

NEWS Watch



Legislation, Regulation, and Innovation from the Credit Union National Association

CU's Lead Effort to Build Americans' Wealth

CUNA, the National CU Foundation (NCUF) and the Consumer Federation of America (CFA) announced a new "America Saves Through CUs" program to help lower-income individuals and families save and build wealth.

The initiative was launched in Washington, D.C., Feb. 17 after the groups' research revealed the wealth gap between the poor and other Americans has grown during the past decade. Historically, the wealth gap between the two groups has been much larger than their income gap.

(Continued on page 6)



CUNA and National CU Foundation President/CEO Dan Mica makes a point about saving during a press conference with CFA President Stephen Brobeck. (CUNA Photo)

NCUA Votes for Members' Informed Consent

The NCUA Board during its Feb. 19 meeting unanimously approved a final rule that revises NCUA's regulations to require more disclosures when a credit union plans to convert to a mutual savings bank.

The credit union notice to members concerning its intent to convert now must disclose:

- Any economic benefit a direc-



tor or senior management official of a converting credit union may receive in connection with the conversion;

- How conversion to a mutual savings bank will affect members' voting rights; and
- How any subsequent conversion to a stock institution may affect ownership interests.

(Continued on page 4)

Fifty stars. One future.

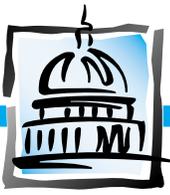
More than 3,800 people have made plans to participate in this year's CUNA Governmental Affairs Conference happening this week in Washington, D.C. Find daily coverage in CUNA News Now at www.cuna.org.

HIGHlights

Page 2 Co-Sponsors Sought by CUNA for CU Bill

Page 3 50 Million Members Now Matched to Lawmakers

Page 5 Bankers' Motion Denied in Utah Lawsuit



Co-Sponsors Sought by CUNA for CU Bill

CUNA is seeking more co-sponsor support for the CUNA-backed CU Regulatory Improvements Act (CURIA H.R. 3579) to help credit unions meet their members' needs.

"While [H.R. 1151] resolved some very important issues, the past five years have provided an opportunity to identify some severe restrictions that have been unintentionally imposed on credit

unions in several areas, as well as a chance to recommend common sense improvements and eliminate unnecessary and outdated provisions," CUNA President/CEO Dan Mica told House lawmakers in a letter Feb. 16.

CURIA would increase the limit on credit union member business loans from 12.25% of assets to 20% of assets and reform the prompt corrective action system

to take into account more accurate risk assessments, among other things.

Mica noted that credit unions remain the most highly regulated and restricted of all insured financial institutions, particularly after the passage of the CU Membership Access Act in 1998. ♦

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CUNA Urges Senate on Bankruptcy Reform

CUNA President/CEO Dan Mica urged the Senate to promptly pass comprehensive bankruptcy legislation (S. 1920/H.R. 975).

Mica said credit unions support the Bankruptcy Abuse Prevention and Consumer Protection Act of 2004 because it protects the ability of credit union members to voluntarily reaffirm their debts with their credit unions, includes a meaningful "means test," and includes mandatory financial education provisions.

Personal and business bankruptcy filings have nearly doubled in the past ten years to 1,661,996, Mica related in a letter to all U.S. senators Feb. 18. In the 12 months ending Sept. 30, 2003, personal bankruptcies rose 7.8% to 1,625,813.

The credit union leader pointed out that as bankruptcies continue to reach record levels, credit unions are being subjected to more abusive filing that allow individuals who clearly can pay part or all of their debt not to do so.

The public strongly favors a change in law to require those who can afford it to pay all or part of their debt, he noted. ♦

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Video Portrays Best, Bloopers When Lobbying

CUNA has produced a 15-minute video on lobbying "dos and don'ts" that will be broadcast on the in-room TV networks that appear in the four major hotels housing CUNA's 2004 Governmental Affairs Conference participants.

The video includes an introduction by CUNA President/CEO Dan Mica, and three skits by key members of the CUNA governmental affairs staff (as well as professional actors). The skits focus on what's acceptable—and what's amiss—in getting a message effectively to Members of Congress.

