



NEW DAYS ARE DAWNING



2010 CUNA ANNUAL REPORT





**HARRIET MAY**  
CUNA Chairman  
GECU  
El Paso, TX

## TRANSITION AND UPWARD TRAJECTORY

LOOKING BACK AT 2010, I WOULD CHARACTERIZE THE YEAR AS ONE OF TRANSITION AND UPWARD TRAJECTORY FOR THE CREDIT UNION NATIONAL ASSOCIATION, AND FOR THE CREDIT UNION MOVEMENT WE SERVE.

Certainly one of the biggest transitional events of the past year for CUNA was the selection of Bill Cheney to succeed Dan Mica as president and CEO of the association. Bill came to CUNA with the industry knowledge, leadership ability, and advocacy experience gained from 25 years as a senior credit union executive, a successful credit union CEO, and an accomplished state credit union league president. The major challenges confronting the association and credit unions called for a leader with his strong combination of industry and advocacy experience. His background enabled Bill to immediately become deeply involved in our top advocacy priorities.

We achieved much for our member credit unions in the legislative, regulatory and political/grassroots realms in 2010, as these pages will make clear. And on hard-fought issues like debit interchange and member business lending, we entered 2011 with a new sense of momentum. Moreover, we see opportunity going forward to advance such priorities as supplemental capital, while, of course, remaining steadfast in protecting credit unions' tax status.

The year 2010 also marked a continued gain for CUNA in its financial position. The improving economy was an important factor, but so too were efforts throughout the year under the leadership of Dan Mica and Bill Cheney to make adjustments and find solutions that enabled the association to operate more efficiently, with no let up on the delivery of top-quality programs, products and services.

In that sense, CUNA did what our member credit unions have been doing—overcoming economic challenges through dedication, diligence and strategic planning to end the year on decidedly stronger footing.

Looking ahead, I see enormous possibility for the credit union movement. In the aftermath of the financial crisis—and the banks' role in it—more consumers are discovering the value and virtues of credit unions. In the many credit union and league meetings I attend as CUNA chair, I encounter talented leadership and hear discussions of new and progressive ways to collaborate and innovate: These efforts are sparked, not by a profit motive, but by the goal of offering better member service.

For credit unions—unique in their structure and philosophy—member service is the ultimate bottom line. CUNA will continue its mission—through determined advocacy, on-point educational programs and needs-driven product offerings—of helping this great credit union movement grow and thrive.

## LEVERAGING OUR MOMENTUM

FOR THE SECOND HALF OF 2010, I HAD THE HONOR AND PRIVILEGE OF BEING PRESIDENT AND CEO OF CUNA, SUCCEEDING DAN MICA WHO SERVED THE FIRST HALF OF THE YEAR, AND THE 13 PRECEDING YEARS.

I came to the job after serving as president and CEO of the California and Nevada Credit Union Leagues, and, prior to that, as president and CEO of Xerox FCU (now Xceed FCU), and having previously held other positions among credit unions as well, for a total of 25 years among credit unions.

So, while I already knew plenty of credit union people around the nation, the pleasant surprise for me after joining CUNA was that there are so many more interesting people to meet and remarkable stories to hear.

In fact, the experience has reinforced for me a core belief: That credit unions truly are a “people movement,” and the people deserve a flexible, strong credit union system that can best serve their needs.

That is what CUNA worked for in 2010, tackling a number of challenges on the way:

- We blunted the impact on credit unions of the new Consumer Financial Protection Bureau, while at the same time ensuring that any rules the agency developed must take into account the effect on credit unions.
- We kept NCUA independent and the \$250,000 deposit insurance intact, leaving credit unions on par with all other financial institutions.
- We were the leader in helping credit unions make sense of and then respond to the corporate credit union crisis. Our corporate credit union task forces gave credit unions

the opportunity to focus their thoughts and provide informed insights to NCUA on its rules and actions.

In two areas we fell short. Yet, on interchange, we pushed as hard as possible to protect credit union members from the legislative changes, generating more than one million contacts with Congress to support our perspective. And, on member business lending, we came closer than ever before to achieving greater authority for credit unions to make these loans.

On both issues in 2011, we are leveraging the momentum of 2010, with legislation pending in both houses of Congress to delay the interchange law and to give credit unions more business lending authority.

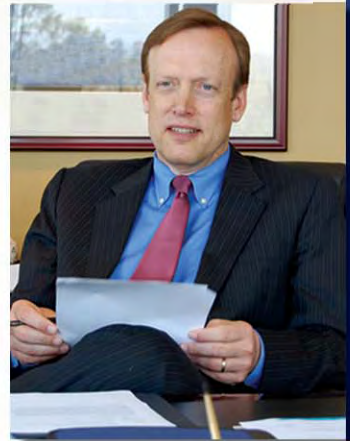
After I took the reins of CUNA last summer, I determined that the best way to prepare myself to represent credit unions’ national interests was to listen to credit unions. So, I set out to visit with as many credit union and league volunteers and staff as I could across the nation.

