



## CUNA: 'Needs-Based Bankruptcy' Best Goal

After the hearing on bankruptcy abuse reform, CUNA's witness, Ken Beine, left, talks with Senate Judiciary Committee Chairman Arlen Specter (R-Pa.), who said the issue is a top legislative priority and that a markup of the bill would be scheduled this week. (Herman Farrer photo)

Nearly four years to the day, credit union CEO Ken Beine returned Feb. 10 on behalf of CUNA to testify before the Senate Judiciary Committee about the need to reform laws that lead to abusive bankruptcies.

"Credit unions recognize that many people legitimately need the option to declare bankruptcy," said Beine. "What concerns us, however, are the cases of abuse by those who file Chapter 7 and totally walk away from their debt, even though they clearly have the ability to repay all or part of that debt."

Beine, president of Shoreline CU in

Two Rivers, Wis., testified about his credit union's experiences with bankruptcy as the Senate considers a bill introduced Feb. 1 by Sen. Charles Grassley (R-Iowa), "The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005" (S. 265). On Feb. 9, House Judiciary Committee Chairman James Sensenbrenner (R-Wis.) introduced a companion bill, H.R. 685, which already has 55 co-sponsors.

Beine reiterated that credit unions highly support three major CUNA-backed provisions contained in both Senate and House >>  See page 3

## CUs Face Strict March 1 HMDA Deadline

NCUA is alerting all credit unions, in part, that for 2004 Home Mortgage Disclosure Act (HMDA) data transmissions, all updates on the loan application register (LAR) must be submitted AND received by the Federal Reserve no later than March 1, or face stiff civil money penalties.

Data is considered to be successfully received by the Fed once the file has been opened and loaded on the Fed's mainframe. When data is successfully loaded, the Fed will confirm receipt of the file by faxing or emailing a list of potential data errors, which credit unions should retain for their records.

If a credit union does not receive a filing receipt from the Fed, it is the credit union's responsibility to follow up with the Fed. NCUA noted that non-emailed transmissions may be delayed due to Fed security protocols.

Additionally, late submissions of HMDA data is not acceptable, according to NCUA. Credit unions must provide a readable file to the Fed, which processes HMDA data for NCUA, by March 1.

NCUA may assess civil money penalties against late filers. When assessing civil money penalties against late filers, NCUA will consider exceptional circumstances, which are very limited.

 **CUNA Compliance Resources**  
<http://www.cuna.org/compliance>

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# >> Regulatory Affairs

## Utah CUs Redirect FOM Resources

CUNA, the Utah League of CUs, the four affected credit unions and other parties to the Utah field of membership (FOM) case that was recently lost in that state will not appeal the district court's decision, but will instead redirect resources to getting a better application for expanding their FOMs.

CUNA will assist the NCUA on the remand to rework the applications for

expanding the four FOMs.

The American Bankers Association filed a lawsuit against the NCUA for determining a six-county community field of membership for Tooele FCU in an "arbitrary and capricious" manner. Three other credit unions subsequently were approved for the same area.

U.S. District Court Judge Dale Kimball remanded the case back to NCUA

for further consideration of evidence of a community.

NCUA had previously determined not to appeal the case. Tooele has gone back to serving its original field of membership while the other three have been granted interim FOMs until they request a permanent one. ■

**Hot Topics: FOM Litigation**  
[http://www.cuna.org/reg\\_advocacy](http://www.cuna.org/reg_advocacy)

## Video to Feature CUNA ID Theft Advice

CUNA participated in a Treasury Department-sponsored video production of a program that explains identity theft and how consumers can take action to prevent it.

The program, "Identity Theft: Outsourcing the Crooks!" is being produced by Treasury for credit unions and banks to distribute to their members and customers, and to consumers through credit card companies and the Federal Trade Commission (FTC).

Jeff Bloch, CUNA assistant general counsel, was among the featured participants. During the production, Bloch discussed actions consumers can take if they believe they have been the victims of ID theft, and urged



*CUNA Assistant General Counsel Jeff Bloch offers a tip to prevent identity theft, while Nessa Feddis, American Bankers Association; and program host Paul Anthony listen. (CUNA photo)*

consumers to view CUNA's website to use such tools as the "ID Theft Coach."

