

# NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

## Credit Unions Stay Active on Bankruptcy

Supporters on Capitol Hill say there's still time to pass bankruptcy abuse reform legislation this year. But they need credit unions to help "finish the job."

*(Continued on Page 5)*

## Real Cost of 0% Financing

When is 0% not really 0%? On most auto dealers' so-called 0% loans.

Your members need to know this.

In fact, a federal court has upheld CUNA's argument that rebates forfeited in 0% financing deals should be disclosed as finance charges.

*(Continued on Page 2)*

## Should Insurance Cover Foreign Branches?

U.S. credit unions will soon be asked to comment on whether NCUA insurance should cover members' accounts in foreign branches.

Under a proposed rule opening for a 90-day comment period this week, NCUA would insure member accounts at foreign branches under 3 conditions.

*(Continued on Page 4)*



## HIGH lights

**Page 2** 4 tips to attract more members

**Page 5** CUNA seeks judgment against California card disclosures

Get out the vote!



**Page 6** CUs to teach 100,000 high schoolers

**Page 3** "Why I support credit unions," by Rep. Earl Pomeroy



Rep. Earl Pomeroy

**Page 6** Daschle & Ney earn co-op awards



Rep. Bob Ney



Sen. Tom Daschle

New laws coming to your state

**Page 4** More benefits proposed for FCU employees

Calhoun wins special election



Patrick Calhoun

**Page 7**

**Page 8**

Business Checking Guide online

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# 4 Tips to Attract More Members

Only 19% of members say they joined their credit union at the urging of their employer.

That means your credit union may have a largely untapped resource to reach potential members.

## 1) Engage SEG Liaisons

Talk to the credit union liaisons at your select employee groups (SEGs). You may find that for the most part, liaisons view credit unions as a no-cost benefit that can save employees

money. (See chart 1.)

But CUNA's 2002 *National Member Survey Report* contends that SEG liaisons overlook 2 direct benefits to their companies.

Credit unions have been proven to:  
1) Reduce companies' costs, and  
2) Enhance employee recruiting.

"Many SEG liaisons do not consider promotion of the credit union to be a high priority," the survey reveals.

Help your liaisons see what's in it for them.

## 2) Make On-Site Presentations

SEG promotions of credit unions are concentrated mainly in bulletin board postings and/or new employee packets.

In contrast, on-site presentations are used at only 1 out of 6 companies. (See chart 2.)

Yet these on-site presentations -- where credit union reps put a "face" on the credit union and answer potential members' questions directly -- have proven among the most successful promotions.

## 3) Promote Long-Term Benefits Too

Many credit unions approach SEGs with short-term loans and savings offers. Between 50% and 60% of potential members are interested.

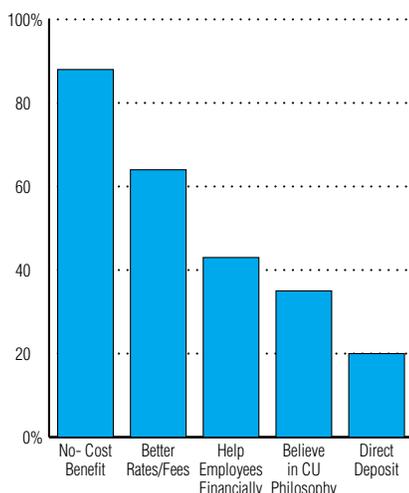
But roughly 80% would also be interested in retirement savings.

## 4) Set Written Agreements

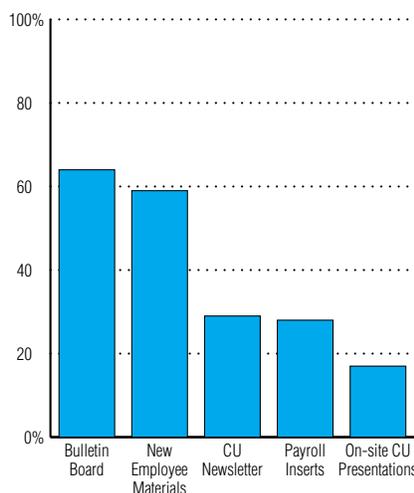
CUNA's survey report advises credit unions to secure written agreements with SEGs. Clearly set forth expectations of both parties. This ensures that your credit union's services will be promoted in ways that will help your new members and your credit union reach their full potential. ♦

For More,  
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**Top 5 Reasons Companies Offer CU Membership**



**How Companies Tell Employees about the CU**



Sources: \*CUNA's 2002 National Member Survey Report (To order, call 1-800-356-8010, press 3, and ask for Stock No. 24196-NW.)

