

OCTOBER 13, 2003

CREDIT UNION

NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

Ensweiler Elected CUNA Chairman

The CUNA Board of Directors elected Dick Ensweiler, president/CEO of the Texas CU League, as its new chairman during the CUNA Future Forum and Annual General Meeting on Oct. 1 in Reno, Nev.

"There is tremendous acumen, passion, and commitment on this board," said Ensweiler. "There is leadership, knowledge, and understanding."

During the Future Forum's clos-

ing general session on Oct. 2, Ensweiler told attendees that they cannot let banks set credit unions' agenda. "Banks shouldn't be telling us what to offer in products, they shouldn't tell us what services we can offer, or what structure we should have, or whether we ought to be taxed," he said. "We ought to be able to make those decisions for ourselves with members' best interests in mind."

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Dick Ensweiler addresses Future Forum attendees.

CU's Business Lending Opportunities Expanded

The NCUA Board Sept. 24 unanimously approved as a final rule a new member-business loan (MBL) regulation, expanding credit unions' investment options.

"We hope every credit union takes a look at this opportunity. While credit unions have been making member-business loans since 1934, this new rule change comes at a time that is particularly important for credit unions and our country," said CUNA President Dan Mica.

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Fair Credit, ID Theft Bill Expected in Senate This Fall

Legislation to renew various federal preemptions of the Fair Credit Reporting Act—set to expire Dec. 31—was approved by the Senate Banking Committee as well as the full House last month.

The Senate committee approved its version of the bill Sept. 23, which would create new federal protections against identity theft and a new federal commission that promotes financial literacy and education.

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CUs Jam in Reno



Johnse Holt (pictured) and Mari Pat Varga of Creative Communications Programs demonstrated the similarities between music and business Oct. 1 at the CUNA Future Forum's "Creativity Jam Session" in Reno, Nev.

"Rhythm, playing well together, and jamming are critical for success in business as well as in music," said Varga.

"Rhythm is the importance of everyone getting the same beat, or vision; playing together is when everyone comes together as a team and communicates really well with each other; and jamming is rhythm and playing together combined, creating an environment where everyone's voice is heard." ♦

2004 Future Forum in Hawaii

Mark your calendar and tap your Palm Pilot for next year's CUNA Future Forum, to be held at the Hilton Hawaiian Village, Honolulu, Hawaii, Oct. 24-28.

"We expect to learn a great deal from our experiences at the 2003 Future Forum in a way that will exceed participants' expectations," said Todd Spiczenski, CUNA assistant vice president of learning events. "Hawaii will provide opportunities to take experiential learning to new levels." ♦

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Ensweiler Elected CUNA Chairman

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Ensweiler also praised the chairmanship of his predecessor, Barry Jolette, calling him a man of integrity and a mentor who has exercised great judgment during his tenure on the board.

Newly elected CUNA Executive Committee members include:

- Vice Chairman, Juri Valdov, Northwest FCU, Herndon, Va.;
- Secretary, Don Larsen, Community CU, Tacoma, Wash.;
- Treasurer, Allan Kemp McMorris, Oakland County CU, Waterford, Mich.; and
- Member-at-Large, Tom Dorety, Suncoast Schools FCU, Tampa, Fla. ♦



Juri Valdov



Don Larsen



Allan Kemp
McMorris



Tom Dorety



Bob Hadley, president of NEO FCU in Miami, Okla., didn't have any trouble on the climbing wall during CUNA Future Forum activities Sept. 30 in Reno, Nev.



Mica: CUs' Future Is in Your Hands

Credit unions are in excellent shape, CUNA President/CEO Dan Mica told CUNA Future Forum opening general session attendees Sept. 30 in Reno, Nev. "We are where American consumers look for fair financial services," he said.



The movement is growing and is healthy—\$618 billion in assets, 10% capital ratio, and 84 million members. But credit unions can't sit back and rest. One reason, Mica said, is that the *American Banker's* annual consumer satisfaction survey—which credit unions have topped for 18 consecutive years—shows the gap narrowing between credit unions and banks.

