

OCTOBER 21, 2002

CREDIT UNION

NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

Press on Bankruptcy in Lame-Duck

When Congress convenes for a "lame-duck" session on November 12, credit unions will be ready. It will be time for a final push on credit unions' top legislative priority: bankruptcy abuse reform. "CUNA and the state credit union leagues will have widespread grassroots coming to Washington," says John McKechnie, CUNA's Senior VP of Governmental Affairs. "We will be in position to take advantage of any situation that arises with the bankruptcy bill -- on the spot."
(Continued on Page 4)

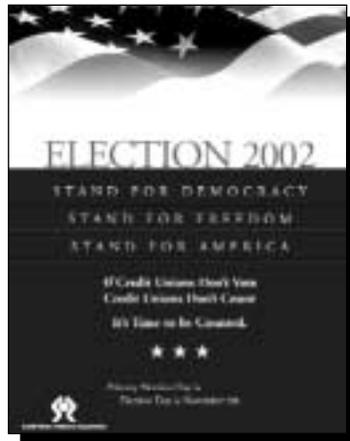
More Time to Comply with PATRIOT Act

Responding to concerns about a narrow compliance window, the U.S. Treasury is delaying the compliance date of the USA PATRIOT Act beyond October 25. CUNA learned of the delay 1 day after President & CEO Dan Mica wrote to Treasury Secretary Paul O'Neill.
(Continued on Page 5)

Get Out the Vote!

By Karen Kincer
CUNA Political Director

With less than 2 weeks before Election Day, it's time for credit unions to Get Out the Vote! Encourage your members, friends and family to go to the polls on November 5. Your effort can be as simple as hanging a poster in your lobby; putting a message on your Web site; or using your on-hold recording to remind callers about the elections. For credit unions, political power is at stake.



(Continued on Page 2)

HIGHLIGHTS

Page 3 White House summit gives credit unions strong connections

Page 4 Credit union legislation proposed for next Congress



Page 5 CUNA briefs GAO on credit union issues

Pages 6-7



Renaissance: 1 year later

Next Issue
 Hotel reservations open Nov. 14 for CUNA's Governmental Affairs Conference, Feb. 23-26 in Washington, D.C. Full registration and housing details in *NewsWatch* Nov. 12.





Get Out the Vote!

(Continued from Page 1)

The more you work on credit union supporters' campaigns — and the more you move members to the polls on Election Day — the more likely credit unions will be at the table when elected officials discuss policy issues.

Those policy issues will ultimately affect the way credit unions can serve members.

By now in most campaigns, the money has been raised; the messages have been defined; the ads have been bought. So the races come down to 1 factor: turnout.

Credit union members were active in primaries in North Carolina, Tennessee, and Utah.

Here's a look at some key races where credit unions are now engaged:

Colorado

Credit unions are campaigning hard on behalf of open seat Congressional candidates Mike Feeley (D-Colo.-7th District) and Stan Matsunaka (D-Colo.-4th).

Both are facing opponents who are very pro-bank. Recent polls have Feeley tied and Matsunaka's race within 5 points.

Indiana

Since last spring, credit unions have been working to assist the campaign of businessman Chris Chocola (R-Ind.-2nd).

Polling earlier this month put former Rep. Jill Long Thompson just 1 point ahead of Chocola.

Kansas & Kentucky

House Financial Services Committee members Dennis Moore (D-Kan.-3rd) and Ken Lucas (D-Ky.-4th) are both facing tough races.

National leaders have been campaigning in their districts. Recent polls have both credit

union friends ahead.

Maine

State Senate Leader Mike Michaud (D-Maine) — a credit union board member — is running in the 2nd District against a former Chief of Staff for friendly Senator Olympia Snowe (R-Maine).

Both parties are spending heavily on this open seat. Polls show the race to be extremely close.

Maryland

Democrats here are trying to unseat a credit union friend, Rep. Connie Morella (R-Md.-8th).

Rep. Morella is facing national opposition from Democratic leaders campaigning in the suburbs of Washington, D.C.