I heard that credit unions need more flexibility to serve their members and relief from regulatory burden. I heard that credit unions support a strong voice in representing their interests and expect results.

Going forward, I assure you CUNA listens to and acts on what it hears from its members.

In closing, let me extend my thanks to the CUNA staff for welcoming me and all of their efforts for credit unions. My thanks also to the Leagues, our partners, who make possible so many of the results we achieve together. Thanks also to Dan Mica, for ensuring a smooth transition between his administration and my own.

And, above all, thanks to the CUNA Board of Directors for having confidence in me to offer such a great opportunity to continue serving the credit union movement in this way.



**BILL CHENEY**  
President and Chief  
Executive Officer

## SUCCESS AMID CHALLENGE

CUNA ended 2010 with a 23% increase in net assets, bringing the total to \$11.6 million from \$9.4 million in 2009, and increasing total assets for the association to \$31.9 million. Key business decisions made in prior years, coupled with a recovering economic market, resulted in a second consecutive year of growth in net assets. These results illustrate the association's success in containing expenses while revenue streams slowly recover.

Total 2010 operating revenues increased 2% to \$54.6 million from prior year results, with fee-based revenues increasing 3.8% and dues income increasing 3.7%. Operating expenses were well contained, increasing only 1.2%. It was a year with an important transition as Bill Cheney accepted the position of CUNA president and CEO, succeeding Dan Mica upon his departure from CUNA. 2010 included additional expenses related to this transition, but also saw cost savings from the frozen defined benefit plan.

The combined impact is a strong net operating margin for the year of \$2.3 million.

Non-operating items included favorable returns on CUNA's portfolio and solid performance for CUNA Councils. These favorable results, even when combined with a negative pension adjustment, resulted in a solid \$2.2 million increase in net assets for 2010.

It is important to note that CUNA continues to follow a policy in which all dues revenues are dedicated to supporting advocacy functions: legislative and regulatory affairs, compliance, political action, public relations and communications, and research and economics.

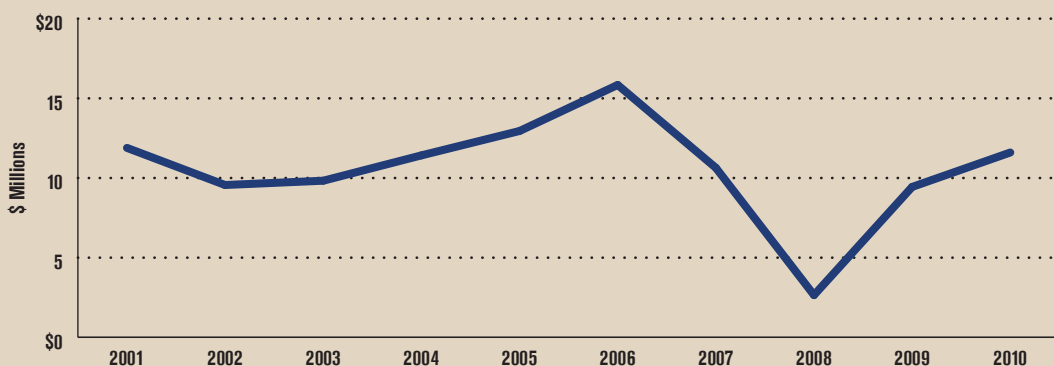
### CUNA & CSS Summary Statement of Operations

Years ended Dec. 31 (\$ thousands)		
	2010	2009
Operating Revenues	\$54,631	\$53,546
Operating Expenses	52,291	51,676
Operating Income	2,340	1,870
Net Margin of CU Councils	252	(50)
Gain on Sale CU Service Centers	—	181
Minority Interest	(89)	(276)
Income Tax Expense	(122)	(379)
Unrealized Gain on Investments	648	1,632
U.S. Central Membership Shares Loss	(43)	(341)
Other	—	(20)
Change in Unrestricted Net Assets		
Before Additional Pension (Charge) Benefit	2,986	2,617
Additional Pension (Charge) Benefit	(828)	4,171
Change in Unrestricted Net Assets	\$2,158	\$6,788

### CUNA & CSS Summary Balance Sheets

As of Dec. 31 (\$ thousands)		
	2010	2009
Current Assets	\$25,144	\$21,733
Noncurrent Assets	6,747	7,404
Total Assets	\$31,891	\$29,137
Current Liabilities	\$10,471	\$11,019
Noncurrent Liabilities	7,851	6,796
Minority Interest	1,968	1,879
Net Assets	11,601	9,443
Total Liabilities & Net Assets	\$31,891	\$29,137

