

NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

CUNA Testifies on How CUs Serve the Underserved

CUNA testified before Congress last week on the many ways credit unions are helping bring more “unbanked” people into the financial mainstream.

Al Beltran, president and CEO of Security First Federal Credit Union in McAllen, Texas, was CUNA’s witness at the House Financial Institutions Subcommittee hearing on initiatives for bringing affordable financial services to those who need them most.

Beltran described credit union participation in Treasury’s First Accounts program, financial literacy



CUNA senior lobbyist Gary Kohn (l) and CUNA’s witness, Al Beltran of Security First FCU (c), talk with House Financial Institutions Subcommittee Chairman Spencer Bachus (R-Ala.) before the start of last week’s hearing on serving the underserved.

training, lower-cost international remittances using CUNA and

WOCCU’s IRnet service, acceptance of matricula consular identification cards, providing individual development accounts (IDAs), partici-

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Treasury Reopens Two Parts of Patriot Act Rule

Treasury has gone back out for comment on two provisions in its final rule on the USA Patriot Act, though the rule’s Oct. 1 effective date will remain in effect. The two issues are:

- Whether and under what circumstances financial institutions should be required to retain photocopies of documents relied on to verify customer identity; and
- Whether there are situations when relying on certain forms of foreign government-issued identification, such as matricula issued by Mexican consulates located in the United States, should not be permitted to verify members’ identity.

The notice for comment will run 30 days. A proposal will follow, meaning any final changes would occur well past the final rule’s Oct. 1 compliance date.

The Patriot Act final rules published May 9 said financial institutions are not required to photocopy the documents on which they rely to verify identity. CUNA strongly supported this flexible approach. CUNA also advocated permitting institutions to use matricula to verify an individual’s identity.

Treasury reopened these two issues after concerns were raised (Continued on Page 2)

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CUNA Testifies on Serving the Underserved

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pation in affordable housing programs through the National Credit Union Foundation, and subprime lending programs that offer an alternative to predatory and payday lenders.

CUNA also outlined for lawmakers the results of its survey on serving credit union members of modest means. The survey, released during the GAC in February, showed credit unions are proactively taking steps to meet the financial needs of low- and moderate-income members and potential members.



CU/Check Cashing Partnership Noted

Credit unions are even helping check-cashing outlets offer a better deal. During last week's hearing a representative from the check casher's association talked in his testimony about partnerships with Bethex FCU in New York and SSA Baltimore FCU in Maryland. He noted as a result of these partnerships, consumers pay much less for check cashing services and are given the opportunity to use other CU services.

Subcommittee member Rep. Maxine Waters, D-Calif., suggested these two partnerships could serve as role models. Waters also indicated she plans to find more opportunities to speak out and explain the benefits of CUs as an alternative to predatory practitioners. ♦



Treasury Reopens Two Parts of Patriot Act Rule

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within the Administration and by House Judiciary Committee Chairman James Sensenbrenner, R-Wis. They questioned whether the final rule would be strengthened if photocopying were required and reliance on matricula no longer permitted under some circumstances.

"CUNA will be meeting with Administration officials and others in the next few days to oppose these proposed changes," says Mary Dunn, CUNA associate general counsel and senior vice president of regulatory advocacy. "Treasury and the federal financial regulators took the correct approach in the final rule, and we want to encourage them to stick with it."

CUNA is urging leagues and credit unions to oppose the changes as well. ♦

"Clearly credit unions as a whole have established a solid foundation for serving the financial needs of consumers of modest means," Beltran told the subcommittee.

NCUA Chairman Dennis Dollar testified on the success of Access Across America. Treasury Assistant Secretary Wayne Abernathy also praised Dollar's program and CUs' efforts to help the underserved. Abernathy noted earlier in the week U.S. Treasurer Rosario Marin visited Ohio CUs' Spanish language financial literacy course in Gahanna, Ohio. ♦

Lawmakers Seek Ways to Address CU Capital Issues

Three key lawmakers wrote NCUA Chairman Dennis Dollar with questions on credit unions' ability to seek additional forms of capital to be included in the definition of "net worth."