\*Credit Union/Employer Partnerships: Building Worker Assets (study sponsored by National CU Foundation; funded by Ford Foundation; conducted by CUNA Market Research; supported by Center for CU Innovation, Filene Research Institute, and Aspen Institute)

## The Real Cost of 0% Financing

(Continued from Page 1)

In the case of *Coelho v. Park Ridge Oldsmobile*, the car-buyer chose 0% financing over a rebate -- so the dealer added the \$1,500 rebate onto the price of the car.

The U.S. District Court for Northern Illinois ruled that the rebate essentially constituted a finance charge under the Truth in Lending Act and Regulation Z.

If the rebate had been disclosed properly, the true interest rate would have been about 7%.

Members who know this will realize their credit union's auto loan rates are the best deal. ♦



This statement stuffer details the hidden costs behind 0% financing. To order, call 1-800-356-8010, press 3, and ask for Stock No. 24061-NW.

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## Special Report

# Congressman Supports Credit Unions' Role



*"Especially in these troubled times, many Americans can turn to their local credit union to keep their savings... Credit unions serve an important role in every community. I will continue to support the goals and vision of these institutions."*

- Rep. Earl Pomeroy (D-N.D.)  
House Ways & Means Committee



*By U.S. Rep. Earl Pomeroy (D-N.D.), House Ways & Means Committee*

Like most Americans, I hesitate to open my quarterly 401(k) statement and try to avoid watching stock market updates. I don't honestly know if the market has bottomed out, but Congress is taking steps to restore investor confidence.

President Bush has signed into law a bipartisan reform proposal that would address auditing oversight, analyst independence, corporate responsibility, and penalties for fraud and document destruction.

As a member of the Ways & Means Committee and a former state insurance regulator, I have called upon my colleagues and accounting regulators to require corporations to honestly account for their assets and liabilities on financial statements.

There appears to be agreement among economic leaders that corporations must account for stock options as a liability on their financial statements. Investors will then be able to gauge the impact of outstanding stock options on a corporation's bottom line.

Fortunately, especially in these troubled times, many Americans can turn to their local credit union to keep their savings. These not-for-profit financial cooperatives exist to serve their members.

Unlike most other financial institutions, credit unions do not issue stock or pay dividends to outside stockholders. Instead, earnings are returned to their members in the form of lower loan rates, higher interest on deposits, and lower fees.

Credit union members can be assured that their deposits are safe and secure because they are federally insured. U.S. consumers have never had to pay for losses at a credit union.

In addition, credit unions have maintained an emphasis on the importance of savings as a strong financial foundation.

Credit unions serve an important role in every community. I will continue to support the goals and vision of these institutions. ♦

## New Laws Coming to Your State

States may soon begin adopting new uniform laws that affect credit unions:

### Uniform Securities Act

This law responds to federal preemptive legislation. It accounts for major changes in the securities industry, providing basic investor protection from securities fraud.

### Uniform Non-Judicial Foreclosure Act

This law revises mortgage foreclosure provisions where there is no dispute between lender and borrower. It allows secured creditors to choose among 3 methods of foreclosure.

These 2 laws were recently finalized by the Uniform Law Commissioners — a working group of over 300 lawyers, judges, and professors appointed by governors and state legislatures.

The commissioners are now finalizing another law that would cover credit unions:

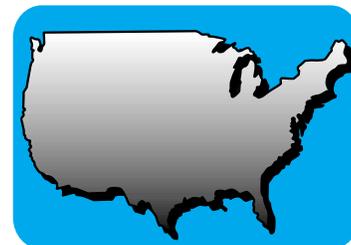
### Uniform Conversion or Merger of Different Types of Business Organizations Act

This law will resolve differences in state statutes governing certain mergers, consolidations, conversions, exchanges and transfers by non-profit entities. It's scheduled for approval in August 2003.