### CUNA & CSS Consolidated Net Assets



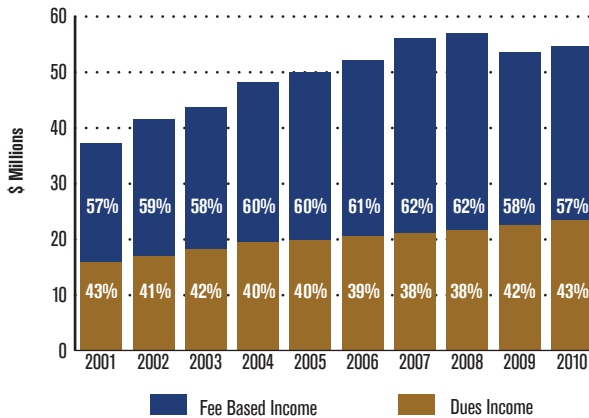
### Among the important 2010 financial results:

- Operating revenues totaled \$54.6 million and operating expenses totaled \$52.3 million, resulting in a net margin of \$2.3 million.
- Dues income increased 3.7% in 2010 and represented 43% of net revenues while net revenues from fee-based programs increased 3.8%, which represented 57% of total revenues.
- Expenses, broken down between dues-supported and fee-based costs, totaled \$52.3 million. Dues-supported expenses increased 3.2% and fee-based expenses declined 1.5% in 2010.
- Net assets increased to \$11.6 million in 2010, up from \$9.4 million at the end of 2009.



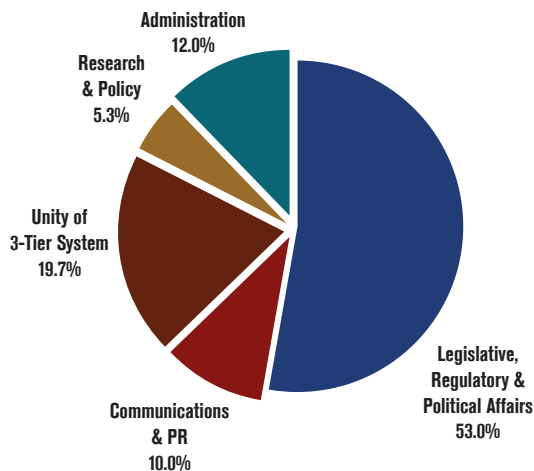
**DENNIS PIERCE**  
**CUNA Treasurer**  
**CommunityAmerica CU**  
**Kansas City, MO**

### CUNA & CSS Consolidated Net Revenues

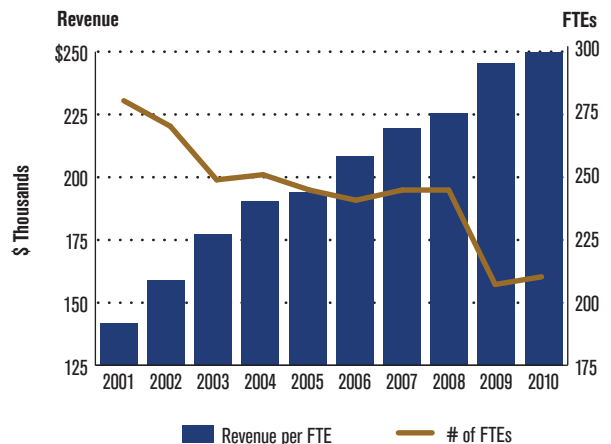


As always, the CUNA Board of Directors and its audit committee support the highest standards of corporate accounting and governance. In March 2011, an audit by the independent certified public accounting firm of Johnson Lambert & Co. LLP provided an unqualified opinion of the consolidated CUNA and CSS financial statements.

### How Dues Are Spent (2010)



### Revenue Per Full-Time Employee (FTE)



## VIGILANCE AND ACTION



AS CONGRESS CONSIDERED THE MOST SIGNIFICANT FINANCIAL REFORM LEGISLATION SINCE THE GREAT DEPRESSION, CUNA REMAINED ALERT AND VIGILANT TO ASSURE CREDIT UNIONS DIDN'T GET SWEEP AWAY IN THE AVALANCHE OF REGULATORY REFORMS.

While credit unions did not cause the financial crisis, they were affected by it. Credit unions were recognized repeatedly by players on Capitol Hill as “being part of the solution” because they were there for their members when other lenders pulled back access to credit.

Against this challenging backdrop, credit unions participated in one of the most active congresses in over 40 years. When the final gavel dropped on the 111th Congress, lawmakers had not only passed a comprehensive financial regulatory reform bill, but also legislation revamping the mortgage market, credit card practices, and student loan programs. The same Congress also enacted an economic stimulus bill, and historic healthcare legislation.