The June 19 letter from House Financial Services Committee Chairman Michael Oxley, R-Ohio, Ranking Member Barney Frank, D-Mass., and Rep. Brad Sherman, D-Calif., acknowledged that many in the credit union system have been seeking legislative changes to allow federally insured credit unions to have additional forms of capital.

Their questions addressed such issues as trends in CU capital levels, how changes in the economy have affected CU capital, NCUA's experience with CUs that have obtained supplemental capital, whether NCUA has studied capital for CUs, and whether lack of capital has hindered participation in NCUA's Access Across America program.

"We appreciate the leadership of Chairman Oxley and Reps. Frank and Sherman in trying to help credit unions find a way to address capital issues," says Gary Kohn, CUNA vice president of legislative affairs and senior legislative counsel. "Rep. Sherman, in particular, has aggressively pursued this issue since last year and we hope that the information they receive helps resolve this important matter."

The lawmakers asked Chairman Dollar to respond by Sept. 2. ♦

Is Your Local Banker Spying on You?

An unidentified community banker has joined two competing credit unions where the bank operates in order to act as an "industrial spy" to find out what they were up to, what rates they were offering, and what products they were promoting, according to the June 2003 issue of *ABA Banking Journal*.

The banker succeeded in joining the two credit unions, and for a small deposit maintained in each credit union, receives all their mailings. The banker recommends the tactic to his colleagues.

"It's too bad the bankers have to resort to such subterfuge," says Gary Kohn, CUNA's vice president

of legislative affairs and senior legislative counsel. "But," he warned, "they better watch out. If bankers start joining credit unions and seeing first-hand what it's like to be part of a member-owned cooperative where people are worth more than money, they may not want to go back to their bank." ♦

CUNA To Senate: Vote Yes on Check Truncation

CUNA joined a coalition of 35 financial services and technology companies and trade groups urging the Senate to pass the Check Truncation Act of 2003. The legislation, which cleared the Senate Banking Committee June 18, would allow financial institutions to use electronic facsimiles of checks in the check-clearing process, rather than having to physically move the paper checks through the system.

"This legislation will provide greater longer-term efficiencies to the nation's check clearing processes," the groups wrote in a letter to all U.S. Senators. "We believe that the Act will benefit both customers and financial institutions.... Please vote yes on the Check Truncation Act."

The House unanimously (405-0) passed its version June 5, the CUNA-supported Check Clearing for the 21st Century Act. The House bill would allow credit unions to truncate checks earlier and more efficiently in the check clearing process. ♦

How Low Will the Fed Go?

Last week's Federal Reserve cut in the federal funds rate (the rate for overnight borrowing among financial institutions) to a 45-year low of 1% is very likely the last rate cut the Fed will make in this cycle, according to CUNA Chief Economist Bill Hampel.

"With the economy poised to gather momentum in the second half of the year, the only reason for a rate cut was to provide insurance against the very, very small probability of deflation," said Hampel. Deflation could seriously weaken the economy, causing a downward spiral as consumers and spenders postpone spending in anticipation of further price declines. Also, during deflation, the Fed's tools to stimulate the economy would be very limited. "The Fed would rather err on the side of bringing back inflation too quickly than allowing deflation," said Hampel.

The fed funds rate cut will put further downward pressure on money market mutual fund yields, currently at about 0.65%. As they fall toward 0.4%, credit unions could see somewhat stronger growth in regular share accounts, Hampel added. ♦

Candidate's Corner

By Karen Kincer,
CUNA political director



The 2004 Congressional elections are sure to be overshadowed by the presidential race but they may

also be simply lacking excitement. The redistricting process last year made the majority of congressional seats safe for one party or the other and so far, most members of Congress are looking to keep those seats.

