard Gose, Production Director Rob Hennings, and CUNA Senior Vice President of Governmental Affairs John McKechnie. (Photo provided by CUNA)

Learn more about CURIA
http://www.cuna.org/gov_affairs/legislative/issues/2005

Get in the Know About the Bankruptcy

With the passing of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, there is a need to know how the new law will change bankruptcy policies and procedures at your credit union. Choose from a variety of resources to learn and spread the word about bankruptcy reform legislation.

For more information on this act, visit cuna.org and choose *Governmental Affairs* then *Issues 2005*.



Approximately \$900 million of all credit union losses in 2004 were due to bankruptcy. CUNA is now offering a number of resources to help your credit union understand how bankruptcy reform legislation can work for you.

Webinars

Participate in these innovative and dynamic online business bankruptcy discussions that explore three different aspects of bankruptcy.

2005 Bankruptcy Reform: Chapter 7

[June 1](#) or [October 20, 2005](#)

2:00-3:30 p.m. Central Time

Tuition: \$219

2005 Bankruptcy Reform: Chapter 13

[June 8](#) or [October 25, 2005](#)

2:00-3:30 p.m. Central Time

Tuition: \$219

2005 Bankruptcy Reform: Consumer Bankruptcy Changes

[June 15](#) or [October 27, 2005](#)

2:00-4:00 p.m. Central Time

Tuition: \$219

Attend all the June or October sessions as an eSchool for \$599!

Register at training.cuna.org

FOR MORE INFORMATION:

- Visit training.cuna.org
- E-mail elarning@cuna.coop
- Call 800-356-9655, ext. 4249

Reform Legislation



Audio Conferences

Discuss the 2005 bankruptcy reform legislation and the how it affects your credit union.

2005 Bankruptcy Reform

May 18 or October 12, 2005

11:00-Noon Central Time

Tuition: \$89

Seminar

2005 Bankruptcy Reform Seminar

(Held prior to the Collections & Bankruptcy School)

September 18, 2005

9:00-1:30 p.m.

Catamaran Resort Hotel, San Diego, CA

Tuition: \$350

Statement Stuffer

Explains the consequences everyone pays with bankruptcy abuse, and how the new Bankruptcy Law will affect those who file for bankruptcy.

What Bankruptcy Reform Means to You

Pre-order now for June shipment.

Stock # 25113-NW

\$15/100 (Quantity discounts available)

Order at buy.cuna.org or call

800-356-8010, press 3.



Bankruptcy Reform



CUNA

Credit Union National Association



>> Regulatory Affairs

CU's Prep For Bankruptcy Implementation

The new bankruptcy law will have a direct impact on credit unions in the near term, particularly with an anticipated increase in bankruptcy filing in the next six months, and with new disclosure requirements for credit cards in the works at the Federal Reserve.

"Most of the new law changes the bankruptcy code directly, which is what the courts deal with nationwide," explained CUNA's Mike McLain, assistant general counsel and senior compliance counsel.

McLain says credit unions should also consider:

- ▶ The new "means test" that will result in more debtors going into Chapter 13 debt repayment plans;
- ▶ Talk to your bankruptcy attorneys to be prepared for new reaffirmation language that takes effect in October;
- ▶ There will eventually be changes in Truth in Lending Act requirements, including disclosures on the front page of periodic statements.
- ▶ Credit unions will be required to

provide a toll-free phone number for members to find out how long it will take to pay off debts if only the minimum payments are made;

▶ Bankruptcy trustees are responsible for approving credit counseling agencies that will provide mandatory financial counseling to filers.

The Fed was given 12 months after publication of the regulations in the *Federal Register* for implementation. ☛

Bankruptcy Reform
http://www.cuna.org/gov_affairs/legislative/issues/2005/bankruptcy.html

▶ GAAP Guidance Issued On Re-selling Mortgages

NCUA released accounting guidance May 3 for credit unions intending to resell mortgage loans they originate. Generally accepted accounting principles require credit unions to:

- ▶ Report interest rate lock commitments with members on loans originated for sale as derivatives; and
- ▶ Derivatives must be carried at fair value in the financial statements.