North Carolina

Credit unions are waging a widespread effort to elect Elizabeth Dole (R-N.C.) to the Senate. Word of credit unions' support has spread hundreds of miles.



In a surprise encounter, Bob Dole meets with Illinois credit unions in a Washington hotel. He thanks credit unions for supporting his wife's Senate campaign in North Carolina.

Former Senator Bob Dole (R-Kan.) quickly made the connection. In a chance meeting with Illinois credit unions in Washington for "Hike the Hill" visits this month, Bob Dole pointed out, "The credit unions in North Carolina are helping my wife."

"It's nice to know that not only are the credit unions helping her, but that her spouse knows it!" relates Pat Huffman, Political Action Coordinator for the Illinois Credit Union League.

Elizabeth Dole is facing a former Chief of Staff from the Clinton Administration.

North Dakota

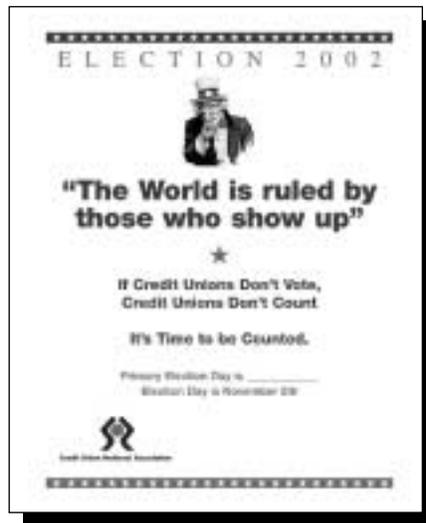
The Democratic Party has spent heavily in North Dakota in an effort to help Rep. Earl Pomeroy (D-N.D.), a credit union friend.

Pomeroy's opponent has been challenging his stand on taxes and his decision to give up his seat on the House Agriculture Committee in favor of a seat on Ways & Means.

Pennsylvania

Bankruptcy Abuse Reform bill author George Gekas (R-Pa.-17) is facing an uphill battle for reelection against incumbent Rep. Tim Holden (D-Pa.), whose district was merged with Gekas'.

Gekas has closed the money gap, but is still behind 10 points in the polls. ♦



This is 1 of 3 free promotions available to remind members to vote on November 5.

Download the artwork from http://www.cuna.org/data/cu/gotv_posters.html

For More, CLICK HERE Government Affairs www.cuna.org



Serving the Community

White House Summit Gives Credit Unions Strong Connections

Credit unions' involvement in last week's White House summit on minority home-ownership will lead to "strong connections," say CUNA representatives.

President George W. Bush and Housing & Urban Development Secretary Mel Martinez were keynote speakers.



"CUNA will be meeting with the Bush Administration, Fannie Mae, Freddie Mac, NCUA, and Congress about next steps."

- Eric Richard, General Counsel
Credit Union National Association

Both identified barriers to minority homeownership and sought private-sector support for solutions.

"Through-
out the sum-

mit, we were making important contacts and focusing much-needed attention on helping Americans who have been ignored by banks obtain financing and achieve their dreams," related Mary Dunn, CUNA's Senior VP for Regulatory Advocacy.

NCUA Chairman Dennis Dollar participated in a panel on mortgage financing. "Before people may obtain a mortgage, they first need access," Dollar pointed out. "Access to affordable financial services becomes absolutely critical in achieving the goals we are here to discuss. I am pleased to report that America's credit unions are answering the call in unprecedented numbers...."

As Dunn observed, "it was apparent that Chairman Dollar's Access Across America initiative fits very well with the goals of the Bush Administration."

One of President Bush's goals is to provide affordable housing for 5.5 million minority families over the next 10 years.

Also aligned with that goal is the National Credit Union Foundation, whose Executive Director Gary Officer attended the summit. Officer expects the Foundation to receive grants from HUD to enable more credit unions to offer homeownership counseling programs. ♦

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Lands' End will put your credit union's logo on its business casual clothes for a 5% discount, during a trial partnership with CUNA through December 31.

The discount also applies to clothes with the America's Credit Unions brand signature and slogan.

To see a free Business Outfitters catalog, check your October *Credit Union Magazine* or call 1-800-419-1097.