Additionally, the program features an interview with U.S. Rep. Paul Kanjorski (D-Pa.), who offers the perspective of a Member of Congress, and his expectations in meeting with constituents.

Three key points are made in the video about meetings with Members of Congress and their staffs:

- Be on time;
- Be prepared;
- Strive to provide a "different perspective" quickly, professionally and graciously.

CUNA Vice President of Political Affairs Richard Gose noted that the advice provided in the video is just as applicable to visits with state legislators. "In fact, a modified version will be a component of a broader four-part lobbying, grassroots and political action module we're preparing for credit union professionals and volunteers," Gose said. ♦



The right way to lobby in the congressman's office, as shown in a scene from CUNA's new video. (CUNA photo)



50 Million Members Now Matched to Lawmakers

CUNA's Project Zip Code recently matched its 50 millionth member to federal and state legislators.

Project Zip Code helps credit unions show legislators how many of their district constituents are credit union members. And the program has proven to influence state and federal lawmakers on critical credit union legislation, said CUNA Political Affairs VP Richard Gose.



Mica Rebuffs Conversion Points in American Banker

"The credit union form of organization provides by far the greatest value to credit union members in today's market," reiterated CUNA President/CEO Dan Mica in a letter published Feb. 13 in the *American Banker*.

He was responding to a letter published in the Feb. 6 *American Banker* by Alan Theriault, who owns a firm that consults with credit unions considering converting to a bank charter.

Theriault criticized NCUA and credit union trade associations for opposing such conversions, "mainly out of self-interest." Mica countered that Theriault's point "rings quite hollow coming from the owner of a consulting firm whose main source of revenue seems to derive from encouraging such conversions."

Mica recounted CUNA's "redoubled" efforts to improve both state and federal credit union charters, acknowledging that the credit union charter has some disadvantages compared to banking charters.

Finally, Mica said that the majority of those credit unions converting to mutual thrifts have not preserved the members' ownership of the institution, but rather have quickly flipped to stock ownership within a few years of the initial conversion. ♦



"Project Zip Code truly shows credit unions' presence in the state districts as well as in Washington."

—Richard Gose,
CUNA VP of Political Affairs

"One state senator who was firmly in the banks' camp is now in our camp," related Gose. "The senator switched sides after the league and several credit unions employed Project Zip Code. I can't overemphasize the value of showing legislators the

number of credit union members in their districts."

The program keeps members' names and addresses private, and only shows how many credit union members live in a lawmaker's district.

"Many elected officials are shocked when they see the number of credit union members in their district," said Gose. "It's up to us to demonstrate the broad influence credit unions really have in the legislative and political processes." ♦



Dollar-for-Dollar PAC/Charity Contributions Allowed

A new Federal Election Commission (FEC) ruling that CUNA sought now allows credit unions to match certain political action committee (PAC) donations by a member to the charity of their member's choice.

The ruling means that for every dollar a credit union member contributes to the CU Legislative Action Council (CULAC—CUNA's federal PAC), the member's credit union can make a dollar-for-dollar donation to a charity of that member's choice.

The FEC's "advisory opinion" ruling only applies to a CUNA-affiliated credit union offering a donation to a charity chosen by one of its members to match a contribution made by that member to CULAC.

CUNA, CULAC, and the North Carolina Local Government Employees FCU of Raleigh originally sought the opinion in December 2003.

Similar programs are used widely among corporations in their political fundraising efforts. Additionally, trade associations whose members are individuals (such as doctors, lawyers or engineers) have used such programs.

Under the law, credit union members may not receive any tax deduction or other benefit resulting from the matching charitable donation. ♦





NCUA Votes for Members' Informed Consent

(Continued from page 1)

NCUA said these added disclosures help members make more informed decisions about the conversion without increasing regulatory burdens. They will help converting credit unions more fully understand what the agency expects to be included in the member notice.

CUNA President/CEO Dan Mica said credit union members deserve to receive as much information as they can when weighing the very important decision about whether their credit union changes its charter to something other than a credit union.