Likewise certain forward sales commitments may also be derivatives requiring fair value measurement.

The guidance does not apply to credit unions that simply originate loans to members to hold in portfolio.

NCUA Guidance
http://www.ncua.gov/GuidesManuals/accounting_bulletins/AB05-0503.pdf

NCUA, CUNA To Address PCA Reform

NCUA Board Chairman JoAnn Johnson will address the agency's legislative proposal to reform prompt corrective action (PCA) during an audio-conference May 17 at 2:30 EDT that CUNA is hosting.

The proposal will be included in the Credit Union Regulatory Improvements Act. It will lower the leverage ratios for most credit unions and make other improvements in assessing risk for purposes of PCA requirements.

The call offers an opportunity for credit unions to learn more about what the legislation will include and how it will impact credit unions. Key objectives of the call:

- ▶ Focus on the details of the proposal and address how credit unions can show their support for these measures;
- ▶ Inform credit union officials why PCA reform is important; and
- ▶ Explore how your credit union support is necessary for the success.

Also on the call: CUNA President/CEO Dan Mica; NCUA Director of Examination and Insurance Dave Marquis; NCUA's Larry Fazio; and CUNA's Bill Hampel and John McKechnie.

CUNA is offering the call and compact disks for \$49. ☛

Registration
http://training.cuna.org/audio/T05175_fct.html

Guidance Issued On Money Services Businesses

NCUA, Treasury and banking and thrift regulators have issued interpretive guidance clarifying the requirements for, and assist banks and credit unions in, appropriately assessing and minimizing risks posed by providing banking services to money services businesses.

The Financial Crimes Enforcement Network also issued a concurrent advisory to money services businesses to emphasize their Bank Secrecy Act regulatory obligations and to notify them of the types of information that they will be expected to provide to a bank or credit union in the course of opening or maintaining account relationships. ☛

Federal Guidance
<http://www.fincen.gov/guidance04262005.pdf>





>> Notes Bearing Interest

Fed Rate Hike Means More Challenges for CUs

The May 3rd 25-basis-point increase in the Fed funds rate by Federal Reserve policy-makers means that “the interest-rate environment faced by credit unions just became a bit more challenging,”



Steven Rick

says CUNA Senior Economist Steven Rick.

The Fed raised the target for the fed funds rate by another 25 basis points to 3%—the eighth increase since June. It is the longest period of consecutive increases since Alan Greenspan became Fed chairman more than 17 years ago.

The Fed’s adjustment was one more step toward a flat yield curve, according to Rick.

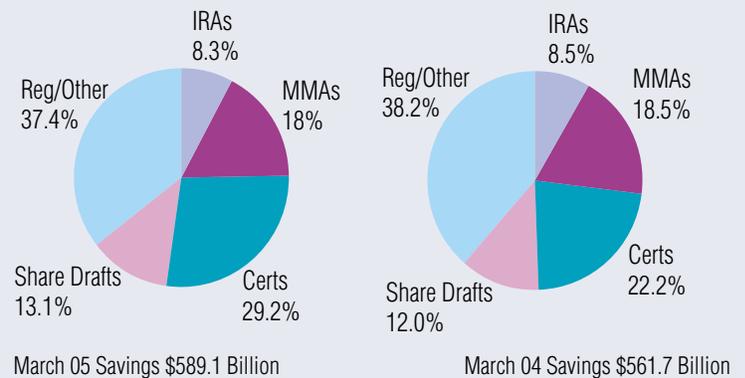
“A few more rate increases over the remainder of the year could put short-term

rates equal to long-term rates, A.K.A., a flat yield curve,” said Rick. “This would have negative consequences for many credit unions’ earnings as funding costs rise faster than asset yields.”

Higher rates already are impacting credit unions’ balance sheets. Members are transferring funds from low-rate money market and regular share accounts into higher-rate share certificates. During first quarter 2005, Rick said shares certificate balances increased “a strong 4.1%, while money market balances increased a relatively slow 0.4%.”

Rick pointed out, however, there are many credit unions that may benefit from

Distribution of credit union savings



the rising-rate environment.