4 more uniform laws are in pre-drafting stages:

- Certificates of Title
- Consumer Debt Counseling
- Electronic Payments Systems
- Internet Privacy

CUNA's State Government Affairs Department monitors all proposed uniform laws to ensure that credit union interests are protected. ♦



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Government Affairs  
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# Should Insurance Cover Foreign Branches?

*(Continued from Page 1)*

To get NCUA insurance, accounts in foreign branches would need to be:

- 1) Denominated in U.S. dollars;
- 2) Payable by the term of the account agreement at a U.S. office of the credit union, and;
- 3) Not insured by the host country.

The proposed rule would lay out 3 steps to establish a foreign branch:

1) Get written approval from the host country, recognizing NCUA's authority to examine and take any enforcement action concerning that branch. (State-chartered credit unions would also need written approval from their state regulator.)

2) Write a business plan addressing 12 aspects of the foreign branch: market analysis, foreign currency risk, operating facilities, safeguarding of assets, insurance coverage, records preservation, written policies, field of membership, pro-forma branch financial statements for the first 2 years, internal controls, accounting procedures, and foreign income taxation.

3) Submit the business plan and written approval(s) to NCUA for final approval.

"While we want our relevant subcommittees to review the proposed rule, it already reflects a positive process," says Mary Dunn, CUNA's Senior VP for Regulatory Advocacy. "We believe the proposal has evolved through suggestions made by CUNA and credit unions during NCUA's advance notice of proposed rulemaking." ♦



## CUNA to Testify at NCUA Budget Forum

To offer credit union input into the federal regulator's budget, CUNA will once again provide oral and written testimony at NCUA's budget briefing and public forum.

"Our concern is to ensure that the agency is budgeting its expenses as efficiently and effectively as possible," notes CUNA President & CEO Dan Mica.

Mica commended NCUA Chairman Dennis Dollar for inaugurating and hosting the open event.

"It's a giant step toward ensuring that credit unions have more meaningful information about how their money is being spent by NCUA."

The 2nd annual forum is scheduled for November 7 from 10:00-Noon at NCUA headquarters in Alexandria, Virginia. ♦



*In the first public forum, CUNA raised 7 issues with NCUA's budget.*

## More Benefits Proposed for FCU Employees

Federal credit unions would gain more flexibility in retirement plans and other employee benefits, under a proposed rule released by NCUA for a 60-day comment period.

As CUNA advocated, when federal credit unions make investments to fund employee benefit plan obligations, they could purchase investments that would otherwise be impermissible.

2 conditions:

1) Investments must be directly related to the FCU's obligation or potential obligation under the employee benefit plan, and;

2) Investments can be held only as long as the FCU has an actual or potential obligation under the employee benefit plan.

Likewise, FCUs could make investments that would otherwise be impermissible if they fund defined benefit plans not covered by the Employee Retirement Income Security Act of 1974.

These must:

1) Have a fixed rate of return;

2) Mature on or before the date of the employee benefit obligation, and;

3) Be rated by a nationally recognized organization in a top 4 rating category.

Only 19 comment letters were received when NCUA issued a similar proposal in December.

NCUA Board Member JoAnn Johnson took the opportunity last week to "remind credit union folks how important it is to have their thoughts heard, and not let a small group speak for everyone." ♦





# Credit Unions Stay Active on Bankruptcy



*CUNA President & CEO Dan Mica (right) talks bankruptcy reform strategy with House Financial Services Committee Chairman Michael Oxley (R-Ohio).*

*(Continued from Page 1)*

As Bankruptcy Conference Chairman Jim Sensenbrenner (R-Wis.) told CUNA, "the House leadership needs to know how much credit unions are disappointed by Congress' inability to finish the job."

Sensenbrenner urges credit unions to use their local news media to urge Congress to act swiftly.

In the past 2 weeks, credit

union activists have made thousands of phone calls urging Congress to pass bankruptcy reform ASAP. More than 3,000 e-mails have been sent through the Grassroots Action Center on CUNA's Web site. And dozens of personal contacts have been made by credit unions and leagues on "Hike the Hill" visits.