"Members themselves should have the opportunity to voice their views about any proposed change," he said.



Using the title of the song, "All for the Love of Sunshine" by country music singer Hank Williams, Jr., NCUA Board Chairman Dennis Dollar makes a point about conversion disclosures to NCUA staff attorney Frank Kressman. Kirk Cuevas, Dollar's executive assistant, follows the proceedings. (CUNA photo)

CUNA anticipates playing a key role in helping facilitate discussions within the credit union movement about conversions, and reaching a long-term position on this issue that benefits both members and their credit unions. ♦

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Privacy Notice Disclosures Discussed with Regulators

Financial privacy notice changes should be helpful to consumers if they are to be changed, CUNA told NCUA and other federal financial regulators during an industry meeting Feb. 17.

This advice is in response to proposed changes to the notices in an effort to provide alternative forms of these notices in a more accessible, readable and useful format. The regulators are considering requiring new forms, model clauses and other information.

CUNA expressed willingness to analyze how helpful any proposed changes might be to consumers.

CUNA also suggested that the current forms are sufficient for providing notice only when a consumer becomes a credit union member or if the privacy policy changes, especially for credit unions that are not required to provide members with the right to opt out of certain information sharing practices ♦

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Dates Set for FACT Act Implementation

The first final rule implementing the Fair and Accurate Credit Transactions Act (FACT Act) was issued to establish two sets of effective dates that credit unions will need to comply with.

Rules making significant changes to business procedures are effective March 31. Those requiring few changes take effect Dec. 1.

The FACT Act, which became law in December, creates a number of important new consumer protections designed to help prevent identity theft and assist consumers who become victims of this rapidly growing crime. ♦

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Bankers' Motion Denied in Utah Lawsuit

U.S. District Court Judge Dale A. Kimball on Feb. 12 ruled that he will not allow banker-preferred discovery in the Utah bankers' lawsuit against NCUA over the agency's field-of-membership expansion decisions for several credit unions in Utah.

CUNA, the Utah League of CUs, the National Association of Federal CUs and the credit unions joined in the case as intervenor-defendants. The suit was filed July 15 by the American Bankers Association, Utah Bankers



"The judge's ruling shows that he understands the issues and plans to treat it like most administrative law cases. This is a solid, positive development for us."

—Eric Richard,
CUNA General Counsel

Association, and three banks doing business in the state.

The judge agreed with the intervenor-defendants that the "court's review of agency action is limited to the administrative record and discovery is improper in an ad-

ministrative appeal."

The next step is for NCUA to file within 20 days the full administrative record, after which the plaintiffs have 30 days to submit a brief in support of their petition. Next, the intervenor-defendants will have 30 days to file their brief, after which the plaintiffs have 15 days to reply to the intervenor-defendants' brief.

The judge has not yet set the date for oral arguments. ♦

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SBA: Bank Consolidation Hurts Credit Access

A new report detailing how credit to small businesses has withered in the wake of bank consolidation illustrates the point credit unions have been making—there is a need for credit union business lending.

notes that small business overall debt levels remained steady, but that was because small businesses turned to non-bank financial institutions for their credit needs.

"This is further proof that the provision in the CU Regulatory Improvements Act that would raise the ceiling on credit union member business loans from 12.25% to 20% of assets would be good for small businesses," said CUNA Chief Economist Bill Hampel.

SBA Chief Counsel for Advocacy Thomas M. Sullivan conceded that bank consolidation is a complex subject. However, he also stated: "Since small banks provide a substantial share of credit to small firms, bank consolidation and how it relates to small business should be a real concern for policymakers." ♦



"This study reinforces the view that there is a need for credit unions to offer member business loans to take up the slack created by bank consolidations."

— CUNA Chief Economist
Bill Hampel

The U.S. Small Business Administration (SBA) on Feb. 12 released its report on "Impact of Bank Consolidation on Small Business Credit Availability." The 43-page effort, prepared by the agency's office of advocacy, asserts that bank consolidation can limit small business access to credit. It

Officials, CUNA Discuss Health Savings Accounts

CUNA and CUNA Mutual met with Treasury and Internal Revenue Service officials Feb. 12 to discuss guidance on how credit unions can implement new health savings accounts (HSAs).