“These credit unions have a loan portfolio heavily weighted towards short-term, adjustable-rate loan products like home equity loans, credit card loans and adjustable-rate mortgages. So this rise in short-term rates could increase their asset yields at a pace commensurate with their funds costs,” he said. 📈

Financial rates updated daily
<http://www.cuna.org/newsnow/rates.html>

New ABA Chief, Same Agenda to Tax CUs

A big change at the American Bankers Association (ABA) means, apparently, some things always stay the same: The ABA will continue to attack

“Some things never change—including the reason for credit unions’ tax status.”

—John McKechnie

credit unions’ tax status.

On May 2, Edward Yingling replaced the retiring Donald Ogilvie as the ABA’s president and CEO. It was the first change at the top in 20 years.

During an interview with Yingling, the *American Banker* (May 2) newspa-

per reported that the ABA’s primary policy fights on the immediate horizon are “defensive: to change large credit unions’ tax-exempt status and reduce banks’ regulatory burden.”

The ABA’s other issues include taxes, privacy and data security, according to the *American Banker* newspaper.

CUNA’s John McKechnie wasn’t surprised about the new CEO’s reported comments.

“Some things never change—including the reason for credit unions’ tax status: Their structure as not-for-profit, member owned cooperatives directed by volunteers and operated on a one-member, one-vote basis,” said the CUNA senior vice president of governmental affairs. 📈

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

CUNA Board Nominations

Nominations for the CUNA Board of Directors are being accepted until June 6. Ballots will be mailed to member credit unions and leagues on June 10. Deadline for ballots to be received by the independent firm will be Aug. 1.

The nominations are for three-year terms that begin upon adjournment of the CUNA’s Annual General Meeting in September. Directors’ terms are limited to no more than three consecutive three-year terms or 12 consecutive years.

For district and class categories, information and nomination forms, visit the web; call 800-356-9655, ext. 4013; or e-mail thanson@cuna.coop. Completed forms will be accepted by mail, fax or e-mail. All requests for nomination forms will be kept confidential.

Call for Nominations
<http://www.cuna.org/cuna/boardelec.html>



>> Serving the Community

Youth Saving Challenge Draws \$4.6 Million

This year's *National Youth Saving Challenge* brought in \$4.62 million—more than triple last year's deposits of \$1.39 million—from 280 reporting credit unions.

The *National Youth Saving Challenge* encouraged young credit union members to open savings accounts and make one or more deposits during the week. Participating credit unions tallied the total amount of deposits, the number of new accounts opened, and the total number of deposits made by young members during the week. They reported their results to CUNA to determine figures on a national level.

Participating credit unions reported \$4.62 million in deposits from 35,882 young members, surpassing both of these goals for 2005—\$2.5 million and 32,679, respectively.

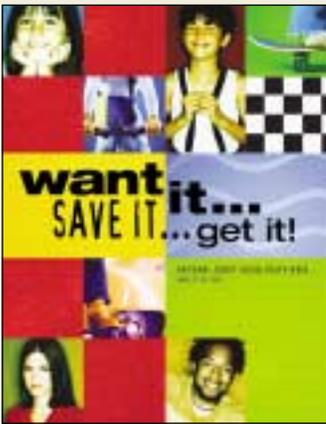
New accounts were opened by 4,543 new members—less than the set goal of 5,628.

Compared with the numbers from the first year, this year's challenge was a rousing success, said Joanne Sepich, CUNA's Youth Week coordinator:

- ▶ Nearly double the number of credit unions reported results from last year's 143;
- ▶ Deposits more than tripled from last year's \$1.39 million;
- ▶ Youth depositors more than doubled from 15,958; and
- ▶ New youth accounts more than doubled from 1,857.

"The growth of the program is clearly the result of the enthusiastic and dedicated staff at these credit unions. They stepped beyond their traditional roles to create fun and imaginative ways to attract youth to their branches during National CU Youth Week," Sepich added.

Young savers at 10 participating credit unions were entered into a drawing sponsored by **Youth Initiatives** CUNA for a \$100 prize.  <http://www.cuna.org/initiatives/youth>



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
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
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

FIRST CLASS TIME SENSITIVE MATERIAL

MAY 9, 2005



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

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