Many lawmakers, including lead

House sponsor George Gekas (R-Pa.) and lead Senate sponsor Charles Grassley (R-Iowa), pledged their continued commitment. Several "Dear Colleague" letters urged other lawmakers to support the effort. And CUNA thanked House Majority Leader Dick Armey (R-Texas) for working to resolve the differences that have delayed the conference report from a final House vote. ♦



## CUNA Files to Block California Card Disclosures

CUNA and 10 co-plaintiffs have filed motions for preliminary injunction and summary judgment to block a law that would require costly disclosures for institutions with credit card holders in California.

The motion for preliminary injunction asks the court to block the effective date at least until the trial concludes. In this motion, CUNA defends state-chartered credit unions as well as federal credit unions. CUNA makes a constitutional argument citing the "negative commerce clause," and weighs the high cost of the statute against the relatively lower benefits to California consumers.

The motion for summary judgment argues that the Federal Credit Union Act and the National Bank Act preempt the state law from applying to federal charters.

CUNA General Counsel Eric Richard says after November 8, "the judge will decide whether to grant the injunction and short-circuit a trial by rendering judgment in our favor." ♦

### The Law in Question

**Institutions would be required to:**

- 1) Provide detailed disclosures to California cardholders who are allowed to make monthly payments under 10% of their balances.
- 2) Send special disclosures to California cardholders who make only the minimum payments for 6 straight months.
- 3) Support a toll-free hotline to counsel all California cardholders.

The court postponed the effective date until at least November 8.

## GAO Begins Review of Credit Unions

The U.S. General Accounting Office has held an initial meeting with NCUA as it begins a review of the credit union system.

The review will examine:

- Credit unions' financial condition, safety & soundness, and NCUA oversight;
- Use of multiple common bonds and community charters;
- Prompt Corrective Action (PCA), and;
- How credit unions are carrying out their mission under the Credit Union Membership Access Act and the Federal Credit Union Act.

"This is an opportunity for NCUA to show the extent of credit union service to consumers, to show that Access Across America is working, and to show that PCA is even more stringent for credit unions than for banks," says CUNA President & CEO Dan Mica. "We hope GAO will reach out to us, as they've done in the past, to share our views on these issues."

The review was requested by Senate Banking Committee Chairman Paul Sarbanes (D-Md.), who has expressed strong support for credit unions and interest in how they are serving their members and communities. ♦



# Serving the Community

## Daschle & Ney Win Co-op Awards

For their support of credit unions and other cooperatives, Senate Majority Leader Tom Daschle (D-S.D.) and House Financial Services Committee Member Bob Ney (R-Ohio) will earn Statesperson Awards to celebrate National Cooperative Month in October.

Daschle made a declaration this year to nearly 3,000 credit union leaders at CUNA's Governmental Affairs Conference:

"Credit unions' tax-exempt status is not going to change this year, not next year, not ever, as long as we have anything to say about it! Credit unions stand beside their members in good times and bad. That's why we're proud to stand beside you."

In 1998, Daschle was honored by CUNA as a "Champion of H.R. 1151," the Credit Union Membership Access Act.

Ney has voted with credit unions on every critical issue before, during, and after H.R. 1151. He has solicited credit unions' input on issues ranging from member business loans to privacy.

This year, Ney sponsored provisions to help credit unions raise additional capital and help privately insured credit unions access more mortgage liquidity.

The awards ceremony is October 8 in the Rayburn House Office Building. Presiding will be Dan Mica, representing CUNA as chair of the selection committee. ♦



Sen. Tom Daschle



Rep. Bob Ney

## CUs to Teach 100,000 High Schoolers

After reaching more than 75,000 students through the NEFE High School Financial Planning Program this past school year, credit unions set a goal of reaching more than 100,000 this new school year.

Better than 1/7 students experienced the program last year thanks to classroom volunteers from credit unions. Many of those came through partnerships with Cooperative Extension educators.

"These kinds of local partnerships are effective in educating parents and school officials to the problem of youth financial illiteracy -- and in persuading teachers to use the program," points out CUNA Youth Education Director Phil Heckman.

"Bankruptcy filings continue to rise," notes President & CEO Dan Mica. "Credit unions' financial education efforts can help reverse that trend."