Thus far, only eight members of Congress (seven Republicans and one Democrat) have announced plans to retire due to self imposed term limits. A number of those members have announced bids for the Senate, and of course Missouri Rep. Dick Gephardt will be pursuing the presidency. Open seats are normally the most competitive and interesting races and a high number of retirements can create an environment where the minority party becomes the majority.

Political junkies should keep an eye on retirements as more are sure to be announced through the summer and leading up to Labor Day. ♦

CUNA Board Elections

Credit Unions <small>(Class is based on number of members as of December 31, 2002)</small>	Class	District 1 Connecticut Maine Mass. N. Hampshire New Jersey New York Pennsylvania Rhode Island Vermont Puerto Rico Virgin Islands	District 2 Delaware D.C. Indiana Kentucky Maryland Ohio Virginia W. Virginia	District 3 Alabama Arkansas Florida Georgia Louisiana Mississippi N. Carolina S. Carolina Tennessee	District 4 Illinois Iowa Michigan Minnesota Missouri Wisconsin	District 5 Arizona Colorado Kansas Nebraska Montana New Mexico North Dakota Oklahoma S. Dakota Texas Utah Wyoming	District 6 Alaska California Hawaii Idaho Nevada Oregon Washington Am. Samoa Guam
Up to 14,999 Members	Class A	2004 Diana Roberts	2003 *** Carlos Calderon Jim Oliva	2005 Sandy Lingerfelt	2004 Janet Craig	2005 Mary Shipe	2003 *** Don Larsen
15,000 to 55,999 Members	Class B	2005 Holly Herman	2004 Patrick McGrady	2003 *** Laida Garcia	2005 Allan McMorris	2003 *** Kris J. Mecham	2004 * Special election deadline is 7/14
At Least 56,000 Members	Class C	2003 *** Patrick Calhoun	2005 Juri Valdov	2004 Tom Dorety	2003 *** Michael Maxwell Paul V. Parish Dennis E. Pierce	2004 Chris Jillson	2005 Richard Ghysels
Leagues	Class D	2004 John Murphy	2004 Ken Watts	2005 Gary Wolter	2005 Tom Griffiths	2003 *** Dick Ensweiler	2003 *** Gene Poitras

*** Seats up for election in 2003 for 3-year terms

* Special election in 2003 for 1-year term

CUNA Board Election Results Announced

CUNA Board election results have been announced for eight district board positions whose terms were up for election in 2003. Nominations for a ninth position, in District 6, Class B, are due for a special election by July 14.

See the shaded areas of the Board election summary chart for names of the directors in their districts.

Two districts will have contested elections: In District 2, Class A (credit unions having fewer than 15,000 members), voters will decide between two candidates. In District 4, Class C (credit unions with at least 56,000 members), voters will decide among three nominees. Ballots are being sent to credit unions in those districts this week. Deadline for returning ballots to the independent audit firm is Aug. 6.

The special election is a one-year term created when CUNA Chairman Barry Jollette steps down from the board after the 2003 Annual General Meeting Oct. 1. To obtain nomination forms, see http://www.cuna.org/download/boardelect_spec_d6.pdf. ♦

NCUA Board Recap

At last week's open meeting the NCUA Board agreed to seek comment on issues relating to CUs' regulatory burden plus elements of its loan participation and share insurance rules.

Loan Participations: The Board proposed changes to update and clarify certain terms and conditions in the agency's loan participation rule. One change would expand the rule to include CUSOs that provide products and services to credit unions as well as to CU members. Another would broaden the definition of financial organization to include state and federal government agencies, giving CUs greater flexibility to choose appropriate participation partners. (This proposal is unrelated to participation-related changes in NCUA's member business lending proposal.)