Mica shared his ideas on how the movement can—and must—maintain its high standards for consumers in what he terms a "trio of excellence":

- Provide service to members;
- Stay united; and
- Stay true to credit union principles.

Mica reminded attendees of language in H.R. 1151, the CU Membership Access Act. In it, credit unions are "member-owned, democratically controlled, not-for-profit institutions generally managed by volunteer boards with a specified mission of meeting the credit and savings needs of consumers, especially those of modest means." Banks, he said, focus only on that last phrase and say that credit unions aren't serving their mission.

"But by every measure, we do better than the banks do," Mica said. "Service. Unity. Principle. We're unbeatable. Our future is in your hands." ♦

People Make Difference in Fighting Bank Attacks

Bankers are taking advantage of state budget deficits to mount attacks on credit unions in several states. But credit unions have one weapon banks don't have—people, CUNA's Future Forum attendees learned Oct. 1 at a "CUs Under Attack" panel.

"People are 10 times more important than money," said New Mexico state Rep. Dan Foley. "People are the resource credit unions have over and above the bankers." He noted that people who champion bankers are from within the industry, and credit unions can do the same thing by getting credit union employees in the state legislature. Writing a campaign check isn't enough. Credit unions can take a better opportunity by offering to knock on doors and stuff envelopes.

The group suggested getting politically involved with Project Zip Code and Project Differentiation. "Utah had not done a good job on Project Zip Code until we did battle with the bankers," said Scott Earl, president/CEO of the Utah League of CUs. "At the bare minimum, complete the process for Project Zip Code

and Project Differentiation, and get a relationship with your own legislators."

Richard Gose, CUNA's vice president of political affairs, noted that Project Zip Code identified 42 million credit union members by zip code so credit unions can tell lawmakers how many members are in their constituency. ♦

For More, [CLICK HERE](#) Project Zip Code www.cuna.org



New Mexico state Rep. Dan Foley says his opponent outspent him three-to-one, but was beaten four-to-one because people became involved in political action efforts. From left: panelists Richard Gose, CUNA's vice president of political affairs; Foley; Rick Pillow, Virginia CU League president/CEO; and Scott Earl, president/CEO of the Utah League of CUs.



CUs' Business Lending Opportunities Expanded

(Continued from Page 1)

Among other things, the new regulation:

- Authorizes well-capitalized credit unions to make unsecured MBLs within certain regulatory limits and restrictions;
- Provides that purchases of non-member loans and non-member participation interests do not count against a credit union's aggregate MBL limit, subject to certain restrictions;
- Provides that loans directly to other credit unions and credit union service organizations (CUSOs) are not classified as MBLs;



- Amends the prompt corrective action (PCA) rule regarding the risk weighting of MBLs; and
- Authorizes federal credit union investment in CUSOs that originate business loans, subject to certain regulatory restrictions. ♦

From left: CUNA President/CEO Dan Mica and CUNA General Counsel Eric Richard discuss NCUA's new member business loan rule with NCUA Board Vice Chair JoAnn Johnson following the Sept. 24 board meeting.

What's the Impact of Converting to a Mutual Thrift?

Credit unions have until Dec. 1 to send comments to NCUA about the agency's proposal to amend its rules governing converting from an insured credit union to a mutual savings bank in order to improve the disclosures that are given to members prior to the vote on whether to convert.

The proposal improves disclosures by informing members that:

- The one member, one vote rule may change upon conversion;
- A later conversion from a mutual savings bank to a stock institution will result in a loss of ownership interest if the member does not purchase stock in the institution; and
- There are conversion-related economic benefits a director or senior management official may receive, including an increase in compensation and any foreseeable stock-related benefits associated with a subsequent conversion to a stock institution.

Additionally, the notice must include an affirmative statement indicating whether at the time of conversion to a thrift the credit union intends to:

- Convert to a stock institution;
- Provide any compensation to previously uncompensated directors or increase compensation or provide other conversion-related benefits to directors or senior management officials; and
- Determine voting rights based on account balances. ♦

Bethpage Wins FOM Expansion from NCUA

At its public meeting last month, the NCUA Board approved the request from Bethpage FCU in Bethpage, N.Y., to convert from a multiple common bond charter to a community charter to serve persons who live, work, worship, or attend school in, and businesses and other legal entities located in Nassau County, N.Y., or certain portions of Suffolk County, N.Y.