Also participating in the video production were representatives from the FTC, Citigroup, Visa, and the American Bankers Association. ■

**ID Theft Prevention Resources for CUs**  
<http://www.cuna.org/initiatives/idtheft.html>

## By the Way

▶ During its monthly meeting on Thursday, the NCUA Board will consider a relatively light agenda, including its quarterly insurance fund report, as well as a final rule concerning loans to members and lines of credit to members. CUNA supports the rule, which is "fully consistent with the Federal CU Act and sound public policy," according to CUNA Associate General Counsel Mary Dunn in a recent comment letter to the agency. "The changes will provide additional flexibility to federal credit unions and facilitate the ability of credit unions to serve their members' lending needs," wrote Dunn.

▶ The Justice Department has extended the deadline from Jan. 28 to May 31 for comments on a proposal that could require financial institutions to make ATMs accessible to blind customers. The comments were requested in September to proposed revisions to Americans with Disabilities Act rules.

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



# >> Legislative Affairs

## CUs Favor Budget's Incentives for Savings

CUNA reacted favorably last week to President George W. Bush's fiscal year 2006 budget proposals that would encourage more Americans to build wealth through savings programs.

"CUNA commends President Bush for placing such emphasis on providing savings incentives in his federal budget," said CUNA President/CEO Dan Mica.

"Credit unions, which by their very nature promote thrift, have for some time been highly concerned that the savings rate in this country is nowhere near the level that it should be."

Mica pointed out that CUNA has been working with the Congress and the administration to take actions to realize the vision of greater savings activities by America's consumers. "The budget unveiled by the president—which includes such items as Life Savings Accounts, Individual Development Accounts (IDAs) and Health Savings Accounts—shows a strong commitment to this vision," he said.

According to CUNA's Leon Peace, leg-

*"Credit unions, by their very nature, promote thrift."*

—CUNA President/CEO Dan Mica

islative counsel for tax and pensions, the administration's proposal to establish IDAs would allow credit unions to serve as savings program sponsors. This would help more low- and moderate-income Americans begin to save.

Peace added that the Bush Administration's pensions and retirement savings proposals would encourage more Americans to save for their personal retirements, while making it easier for them to save through their employer-sponsored plans.

Peace said CUNA also is interested in proposals that would:

- ▶ Consolidate current law individual retirement accounts (IRAs) and defined-contribution accounts;
- ▶ Ensure fair treatment of older workers in cash balance conversions and protect defined benefit plans; and
- ▶ Strengthen funding for single-employer pension plans. 📌

**National Youth Savings Challenge**  
[http://www.cuna.org/initiatives/youth/saving\\_challenge.html](http://www.cuna.org/initiatives/youth/saving_challenge.html)

## Bush Reminded of Support for Tax-Exemption

CUNA reminded President George W. Bush last month of his campaign position to support maintaining credit unions' exemption from paying federal taxes on income.

"A key issue for the nation's credit unions is your vision of reforming the nation's federal tax code," wrote CUNA President/CEO Dan Mica. "You are on record as supporting the continued tax-exempt status of credit unions, and we are greatly appreciative of your position."

As for tax reform, Mica said credit unions are pleased that Bush has named a bipartisan commission to consider options

to reduce complexity and achieve meaningful results.

"While the commission's efforts no doubt will be under tremendous scrutiny by those on Capitol Hill, and many other around the nation, we look forward to working with the commission, in coordination with Treasury Secretary John Snow, as it develops recommendations to meet your objectives," Mica remarked.

The Advisory Panel on Federal Tax Reform will conduct its first meeting Wednesday in Washington, D.C.

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

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versions of the bill:

- ▶ Protecting the ability of credit union members to voluntarily reaffirm their debts with their credit unions;
- ▶ Inclusion of a meaningful "means test;" and
- ▶ Inclusion of mandatory financial education provisions.

Beine said financial education would have helped some adult members of his credit union to make different decisions than they did. In one case, a couple in their mid-twenties decided that they wanted a "clean slate" prior to getting married, and declared bankruptcy.

"My credit union's share of their version of financial planning was a write-off of almost \$3,000 in credit card debt plus another several hundred dollars on the disposal of an auto," Beine explained to the committee.

The CUNA witness testified that as not-for-profit financial cooperatives, losses to the credit union have a direct impact on the entire membership due to a potential increase in loan rates or decrease in interest on savings.

CUNA President/CEO Dan Mica, who met with committee Chairman Arlen Specter (R-Pa.) the day before the Feb. 10 hearing, noted that with legislation now in the Senate and House, CUNA's Governmental Affairs Conference is "well situated to being the focal point of generating key credit union support for these bills."