To get involved, contact your league. ♦

For More,  
CLICK HERE  
Youth Education  
[www.cuna.org](http://www.cuna.org)

## CUNA Members Change 4 Bylaws

In overwhelming votes cast by more than 3,000 CUNA members, 4 CUNA bylaws have been updated:

### 1) CUNA Board Term Limits

By a vote of 2,993 to 185, CUNA-member credit unions and leagues limited every CUNA director's term to 12 consecutive years. This prevents the unintended scenario where a CUNA director could conceivably have served up to 25 years by changing size classes.

### 2) Voting Members

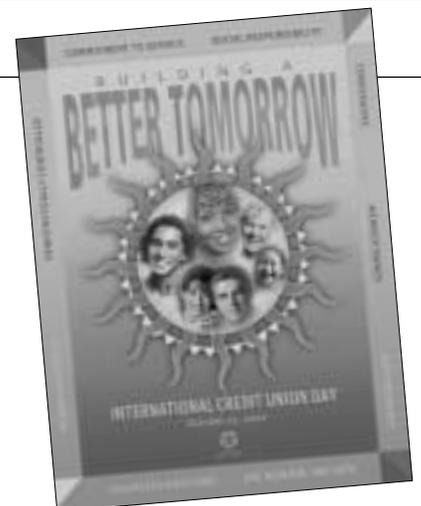
By a vote of 2,986 to 161, CUNA members maintained that credit unions vote directly on matters presented to the membership -- not through a delegate.

### 3) Dues and Bylaw Votes

By a vote of 3,099 to 77, CUNA members held that any votes on dues or bylaw amendments must be conducted by ballot -- not at a meeting -- so that all members may vote.

### 4) CUNA Districts

By a vote of 3,052 to 121, members deleted a clause that had allowed each CUNA district to adopt its own bylaws. Uniform procedures in each district provide for direct election of CUNA directors. ♦



International Credit Union Day is October 17. For celebration ideas and promotional materials, go to [www.cuna.org](http://www.cuna.org) and type ICUDay in the Search box.

# CUNA Board Elections

| Credit Unions            | Class   | District 1<br>Connecticut<br>Maine<br>Mass.<br>N. Hampshire<br>New Jersey<br>New York<br>Pennsylvania<br>Rhode Island<br>Vermont<br>Puerto Rico<br>Virgin Islands | District 2<br>Delaware<br>D.C.<br>Indiana<br>Kentucky<br>Maryland<br>Ohio<br>Virginia<br>W. Virginia | District 3<br>Alabama<br>Arkansas<br>Florida<br>Georgia<br>Louisiana<br>Mississippi<br>N. Carolina<br>S. Carolina<br>Tennessee | District 4<br>Illinois<br>Iowa<br>Michigan<br>Minnesota<br>Missouri<br>Wisconsin | District 5<br>Arizona<br>Colorado<br>Kansas<br>Montana<br>Nebraska<br>New Mexico<br>North Dakota<br>Oklahoma<br>S. Dakota<br>Texas<br>Utah<br>Wyoming | District 6<br>Alaska<br>California<br>Hawaii<br>Idaho<br>Nevada<br>Oregon<br>Washington<br>Am. Samoa<br>Guam |
|--------------------------|---------|---|--|--|--|---|--|
| Up to 13,999 Members     | Class A | 2004<br>Diana Roberts   | 2003<br>Jim Oliva  | <b>2005</b><br>***Sandy Lingerfelt   | 2004<br>Janet Craig  | <b>2005</b><br>***Mary Shipe  | 2003<br>Don Larsen   |
| 14,000 to 51,999 Members | Class B | <b>2005</b><br>***Holly Herman  | 2004<br>Patrick McGrady  | 2003<br>John Deese   | <b>2005</b><br>***Allan McMorris   | 2003<br>Jim Williams  | <b>2004</b><br>**Barry Jolette   |
| At Least 52,000 Members  | Class C | <b>2003</b><br>*Patrick Calhoun   | <b>2005</b><br>***Juri Valdov  | 2004<br>Tom Dorety   | 2003<br>Darrell Pierce   | 2004<br>Chris Jillson   | <b>2005</b><br>***Richard Ghysels  |
| Leagues                  | Class D | 2004<br>John Murphy   | 2004<br>Ken Watts  | <b>2005</b><br>***Gary Wolter  | <b>2005</b><br>***Tom Griffiths  | 2003<br>Dick Ensweiler  | 2003<br>Gene Poitras   |

\*Won special election for 1-year term

\*\*\*Won 3-year terms

\*\*Won special election for 2-year term

## Calhoun Wins Special Election

Patrick Calhoun of State Employees Federal Credit Union in Albany, New York, has been elected to the final CUNA Board seat scheduled to open this year.