The towns in Suffolk County included are Huntington, Babylon, Smithtown, Islip, Brookhaven, Riverhead, and Southold, as well as the Poospatuck Reservation.

CUNA noted that even though the community charter encompasses a large area with a population of 2.7 million, all three Board members agreed that the community is well-defined with common interests and interaction that meet NCUA field-of-membership requirements. ♦

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Free UBIT Webinar Scheduled for Oct. 29

Credit unions concerned about the Unrelated Business Income Tax (UBIT) threat have an opportunity to learn more about the issue during a free one-hour Webinar on Oct. 29, beginning at 2 p.m. ET.

The Webinar, "Unrelated Business Income Tax: What it Means for Your CU When the IRS Calls," will explain what the UBIT problem is all about, how a credit union should respond if contacted by the IRS, and what the UBIT Coordinating Group organizations are doing to protect credit unions' federal tax exemption. CUNA General Counsel Eric Richard will be among the four expert panelists providing comments and answering questions.

The Webinar is limited to 500 computer ports. Those interested in participating can register online on CUNA's Web site.

It is sponsored by the UBIT Coordinating Group consisting of CUNA, CUNA Mutual Group, American Association of CU Leagues, and the National Association of State CU Supervisors. ♦

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By the Way...

- The credit union system has a track record of helping to meet the needs of the underserved, particularly in the area of housing, related Rep. Silvestre Reyes (D-Texas) at a recent reception at the Credit Union House on Capitol Hill. The lawmaker also emphasized the unique role CU House plays in the credit union system...

- Republican Sen. Don Nickles (Okla.) is the third of six senators who voted against H.R. 1151 in 1998 to retire. The only opponents left are Sens. Chuck Hagel (R-Neb.), Pat Roberts (R-Kan.), and James Inhofe (R-Okla.)...

- *Crain's New York Business* reported that four years ago, Medhat Mohamed and his Omanja Five Star Ice Cream Corp. got a \$370,000 Small Business Administration (SBA) loan through Progressive CU, his longtime financial institution. Few credit unions have offered SBA loans in the past, but with a decision earlier this year, the SBA eased restrictions and opened up that market of lending to credit unions. SBA Administrator Hector Barreto noted that non-bank lenders are doing loans in areas and communities where there may not be a large banking presence... ♦

CUNA Reassures CUs After Do-Not-Call Entanglement

The Federal Trade Commission (FTC) was court ordered not to implement its popular national "Do-Not-Call" registry designed to stop unwanted telemarketing calls to consumers.

A later court decision complicating the matter further followed President Bush signing into law a bill that Congress approved intended to reinforce the FTC's authority to implement the registry.

Congress is looking into whether restricting the commercial speech of the telemarketers violates constitutional protections. So are the courts.

Confused yet? To complicate things further, an appeals court ruled Oct. 7 to allow the FTC to go ahead and implement its Do-Not-

Call registry regulations while the telemarketers' appeal is finally ruled upon. That's where the issue stands today. The appeals court will hear oral arguments Nov. 10.

"Credit unions doing direct telemarketing to sell products and services to existing members should generally be excluded under an 'established business relationship exception' to the Do-Not-Call rules issued by both the FTC and the Federal Communications Commission (FCC)," CUNA compliance expert Valerie Moss reassured credit unions. "In response to telephone inquiries from CUNA, FTC and FCC staff have indicated that credit unions are not covered. Nevertheless, CUNA is seeking further assurances." ♦



Valerie Moss

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House Clears Check Truncation Measure

The House approved the conference report to the CUNA-supported Check Clearing for the 21st Century Act on Oct. 8. The Senate is next in line to consider the measure, before the final bill goes to the president for his approval.