The Senate Judiciary Committee is expected to mark up the bill as early as Thursday. 📌

**Issues 2005: Bankruptcy**  
[http://www.cuna.org/gov\\_affairs/legislative/issues/2005](http://www.cuna.org/gov_affairs/legislative/issues/2005)

# CUNA Governmental Affairs Outlines Priorities

Nearly 4,000 credit union faithful will be in Washington, D.C., late this month to participate in the 2005 CUNA Governmental Affairs Conference. With new lawmakers getting busy in Congress and state legislatures across the nation, *NewsWatch* spoke with the leaders of CUNA's governmental affairs staff to discuss the issues and initiatives for CUNA, leagues, and credit unions in 2005.

**Q: What are your top priorities this year?**

**John McKechnie, SVP of Governmental Affairs:** CUNA's top priority continues to be protection of the tax-exempt status of credit unions. That issue is a perennial focal point of the banker



John McKechnie  
Senior Vice President

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

attempts to define what credit unions are, and what they can do. In a general sense, CUNA's priority in governmental affairs advocacy is to make certain that lawmakers at all levels of government view credit unions as pro-consumer financial cooperatives that provide benefits to all Americans, and not as the bankers wish to portray credit unions. The CU Regulatory Improvements Act (CURIA) is an example of CUNA's overall efforts to allow credit unions to define their common future.

**Gary Kohn, VP of Legislative Affairs:** On our crowded legislative plate, we aim to reinforce support for the credit union tax-exempt status, push for the passage of CURIA and regulatory relief, reform the bankruptcy system, engage in discussions relating to Social Security and pension reform and keep credit unions on par with banks if deposit insurance limits are changed. CUNA's top priorities in bankruptcy reform are protecting credit union members' ability to voluntarily reaffirm their debts with their credit unions, including a meaningful "means test" and mandatory financial education. Our staff will be energetic in generating support in the House and Senate concerning the need for prompt corrective action (PCA) reform and an increase in member business lending.



Gary Kohn  
Vice President

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

**Colleen Kelly, VP of State Governmental Affairs:** Reading the estimated 135,000 bills that will be introduced in state legislatures! Seriously, consumer protections appear to be taking the lead at the state level. Some of the popular bills this year address: credit card restrictions, prepaid gift cards, fees, payday lending, privacy and ID theft.

**Richard Gose, VP of Political Affairs:** We want to bulk-up our political defenses and expand the ability to play offense by increasing high-dollar fundraising to the CU Legislative Action

Council (CULAC), conducting at least five campaign schools, promoting and expanding an advocacy/media training program, and bringing online political and grassroots education program to credit union staffs and board members.

**Q: Where does credit unions' tax status sit with Congress?**

**Kohn:** In the 108th Congress, more than 180 members of Congress publicly committed their support for preserving credit unions' tax-exempt status. We expect at least as many in the new Congress. That said, however, the House Ways and Means Committee, which has jurisdiction over taxes, may hold hearings in 2005 to assess whether nonprofit and not-for-profit organizations should retain special tax treatments. It's possible that Chairman Bill Thomas (R-Calif.), who opposes the credit union tax exemption, may hold a separate hearing on the topic addressing only credit unions.

**Q: What sets CUNA's agenda?**

**McKechnie:** CUNA's Governmental Affairs Committee (GAC), in concert with the CUNA Board, is the movement's premier body for assessing issues and developing positions that impact credit unions in the public policy arena. The GAC, and its six subcommittees that encompass the widest range of issues possible, has been instrumental in shaping the movement's legislative initiatives. Of course, beyond the GAC credit union activists have direct input to the CUNA governmental affairs process through their leagues, CUNA Councils and through direct contact with CUNA leaders and staff. The broad and diverse credit union system is constantly defining, debating and ultimately refining its political positions through the CUNA process.

**Q: What are the big political challenges facing credit unions in the states?**



Colleen Kelly  
Vice President

**State Governmental Affairs**  
[http://www.cuna.org/gov\\_affairs/state\\_affairs](http://www.cuna.org/gov_affairs/state_affairs)

Kelly: Leagues across the country will have their hands full this year ensuring their state policymakers are carefully balancing consumer protections with reasonable access to credit for all consumers.

**Gose:** State bankers associations are applying pressure about credit unions' tax status to elected officials in states with large budget deficits. Credit unions will contend with elected state lawmakers who are bankers or are friendly to bankers.

**Q: What contributions will our political programs make to issues on the federal level?**



Richard Gose  
Vice President

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

**Gose:** We must continue demonstrating to lawmakers that credit union constituents are affected by and care about the issues. CUNA's political action committee (CULAC) is now the ninth largest in the United

States. Project Zip Code so far has identified more than 56 million credit union members in state and federal districts. Hike the Hill will bring more than 45 leagues to Capitol Hill in 2005. New political ads will help define credit unions in the right way.