The Medicare reform law passed last year allows individuals covered by high deductible health plans to make annual tax-deductible contributions to HSAs to pay for qualified medical expenses.

CUNA and CUNA Mutual focused on the need to know the record-keeping and disclosure requirements for these new accounts. They also emphasized the need to provide adequate guidance on what disclosures HSA fiduciaries must provide.

Additionally, during a second meeting that day, CUNA and CUNA Mutual advised NCUA officials that credit unions' fiduciary responsibilities in handling HSAs are very similar to their current custodial and record keeping responsibilities in serving as trustees of IRA accounts. ♦

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Washington Post Features CUs, Financial Literacy

The *Washington Post* featured State Department FCU in a Feb. 17 article, "Schools Investing in Fiscal Literacy," about public schools joining credit unions to promote financial literacy with educational programs and in-school branches.

The principal of Jefferson-Houston School for Arts and Academies in Alexandria, Va., works with volunteers from the credit union, who give financial literacy lessons to first- and second-graders.

With few schools teaching financial literacy—and even fewer teachers qualified to lead the curriculum—credit unions, government agencies, universities and other nonprofits have stepped up to fill the gap.

CUNA President/CEO Dan Mica is quoted in the article, citing the use and success of the National Endowment for Financial Education's High School Financial Planning Program by ROTC programs.



CUNA President/CEO Dan Mica and NBC News reporter Tracie Potts discuss a *Washington Post* story about student-run credit unions. (CUNA photo)

Congress also is turning its attention to the issue as Sens. Paul Sarbanes (D-Md.), Mike Enzi (R-Wyo.), Daniel Akaka (D-Hawaii) and Debbie Stabenow (D-Mich.) have promoted more funding for K-12 education in economics and finance. The Financial Literacy and Education Commission was given the charge of formulating a national strategy on financial education.

According to Mark Wolff, CUNA senior vice president of communications, the article was the result of a news release that featured credit unions with in-school branches. ♦

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By the Way...

• The February issue of *Consumer Reports* magazine says low-income consumers who need a loan should check out credit unions and legitimate banks—not predatory lenders—especially if the consumer is in the military. The article, "Financial predators target armed-force families," includes a photo of Staff Sgt. Kevin White and his wife, Linda, of Murrieta, Calif. A used-car dealer near Camp Pendleton told them the best loan he could offer had a 23% annual percentage rate. Luckily, they had already arranged financing—at a 6.9% APR—with their military credit union.

• Small Business Administration (SBA) General Counsel David Javdan will be the keynoter at the NCUA's Partnering and Leadership Successes workshop about member business lending March 25 in San Francisco. Javdan is one of the key SBA officials who last year changed a critical legal interpretation to allow all credit unions to apply for business loan guarantees under SBA's 7(a) program, says NCUA. ♦

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CUs Lead Effort to Build Americans' Wealth

(Continued from page 1)

"Obscured by the debate over welfare reform and its effects has been the stagnant wealth of low-income households over the past decade," said Stephen Brobeck, CFA executive director. "Most of the poor did not benefit from the

dramatic run-up in housing and stock prices during the nineties."

The NCUF and CFA formed the partnership to increase the savings rates among lower-income credit union members and their communities, according to Dan Mica, president/CEO of CUNA and the NCUF. "This new initiative will encourage America's credit unions to embed America Saves messages and services into their

programs, with special attention being paid to the least affluent," said Mica.

NCUF and CUNA will make available materials, a national saver database, and services such as the wealth estimator to credit unions. They also will work with individual credit unions to develop unique America Saves programs. ♦

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The

Marketplace

Third Time for Spanish Language Skills Class

With more credit unions attracting a growing Hispanic membership, CUNA's Center for Professional Development (CPD) is offering its third "Spanish for CUs eSeminar Series." It focuses on the Spanish skills credit union personnel need for everyday communications with their Hispanic members.