Share Insurance: The NCUA Board proposed a rule to simplify its share insurance rules and provide parity with those of the FDIC. Proposed changes include clarifying how revocable trust accounts are established and insured, explaining rules for providing continuing coverage following the death of a member, providing for separate insurance coverage after the merger of insured credit unions for limited periods of time, and clarifying there is insurance coverage for Coverdell Education Savings Accounts.

Reg Burden: NCUA is asking federally insured CUs to identify outdated, unnecessary or burdensome rules. This request for comment starts a three-year joint effort by NCUA and the banking agencies to streamline their regulations. NCUA plans to seek comment on 10 categories of regulations between now and 2006. This joint effort supplements a regulatory review NCUA has been doing on its own. ♦



CUNA

Calendar

eSchools and Frontline Webinars Train CU Professionals

Credit union professionals can beat the summer heat and enroll in one of CUNA's eSchools or Webinars to brush up on skills and knowledge this summer.

In July, CUNA's Center for Professional Development will offer two schools, led by industry professionals or credit union trainers.

The Security Institute, offered July 8 through August 12, is designed for security officers, key members of management, internal auditors, and volunteers interested in expanding their organizational knowledge and exper-

tise and will help ensure that all operations within the scope of their responsibility are secure.

The school will cover policies and procedures, investigations, fraud, technology, and workplace violence.

The Consumer Lending Management School: Part II, offered July 9 through August 13, will benefit credit union employees who make lending decisions in their credit unions and those who are interested in consumer lending and who wish to expand their knowledge of credit union lending functions.

It covers technology, card

portfolios and loan participation, compliance, open-ended lending, underwriting, and marketing.

A frontline Webinar will also be available for participants on July 9 or on July 16 from 3:00 to 4:30 p.m. Central Time.

The Webinar will help credit unions comply with:

- Office of Foreign Assets Control regulations
- The Bank Secrecy Act
- The USA PATRIOT Act.

Register online or call 1-800-356-9655, ext. 4249. ♦

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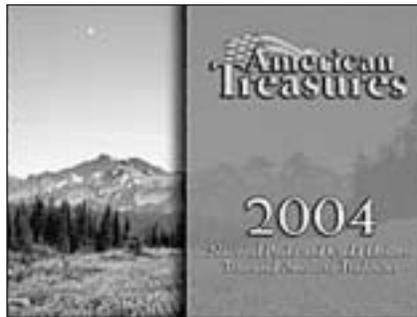
The year is half over. Now is the time to order credit union 2004 calendars for your members and get your message across.

As the only credit union-specific calendar on the market, credit unions are urged to order early to receive the 2004 edition of CUNA & Affiliates Calendar Program. It is the only program with calendars that contain interesting and educational information specific to credit unions and their members.

Credit union calendars are in nearly 2 million credit union members' homes. Seven reasons why calendars make sense today:

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4) Calendars are appreciated for their usefulness and have a high perceived gift value.

5) Calendars are targeted, reaching only those members or potential members you want.

6) Calendars are your personal sales representatives, working

for you in homes and offices where decisions are made.

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The 2004 calendar selection features:

- Eight exclusive calendars that promote credit unions
- 27 high quality, attractive calendar choices
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Go online for more details.

To order calendars, call 1-800-356-8010,

ext. 3, or fax your order to

608-231-1869. ♦

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JUNE 30, 2003

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As a strategic planning tool, the *E-Scan* has no peer in providing outstanding, in-depth coverage of the issues, trends and challenges facing credit unions in the coming year.



Features in the 2003-2004 edition of *E-Scan*:

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- Planning Webinars on Emerging Markets presented by the experts
- "Top Ten Insights" for credit union planning, giving purchasers a snapshot of the most important trends in the coming years
- Option to receive five *E-Scan* supplemental survey reports to help credit unions recruit and retain top talent

E-Scan will be available in late July or early August 2003.

To order, call 1-800-356-8010. Select whether you want the hardcopy report, the PowerPoint version, or the video. ♦

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