**Q: What can credit unions do to help their leagues and CUNA?**

**Kohn:** The banking industry claims bankers sent to Congress more than 56,000 letters of opposition to CURIA in 2004. This is all the more reason that Congress needs to be inundated with grassroots participation from credit unions again this year.

**Gose:** Credit unions should get up to speed with the issues at the state and federal level, and then educate employees and members with newsletters, websites and at their branches about relevant legislative activities. Of course, it's easy to participate in programs like Project Zip Code, Hike the Hill, Advocacy Training and Campaign schools.

**Q: What three words do you think should come to mind when someone says "credit union"?**

**McKechnie:** Consumers' best friend.  
**Kohn:** People, trust, respect.  
**Gose:** Caring, friendly, fair.  
**Kelly:** Affordable financial services.

**Q: What three words come to mind when someone says "American Bankers Association"?**

**McKechnie:** Well, the temptation is to use words like "dirty, rotten, scoundrels." But name-calling doesn't get us anywhere. The fact is the banking industry has made it a crusade to attack

and diminish—if not outright destroy—the credit union movement. Having said that, the three words that come to mind are: Committed, powerful, dangerous.

**Gose:** Bankers have shown, with such actions as "operation credit union," they have a deep commitment to attacking credit unions. And there's no question that banks have power merely by the size and scope of their operations. Put those two qualities together, and you get the third—danger.

**Kelly:** Those words ring true. Credit unions have to realize that banks mean business when it comes to attacking credit unions—at the state and national levels. Our commitment to defend and develop the movement has to be just as keen as that of the banks. 🏠

## Top Priorities at a Glance

- ▶ Protect the credit union tax-exempt status;
- ▶ Educate and politically activate America's 86 million credit union members;
- ▶ Ensure consumer protection is balanced with access to affordable credit;
- ▶ Push for the passage of regulatory relief legislation;
- ▶ Reform the bankruptcy system;
- ▶ Increase fundraising for CUNA's political action committee (PAC); and
- ▶ Elect credit union-friendly candidates.

# ARE YOU READY FOR THE NEXT ROUND?

The gloves come off this February at the CUNA Governmental Affairs Conference in Washington, D.C. Heavyweight bankers are sparring for an advantage over America's credit unions...and you can be part of the defense.

## **Score political points.**

Head to Capitol Hill to tell lawmakers who we are, what makes us unique, and how we



make a difference in our members' financial well being. **Get in the ring.**

With the bankers attacking, what will it take for credit unions to succeed with this new Congress? Bring your team of managers and directors to this match-up of influential speakers, informative exhibits, and networking experiences.



**Gen. Tommy Franks**  
Remarkable leader; renowned hero, best-selling author.



**Mark Shields**  
Enjoy a lively point-counterpoint discussion with Mark Shields, of CNN's The Capital Gang, and William Kristol, editor of the Washington-based political magazine *The Weekly Standard*.



**William Kristol**



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**THERE'S STILL TIME — REGISTER TODAY!**

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



# >> Notes Bearing Interest

## Hawkins Named CUNA Political Director

Thomas D. “Trey” Hawkins III, recently named political director for CUNA, will manage CUNA’s Political Action Committee, the Credit Union Legislative Action Council, will work with state leagues on all aspects of political and campaign involvement, will work with CUNA’s campaign schools, and will serve as a liaison to the national party committees.



Thomas Hawkins III

“Trey brings five solid years of experience in political fundraising and campaign management,” said CUNA Vice President of Political Affairs Richard Gose. “We look for-

ward to him building on our already solid political program here at CUNA.”

Hawkins most recently served as finance director for the Louisiana Democratic Party in Baton Rouge. Before working in Louisiana, Hawkins managed a primary campaign for Illinois’ lieutenant governor race, and directed campaign finance strategy for three nationally targeted U.S. House campaigns in Illinois, Tennessee and Iowa. 🏠

**Political Involvement**  
[http://www.cuna.org/gov\\_affairs/political](http://www.cuna.org/gov_affairs/political)

## Consumer Education Piece Gets Second Printing

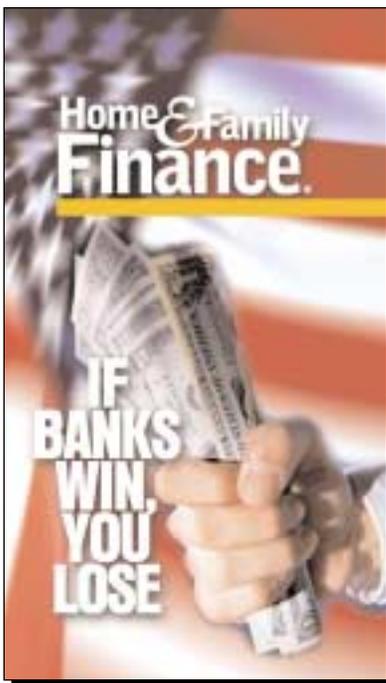
A second press run of 200,000 was ordered for the extraordinarily popular special edition of CUNA’s *Home & Family Finance* magazine that examines bankers’ attacks and defends the credit union tax exemption—“If Banks Win, You Lose.”