Gary Kohn

“We believe that the check truncation bill is probably one of the most important pieces of legislation to

be considered by Congress this year, despite its technical nature,” according to CUNA Lobbyist Gary Kohn. “We’re pleased that a final bill has been approved in the House and look forward to the Senate passing the conference report as well, and then sending it to the President for his approval.”

Earlier this year, two CUNA members testified in support of truncation legislation before the banking committees of both the House and the Senate. Congress

was particularly interested in CUNA’s views since credit unions have been truncating checks, or share drafts, since they first started offering share draft accounts in 1977.

Although a majority of credit unions already truncate their share drafts, the legislation would also allow credit unions to truncate more frequently, and at an earlier stage in the check-clearing process. ♦

(Continued from page 1)

Fair Credit, ID Theft Bill Expected in Senate This Fall

Among the provisions, the Senate bill would require affiliated entities that share consumer report information for marketing solicitation to notify consumers of this information sharing and to give them the opportunity to “opt-out” or restrict the solicitations. Exempt from this requirement are existing business relationships, entities that provide servicing functions, and consumer initiated requests.

CUNA urged Senate Majority Leader Bill Frist (R-Tenn.) and Democratic Leader Tom Daschle (S.D.) to take up the National Consumer Credit System Improvement Act on the floor immediately following the Supplemental Appropriations bill.

The House overwhelmingly approved (392-30) the Fair and Accurate Credit Transactions Act (H.R. 2622) on Sept. 10. CUNA’s lobbyists worked closely with House and Financial Services Committee leaders right up to the floor vote on the bill. ♦

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CUNA Witness Testifies on International Remittances

John Herrera, chairman of Latino Community CU and vice president of Self-Help CU (N.C.) testified on behalf of CUNA and the World Council of CUs at a House Financial Services Committee hearing Oct. 1 about the state of the remittances industry.

Herrera’s testimony focused on credit unions’ efforts to reduce costs of remittances in the financial services market, and the importance of bringing immigrants into the formal banking system. He told the committee that credit unions support full disclosure for remittance fees and exchange rates.

Later that day, CUNA’s Board of Directors adopted guidelines, “CUNA’s Seven Principles,” which outline what credit unions are doing and committed to providing in the area of remittances. ♦



Assistant Treasury Secretary Wayne Abernathy (left) and CUNA witness John Herrera, chairman of Latino Community CU in Raleigh, N.C., and vice president of Self Help CU in Durham, N.C., discuss remittances.



President Bush Proclaims ICU Day

Noting that this year's theme, *CUs: The Heart of Our Communities*, reflects the "spirit of the dedicated individuals who serve in our nation's credit unions," President George W. Bush proclaimed Oct. 16 as International Credit Union Day.



In his message, the president said, "Credit unions play a vital role in the financial health of families and in the growth of communities across our country. By providing fair loans, sound fiscal advice, and quality consumer services, credit unions have helped millions of men and women meet their credit and savings needs, and realize their economic potential."

"Laura joins me in sending our best wishes," the president concluded. ♦



Co-ops Get Higher Consumer Marks Than For-Profits

Asked whether they would be more or less likely to buy products or services from a business if they knew it to be a cooperative, 71% of consumers said they were more likely to use a credit union, according to a new survey released by the National Cooperative Business Association (NCBA) and the Consumer Federation of America.



Pete Crear

The survey of 2,031 adults found that two-thirds of consumers believe businesses that are owned and governed by their customers/members and have consumers on their boards of directors are more trustworthy than those that do not.

A majority also found companies that allow customers to democratically elect the board of directors, and are locally owned and controlled, to be more trustworthy.

The survey—sponsored by NCBA and a coalition including CUNA—found more than half of adults in the U.S. say they're members of cooperatives. Credit unions are among the more than 40,000 co-ops in the U.S.