Every order comes with the Lands' End service motto: "Guaranteed. Period." ♦





Press on Bankruptcy in Lame-Duck Congress

(Continued from Page 1)

House leaders are signaling that whatever form a lame-duck session takes, there will only be a narrow window of opportunity for legislative issues like bankruptcy abuse reform.

That's because Congress' main agenda will be to pass 11 of 13 unfinished spending bills for Fiscal Year 2003.

Nonetheless, McKechnie points out, "Since the bankruptcy bill is in the form of a conference report, it can be brought up at any time. We will vigorously make that point on Capitol Hill."

Credit union constituents will

continue to add their voices in Washington. They will arrive through "Hike the Hill" programs organized by CUNA and their leagues.

"When constituents talk personally about how they have been hurt by bankruptcy, members of Congress are more willing to listen than ever," observes Richard Gose, CUNA's VP of Political Affairs. "These visits put us on record showing how deeply credit unions need bankruptcy reform. We're showing that our hearts are in it; we're not just saying it." ♦

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CUNA continues to meet with House leaders to point out the importance of bringing bankruptcy abuse reform to a final vote on the House floor.

Credit Union Legislation Proposed for Next Congress

CUNA is working with House Financial Services Committee Member Bob Ney (R-Ohio) on legislation to eliminate burdens that prohibit all credit unions from offering a full range of services.

Rep. Ney, a four-term congressman, updated credit unions on his effort in a letter to Ohio Credit Union League President Paul Mercer.

"You and your member credit unions will be pleased to know that I am currently working with the Credit Union National Association to look at their ideas for comprehensive legislation to achieve the goal of eliminating burdens that prohibit credit unions from offering a full range of services," Rep. Ney wrote. "I look forward to discussing this legislation soon."

"Rep. Ney has a clear vision of what credit unions can be if they have more tools and fewer regulations to better serve their mem-

bers in the 21st Century," says Gary Kohn, CUNA's VP of Legislative Affairs & Senior Legislative Counsel. "We look forward to developing with him more opportunities for credit unions."

Meanwhile, CUNA's legislative team says the text of a credit union bill introduced by retiring Rep. John LaFalce (D-N.Y.) reveals issues that threaten the bill's future.



House Financial Services Committee Member Bob Ney (left) is listening to CUNA's ideas.

LaFalce's Federal Credit Union Services Expansion Act (H.R. 5621) would deny state-chartered credit unions from engaging in any activity not permissible for federal credit unions. It would also essentially deny state charters from enrolling any person or organization not permissible for federal credit union membership.

"While other elements of H.R. 5621 show promise," says CUNA chief lobbyist John McKechnie, "these provisions are so stark in their treatment of state-chartered credit unions as to make this bill -- even as a starting point for the next Congress -- a virtual non-starter."

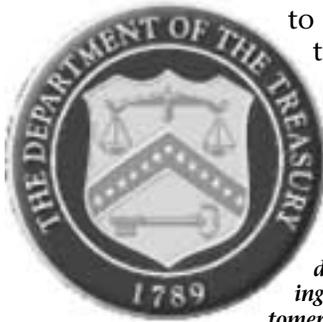
When Congress passes credit union legislation, McKechnie maintains, "that legislation should focus on making opportunities available for *all* credit unions -- regardless of charter or size. Our aim is to bring that type of legislation forward." ♦



More Time to Comply with PATRIOT Act

(Continued from Page 1)

"We want to be very clear about our message," Mica wrote. "We are not seeking to shirk any responsibility under the Act. We are requesting that Treasury and financial regulators provide institutions with reasonable and sufficient time to meet their obligations under the Act."



When Treasury announced the delay, it said "final rules will provide financial insti-

The Treasury reminds institutions to "continue to comply with any existing obligation to guard against money laundering and terrorist financing" -- including "basic steps to ensure appropriate customer identification."



For guidance, see the Compliance Challenge and e-Guide on CUNA's Web site.



tutions with a reasonable amount of time in which to come into compliance."

In a thank-you note to Secretary O'Neill, Mica said CUNA believes institutions need "at least 6 months to meet their responsibilities under the final rule."