Possession of these skills is critical. According to CUNA's 2002 CU Services Profile, 7% of credit unions serve memberships in which 25% (or more) of members speak Spanish as their first language.

Hola. Bienvenido a nuestra cooperativa de ahorro y crédito. ¿Cómo le puedo ayudar?

(Hello. Welcome to our credit union, how may I help you?)

The CUNA Spanish eSeminar series runs from April 6 through May 25. The 11 sessions offer a wide variety of topics to help prepare credit union personnel in the application of Spanish in daily credit union operations. Among them:

- Latino culture (and how it relates to credit unions);
- The Spanish alphabet, pronunciation and greetings;
- Member service; and
- Developing conversation.

For more information or to register, visit CUNA's website or contact 800-356-9655, ext. 4079. ♦

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The Point Offers Exclusive Webinar Discount



Subscribers to *The Point for CU Research & Advice* now can register for any webinar offered by CUNA's Center for Professional Development (CPD) and receive \$100 off the registration fee.

Steve Rodgers, editorial director of *The Point*, noted

that a subscriber registering for just two webinars in 2004 will save \$200—more than covering their \$150 annual subscription to *The Point*. Plus, subscribers will enjoy access to *The Point's* many exclusive features, including:

- Cutting-edge editorial updated weekly and aimed at the variety of disciplines practiced at today's credit unions.
- The custom research tool, "Ask Eva."
- Online archives containing strategic information from CUNA's E-Scan and survey reports; financial services white papers; and exclusive *Point* "Snapshot" reports.

Rogers said that coming enhancements include a credit union-focused financial benchmarking tool; a strategic member business lending guide; and an online forum for becoming involved in loan participations.

Check CUNA's website for updates to the webinar schedule. Try *The Point* free for 30 days, at http://thepoint.cuna.org/free_trial.html. ♦

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Tax Cuts, Bankruptcy Addressed in Stuffers

Two recently revised pamphlets that explain the new tax laws, and the real cost of bankruptcy, are now available from CUNA's Center for Personal Finance.

The recently enacted Jobs and Growth Tax Relief Reconciliation Act of 2003, designed to speed up provisions of the \$1.35 trillion tax cut of 2001, now allows many reductions to take effect as of Jan. 1, 2003.

But how much do credit union members know about the new law's impact on them and their finances?

"Your Guide to the 2003 Tax Cuts," now available in time for the upcoming tax season, describes for credit union members the changes and their effective dates in an easy to read table format.

Another updated and available pamphlet, "Bankruptcy: What does it cost you?" takes the reader through the various problems facing consumers who file for bankruptcy. Many of these potential problems may not be disclosed to people who choose to declare bankruptcy, and they unfortunately do not find out what really happens to their credit until after the bankruptcy is final, according to Susan Tiffany, CUNA's director of consumer publishing.

CUNA offers more than 50 statement stuffers, including four in Spanish. For more information go to CUNA's website, or contact CUNA Member Service at 800-356-8010, press 3. ♦



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The

Innovators

FEBRUARY 23, 2004

Google Powers CUNA Website, News Now

A bright yellow box containing Google search hardware and software was bolted to CUNA web servers and switched live last week to enhance the process of searching the association's website and news service, *News Now*.

According to CUNA Web Services Vice President Dorothy Steffens, the Google Search Appliance provides a level of comfort and control that the previous search engine failed to provide. "Google is the most widely used search engine today; our visitors are familiar with how it works," said Steffens.

The CUNA website consists of more than 30,000 pages of content. Site visitors request more than 900,000 pages each month.

Most visitors to the CUNA website find and navigate the site through the search box, according Steffens. "Having a dedicated server to index and run search queries insures a higher degree of accuracy, return and ultimately visitor satisfaction."

To use Google on

CUNA's website, simply type a query in the search box located in the upper right corner on any CUNA web page. ♦



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Address Changes: CUNA ERS, P.O. Box 431, Madison, WI 53701-0431;

or call (608) 232-8045

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