Calhoun won a closely contested election over Frederick Healey of Workers' CU in Fitchburg, Massachusetts.

10 seats on the 24-member CUNA Board were up for election this year. 7 incumbents and 3 new members won (*NewsWatch*, August 19).

Watch for profiles in future issues.

All winners begin their terms after CUNA's Annual General Meeting, September 27 during the Symposium in Orlando, Florida. ♦



## Leadership Profile

### Chuck Purvis

\* Senior VP, Coastal FCU, Raleigh, N.C.

\* Members: 110,000

\* Assets: \$1.1 billion



### What's the main issue facing your CU today?

We wrestle with decisions about where we can best meet the needs of all our members. We must balance investments across all our delivery channels -- including branches, ATMs, Internet, and call centers.

### What challenges face all CUs in the future?

- 1) Make credit unions' tax exemption a routine concept in Congress and the states, while still having contemporary tools to serve members.
- 2) Attract and retain employees who are compatible with our

service orientation and philosophy.

### What's your greatest achievement in the movement?

I am proudest of my work with the National Credit Union Foundation -- creating the concept behind the Community Investment Fund, which has raised over \$50 million. CUNA and the Foundation must ensure that the movement is devoting resources to underserved consumers.

### Favorite Book:

Who Moved My Cheese? Our credit union is going through lots of changes. We've used this book to help employees understand how they can get involved in change. ♦



# Business Checking Guide Online

While larger institutions focus on bigger business and more "profitable" accounts, business checking is the top service proven to attract and retain

small business relationships.

To help more credit unions offer this service, CUNA has posted a Business Checking Guide on the Web.

The guide was developed by the Ohio CU League's Member Business Services Task Force.

"We hope it will ease credit unions' initial compliance concerns," says author Dave Shoup. "The guide identifies what processes are necessary to implement, operate, and expand business checking accounts." ♦

For More, CLICK HERE  
[Business/SEG Services](http://www.cuna.org/Business/SEG_Services)  
[www.cuna.org](http://www.cuna.org)

### Credit Union Small-Business Service Offerings

|                                 | % offer |
|---------------------------------|---------|
| Business checking               | 26%     |
| Business loans                  | 10      |
| Origination of payroll deposits | 8       |
| Visa/MC merchant processing     | 5       |
| Business planning assistance    | 2       |
| Cash management services        | 1%      |

Source: CUNA's 2002-2003 Environmental Scan (To order E-Scan, call 1-800-356-8010, ext. 4157, and ask for Stock No. 23118-NW.)

## Now Hear This!

You can hear 6 Symposium sessions via audio conference or cassette:

- Sept. 25, 1:30 Eastern Time: *Big Opportunities for CUs During an Economic Downturn*
- Sept. 25, 1:30: *Closed in 60 Seconds: What Technology is Doing for Mortgage Lending*
- Sept. 27, 1:00: *Best Practices of Thriving Small CUs*
- Sept. 27, 1:00: *Getting More with Less*
- Sept. 27, 1:00: *Research Results that Can Help You Anticipate Trends*
- Sept. 27, 2:45: *Fast-Growing Retail Check-Cashing*

Register for audio conferences by noon the day before each session, or order cassettes by Sept. 27. Call 1-800-356-9655, ext. 8068, or e-mail [dbergenske@cuna.coop](mailto:dbergenske@cuna.coop) ♦

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Published by Credit Union National Association, Inc. 601 Pennsylvania Ave. NW,  
South Bldg., Suite 600, Washington, DC 20004  
A biweekly news service of the Credit Union System, sponsored by your League,  
CUNA & Affiliates  
Editorial: (202) 508-6767 • Editorial Fax: (202) 638-7716  
Address Changes: (608) 232-8045  
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