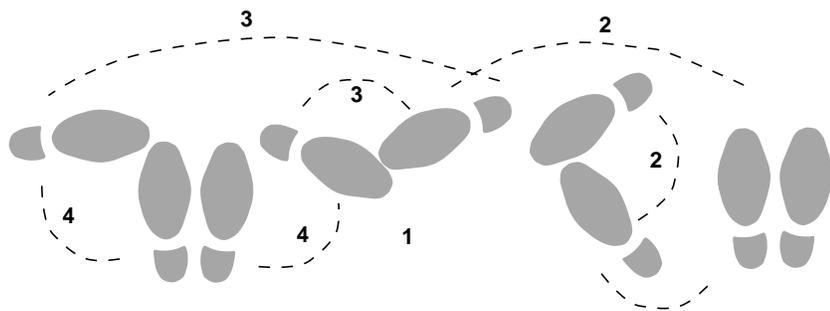
Following the press conference, CUNA Executive Vice President Pete Crear—a member of the NCBA board of directors—was interviewed about cooperatives by Radio America's *News Beat* host Blanquita Cullum. The program airs nationwide. ♦

Learning the Bankers' Song and Dance

That same dance is still the rage with bankers and their trade associations at statehouses across the U.S.A. It's called "The Bankers' Two-Step." (In some parts of the country, it's called the "Hypocrite's Hop" or "Doin' the Doubletalk.")

Lest audiences be fooled by the bankers' latest song and dance, CUNA reveals the basic dance steps behind the bankers' fancy footwork.

Your last edition of *NewsWatch* outlined "The Subchapter S Shuffle." This week it diagrams two simultaneous steps in a bankers' move called, the "Bankers' Grow-Grow Dance."



Bankers' Grow-Grow Dance

MOVE PERFORMED IN STEP 1:

Bankers claim credit unions are growing "too fast." During a 94-year period (1908 to 2002), the U.S. credit union movement grew to a total of \$574 billion in assets.

SIMULTANEOUSLY IN STEP 2:

During a single, one-year period (2002), U.S. bank assets grew by \$523 billion to a total of more than \$7 trillion.

Sources: Credit union information from CUNA.
Bank information from FDIC.



System Solutions

OCTOBER 13, 2003

Tech Spending Up at Most Credit Unions

The branch still is the most relied-upon distribution channel. But in terms of transaction volume, remote-banking alternatives—such as Internet banking, ATM/debit cards, and electronic bill payment—are critically important.

The future is bright for remote-banking alternatives—particularly PC banking and electronic bill payment. Credit unions are adding these services and upgrading capabilities. They're marketing them at an accelerated pace.

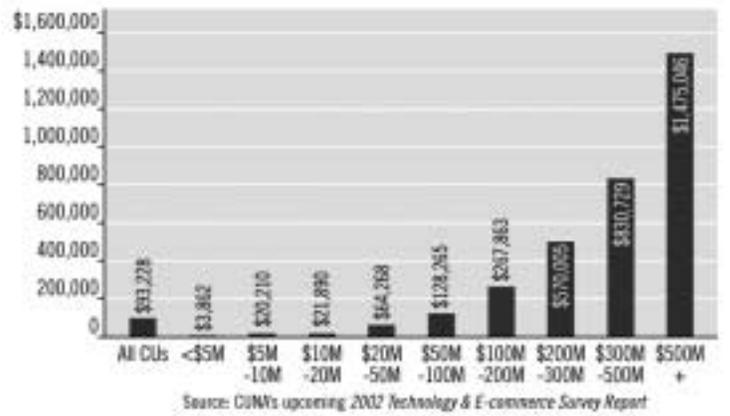
Credit unions with marketing budgets are devoting an average of 13% of their marketing dollars

toward remote-banking services, according to CUNA's 2002 National Member Survey Report.

In 2002, credit unions budgeted for an average of nearly \$95,000 (excluding staff salaries and benefits) in technology expenditures, according to preliminary information from CUNA's upcoming 2002 Technology and E-commerce Survey Report.

This amount rises dramatically as asset size increases, topping out at just under \$1.5 million

2002 Technology Budget by Credit Union Asset Size



among credit unions with assets of \$500 million or more.

To help credit unions identify the capital expenditures for more effective 2004 strategic plans, CUNA has negotiated volume discounts on products and services as part of its Budget 2004 promotion, running through March 31. Visit <http://buy.cuna.org/csa/budget04.html>. ♦



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