CUNA will produce a guidebook and host an audio conference on PATRIOT Act compliance. ♦

CUNA Briefs GAO on Credit Union Issues

In an in-depth meeting this month, CUNA explained key credit union issues to the U.S. General Accounting Office -- the investigative arm of Congress that is charged with reviewing the credit union system.

CUNA briefed GAO on the:

- Safety and soundness of credit unions
- Importance of an independent regulator
- Benefits of a viable dual chartering system
- Value of a private insurance option

- Unintended burdens of Prompt Corrective Action
- Need for changes in arbitrary member business loan limits
- Dedication of credit unions to fulfilling their mission

GAO's review was requested by Senate Banking Committee Chairman Paul Sarbanes (*NewsWatch*, September 23). Follow-up meetings will be held with NCUA. ♦

New Rule Governs Corporate Credit Unions

The NCUA Board voted 2-1 to issue a final rule governing corporate credit unions -- principal providers of liquidity, investments, and related services to America's 10,200 natural-person credit unions.

NCUA Board Member Debbie Matz dissented due to concerns about some corporates' authority to invest in higher-risk "BBB" securities.

But NCUA Chairman Dennis Dollar countered, "If we restricted corporates to investing only in government securities, they would not be in business very long."

For much more from this month's NCUA Board meeting, see CUNA's *RegWatch*. ♦



Gigi Hyland (right), Executive Director of the Association of Corporate Credit Unions, commends NCUA Chairman Dollar for "a final rule that balances safety and soundness with regulatory flexibility."

Key Revisions:

- 1) The effective date of the new definition of paid-in-capital (PIC) is delayed until July 1, 2003. Corporates may still issue PIC with a 20-year maturity.
- 2) There is no longer a restriction on a corporate's ability to pay dividends if the earnings retention requirement falls below 2%.
- 3) State-chartered corporates may submit waivers to NCUA's Office of Corporate Credit Unions to engage in certain services.
- 4) The definition of "credit union trade association" has been narrowed to specifically include leagues, league service corporations, and national credit union trade associations.
- 5) For corporates with "Part II" level authority, the general concentration limit for securities rated "BBB" has been lowered to 25% of capital. ♦

Source: ACCU





Special Report

Renaissance: 1 Year Later



One year ago — in a nationwide teleconference open to all CUNA members — the CUNA Board adopted the Renaissance Vision Statements.

"Some feared the Renaissance Vision Statements would simply end up on a shelf," relates CUNA Chairman Barry Jolette.

But on the 1-year anniversary of those Vision Statements, Jolette says the vision has been "our guiding light" during the past year.

"This vision is the work of thousands of credit unions," reminds Jolette, CEO of San Mateo Credit Union. "This vision is a preview of our future."

"Renaissance is a living document," reminds CUNA President & CEO Dan Mica. "It's a long-term vision. In just our first year, the progress we've made toward achieving this vision is truly remarkable."

To get the laws and regulations credit unions will need to serve members in the future, Jolette urges, "all credit unions need to get involved now. Talk to your

league. Talk to your lawmakers. Talk to your regulators. Make your voice heard from your state capital all the way to Washington. And bring a friend."

Jolette acknowledges that as credit union leaders, "sometimes we overlook the important to tend to the urgent. But political involvement is too important to overlook.

"We can make this vision a reality. We can stand up for what we believe. We can stand up for what we need. And we have 82 million members standing with us." ♦

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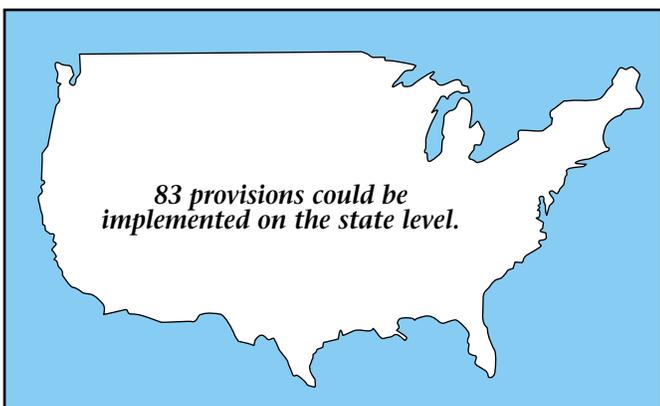


From Capitol Hill to regulatory agencies, Renaissance enables CUNA to be clear and consistent in advocating for what credit unions need.