This first quarter issue focuses entirely on the bank attack issue in order to bring members up to speed on a topic that greatly affects all consumers, whether or not they are credit union members. Contents include:

- ▶ A world without credit unions—what consumers lose if bankers prevail in their bid to tax credit unions;
- ▶ What the credit union tax exemption means to consumers;
- ▶ Why Congress has supported credit unions and their tax exemption; and
- ▶ What members can do to support their credit union.

To purchase copies of this issue in bulk, call 800-356-8010, press 3, and ask for stock #26228-AD1, or

purchase online at [buy.cuna.org](http://buy.cuna.org) and type the stock number in the Product Finder search box. 🏠



**Member Education**  
<http://buy.cuna.org/list.php?cat=member>

## ▶ CUNA Slates Consumer Finance e-Schools

Finance and consumer lending are the topics of upcoming CUNA e-schools scheduled to begin in March.

For credit union staff and volunteers who are seasoned professionals in finance, the “Financial Management eSchool: Part II” provides advanced level training in:

- ▶ Capital adequacy;
- ▶ Measuring risk-based capital;
- ▶ Asset/liability management;
- ▶ Interest rate risk assessment/managing core deposits;
- ▶ Financial planning budgeting and building the ‘ideal’ capital position;
- ▶ Forecasting and strategically planning for long-term growth;
- ▶ Portfolio management strategies; and
- ▶ Investment options.

The e-school runs from March 29-May 17.

For credit union staff and volunteers who do not work in finance, yet still desire to further understand their credit union’s numbers, the six-session “CU Finance for Non-Financial Managers and Volunteers e-School,” which runs March 8-April 12, explores the essentials of accounting, financial statement analysis, rates, risk and return, budgeting, and asset/liability management.

For lending professionals new to their positions or needing a refresher, a six-session “Consumer Lending Foundations e-School,” scheduled March 2-April 6, teaches basic concepts in the consumer lending process.

**Training**  
<http://training.cuna.org>



# >> Serving the Community

## Support Renewed for Financial Literacy

The America's Credit Unions logo will continue to be displayed on financial planning materials—distributed to nearly 2.5 million high school students in the last five years—through the renewal of CUNA's agreement with the National Endowment for Financial Education (NEFE) in support of its High School Financial Planning Program (HSFPP).

“By working with NEFE to bring the HSFPP to students, credit unions and leagues are merely doing what the movement has done from its inception—showing people how to make the best economic decisions for themselves and their families,” said CUNA President/CEO Dan Mica.

The HSFPP provides teenagers with basic instruction on personal finance planning, career/work factors and earnings potential, spending and saving money, using and managing credit effectively, protecting assets and time value of money. In addition, the program teaches students to develop and maintain a personal spending and savings plan.

For its part in the three-year agreement, CUNA will continue to help underwrite the cost of producing more than

one-half million student guides and thousands of instructor's manuals each year. The association, with the assistance of educators from USDA's Cooperative State Research, Education, and Extension Service, also will continue to encourage and assist credit unions in bringing the HSFPP to schools nationwide at no charge.

To date during the 2004-05 school year, credit union support of the free program has resulted in 56,385 students and 810 schools becoming involved in the program.

For more information, visit CUNA's website or call Phillip Heckman, CUNA's director of youth programs, at 800-356-9655 ext. 4088 or e-mail at [pheckman@cuna.coop](mailto:pheckman@cuna.coop).

**CU Programs for Youth**  
<http://www.cuna.org/initiatives/youth>



AMERICA'S  
**CREDIT UNIONS®**  
*Where people are worth more than money.®*

*Nearly 2.5 million teens have seen the America's Credit Unions logo, which has been displayed prominently on all the materials distributed since the original five-year agreement.*

[http://www.cuna.org/initiatives/idtheft\\_free.html](http://www.cuna.org/initiatives/idtheft_free.html)



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FIRST CLASS TIME SENSITIVE MATERIAL

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