How to Implement Renaissance in States

As many as 83 provisions supporting the Renaissance Vision Statements could be implemented on the state level.

So the Legislative Advisory Panel of CUNA's State Credit Union Subcommittee is turning those provisions into draft legislative language for credit union leagues to advocate in their state legislatures.



The panel has already completed legislative language reflecting the Renaissance provisions on credit union fields of membership.

Next will be 53 provisions relating to credit union powers and authorities.

Led by Stacy Augustine of the Washington Credit Union League, the panel is made up of league general counsels. They plan to work with leaders of their leagues and credit unions throughout their states to advocate legislative and regulatory changes where needed on the state level.



Stacy Augustine

At the same time, the panel is also updating the Model Credit Union Act. This will include the newest ideas developed by leagues — especially Connecticut and Minnesota, which both overhauled their credit union acts this year.

The model act will be updated in time for CUNA's Governmental Affairs Conference (GAC) in February 2003. ♦

Renaissance: Charting the Progress



Issue	Leaders / Sources	Status
Regulatory Relief Legislation	Rep. Capito (R-W.V.) Rep. Oxley (R-Ohio) Rep. Bachus (R-Ala.) Rep. Sandlin (D-Texas) Rep. Wamp (R-Tenn.) <i>H.R. 3951</i>	In the first regulatory relief bill ever to contain specific relief for credit unions, 13 of the 15 credit union provisions were drawn from input into CUNA's Renaissance process. Credit unions would be allowed to: <ul style="list-style-type: none"> • Offer check-cashing and money orders for everyone in the field of membership; • Offer wire transfers for everyone in the field of membership; • Keep loans for 15 years or longer; • Make loans to non-profit religious groups and not count them against member business loan caps; • Apply for equal access to the Federal Home Loan Bank System; • Invest more in Credit Union Service Organizations (CUSOs); • Invest more in securities; • Enter into voluntary mergers regardless of size; • Recruit new members from existing membership groups, even after mergers or community charter conversions; • Save up to \$280,000 in federal merger fees; • Reimburse directors for wages lost while volunteering on credit union business; • Exercise the option to consider term limits for directors; • Expel members for just cause.
Wire Transfers, Check Cashing, Money Orders	Rep. Ose (R-Calif.) <i>H.R. 4612, inserted into H.R. 3951</i>	NCUA currently allows wire transfers to people within a federal credit union's field of membership -- under certain conditions. Provisions from the Expanded Access to Financial Services Act were inserted into the Financial Services Regulatory Relief Act to remove those conditions and also to allow everyone in the field of membership to cash checks and money orders.
Additional Capital	Rep. Ney (R-Ohio) Rep. Sherman (D-Calif.) <i>Proposed amendment to H.R. 3951, later withdrawn</i> <i>CUNA comment letter to NCUA on Prompt Corrective Action (PCA)</i>	Renaissance advocates that credit unions "must have the ability to build additional capital that does not dilute their cooperative ownership and governance structure." CUNA hosted a meeting of 5 trade groups and a key Congressional staffer to coordinate strategy. CUNA and state credit union leagues worked with House Financial Services Committee members who offered an amendment during markup of the reg relief bill. This is the farthest this issue has ever advanced in the legislative process. As the process continues, CUNA will look for ways to advocate additional capital so that credit unions will have greater flexibility to grow while maintaining a safe capital cushion. On the regulatory side, CUNA is urging NCUA to consider secondary capital for undercapitalized credit unions with no less than 4% net worth. CUNA believes examiners of those credit unions should take this additional capital into account before imposing PCA sanctions.
Regulatory Relief Policies	CUNA's Examination & Supervision Subcommittee <i>Comment letter to U.S. Office of Management & Budget (OMB)</i>	Before any new regs are added, CUNA urges OMB to ensure that costs and benefits are assessed accurately, with public accountability. CUNA cites 5 regulations in need of streamlining right now: Small Business Administration guaranteed loan program(7a), Equal Credit (Reg B), Monetary Policy Reserves (Reg D), Electronic Fund Transfers (Reg E), and Truth-in-Lending/RESPA (Reg Z).
Serving People of Modest Means	CUNA's Federal Credit Unions Subcommittee	The Renaissance Vision Statement on the Mission of Credit Unions reaffirms that "The purpose of credit unions is to promote the economic well-being of all people, including those of modest means..." CUNA's Federal Credit Unions Subcommittee is exploring changes whereby more credit unions could qualify for a low-income designation. And after attending October's White House summit on minority homeownership, CUNA representatives are meeting with Administration officials to recommend credit union solutions.
Business Services	Rep. Manzullo (R-Ill.) Rep. Kanjorski (D-Pa.) Bush Administration CUNA's Business/SEG Services Committee	CUNA hosted the first-ever Small Business Summit for credit unions. At the summit, a White House policymaker expressed President Bush's desire to remove regulations that discourage service to small businesses; and 6 federal agencies detailed government programs that can help credit unions serve small businesses in new ways. CUNA has taken the lead in working with the Small Business Administration to let more credit unions make loans through SBA's loan guaranty program. At NCUA, CUNA's Business/SEG Services Committee successfully appealed for the appraisal threshold on member business loans to be raised from \$50,000 to \$250,000. Meanwhile, the committee has released a white paper on <i>Federal Agencies Serving Small Businesses</i> , outlining more specifics of the funding programs available to credit unions. And the committee has posted the first in a series of resources to help credit unions reach millions of members who own small businesses.
Investment Authorities	CUNA's Examination & Supervision Subcommittee <i>Comments on NCUA Notice of Proposed Rulemaking</i>	CUNA's comment letter uses the Renaissance report to identify 6 investments where reg relief may be less risky than NCUA's proposed changes: asset-backed securities, short-term corporate commercial paper, corporate notes and bonds, non-agency mortgage-backed securities, shares and stock of other financial institutions, and real estate investment trusts.
Safety & Soundness	CUNA's Examination & Supervision Subcommittee <i>Comments on NCUA Strategic Plan for 2003-2008</i>	In official comments and face-to-face meetings with top regulators, CUNA's Examination & Supervision Subcommittee has recommended changes in NCUA's Strategic Plan. As Renaissance envisions, CUNA is asking regulators to focus more on safety & soundness. This includes more guidance on risk-focused exams, and less guidance on unrelated issues such as technology utilization.
Deposit Insurance Reform	Rep. Bachus (R-Ala.) <i>H.R. 3717</i> Sen. Johnson (D-S.D.) <i>S. 1945</i>	In the direction of Renaissance, CUNA worked to include the National Credit Union Share Insurance Fund in any deposit insurance increase for financial institutions. NCUA Chairman Dennis Dollar agreed with CUNA's position. Both the House and Senate held hearings on bills that would raise coverage for all financial institutions to \$130,000 per savings account. The House version would also raise coverage to \$260,000 per retirement account. It passed the full House by a vote of 408-18. The Senate version would raise coverage to \$250,000 per retirement account. All amounts in both bills would be indexed to inflation.
Brokerage Fees	CUNA's CUSO Broker Activities Task Force (BAT Force)	The Securities & Exchange Commission is planning to discontinue a license exemption to Credit Union Service Organizations offering brokerage services. Without an exemption, CUSOs would have to pay substantial licensing fees to the SEC. CUNA's BAT Force will advocate a solution to ensure no hardships for credit unions or CUSOs versus other financial providers. A primary goal will be protecting credit unions' interest in an exemption for themselves.
State Charters	18 state credit union leagues	18 state leagues have been working on bills that would give state-chartered credit unions more control over field of membership changes, share insurance, member business loans, and new powers.

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OCTOBER 21, 2002

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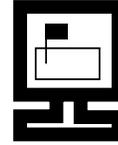
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