Watchful vigilance and proactive efforts by CUNA paid off for credit unions. For instance:

◆ **Card Act Fix.** When a drafting error in the credit card reform statute adversely affected credit unions, CUNA successfully pushed Congress to enact a technical corrections bill that tightened up the statute's late-fee clause.

◆ **Dodd-Frank Act.** CUNA and the state leagues influenced changes to the Dodd-Frank reform bill as it moved through the House and Senate. We minimized the impact of this legislation on credit unions by persuading Congress to retain the National Credit Union Administration (NCUA) as the independent credit union regulator, and to keep the National Credit Union Share Insurance Fund separate from the Federal Deposit Insurance Corporation.

◆ **Staying at the Table.** CUNA also influenced the enactment of the administration's proposed consumer protection agency, suggesting important changes, most of which were adopted. Our strategy was that a legislative response to the worst recession since the Great Depression was inevitable, and it was important for credit unions to stay at the table and participate in the negotiations.

◆ **CFPB Improvements.** As a result of CUNA's strategy, all but three credit unions will be exempt from examination and enforcement by the newly created Consumer Financial Protection Bureau (CFPB). Also, credit unions will not have to pay to fund the agency, and the NCUA chairman will serve on the oversight council that reviews bureau rules.



WHEN THE FINAL GAVEL DROPPED ON THE 111TH CONGRESS, LAWMAKERS HAD NOT ONLY PASSED A COMPREHENSIVE FINANCIAL REGULATORY REFORM BILL, BUT ALSO LEGISLATION REVAMPING THE MORTGAGE MARKET, CREDIT CARD PRACTICES, AND STUDENT LOAN PROGRAMS.

[ OTHER EXAMPLES OF CUNA'S ROLE IN THIS HISTORIC LEGISLATION: ]

- ◆ The legislation does not include language that the administration proposed which would have required credit unions to offer “plain vanilla” products to their members before offering products that better meet their needs.
- ◆ Credit unions will not be subject to the Community Reinvestment Act, and the CFPB will not have authority over Community Reinvestment Act rules.
- ◆ CUNA inspired language that directs the bureau to review and address outdated, unnecessary and unduly burdensome regulations with the intent of reducing regulatory burden. The legislation also requires the CFPB to consider the impact of its regulations on credit unions.
- ◆ CUNA also worked to prevent amendments imposing a usury ceiling on financial institutions, and to limit ATM fees to 50 cents.
- ◆ CUNA worked with the U.S. Treasury Department to draft compromise language on remittances restrictions and disclosures, essentially winning exemptions for international wire transfers initiated by credit unions.
- ◆ For a second time, credit unions provided the support to defeat the judicial mortgage modification legislation known as “cramdown.”
- ◆ Before passing legislation that would create a “funeral fund” for huge failing, for-profit companies, Congress exempted credit unions from the obligation.

Each of these achievements occurred during an exhaustive and contentious legislative process. And most would not have succeeded without almost unprecedented support and action by the leagues, credit unions, and credit union members.

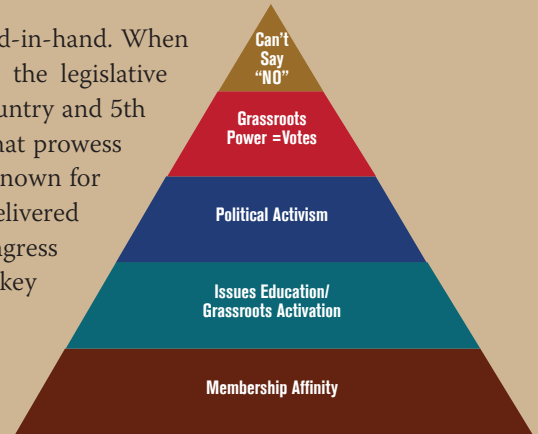
Important issues remain works in progress. Credit unions, as well as banks, took a hit on the debit card interchange amendment. Now

that it is law, CUNA continues work to make the small issuer exemption meaningful, and to delay implementation of the rule so that it can be further studied. We also continue to encourage Congress to increase the credit union member business lending cap and provide credit unions with access to supplemental forms of capital.

# HARNESSING GRASSROOTS POWER

Grassroots advocacy and political action go hand-in-hand. When coordinated they can have a positive impact on the legislative process. CULAC is the 11th largest PAC in the country and 5th among trade associations, and we demonstrated that prowess in the 2010 elections. Credit unions are also well known for their grassroots power. During 2009 and 2010 we delivered more than one million grassroots contacts to Congress on interchange and more than 125,000 on other key issues.

CUNA has developed the “Hierarchy of Power” model to better coordinate the credit union system in advocacy efforts.



## GRASSROOTS ADVOCACY

Credit unions are known as a top grassroots force in Washington and across the country. This is made possible in part by a strong “Action Alert” and “Call to Action” network whereby credit unions engaged employees and members to contact Congress. In 2010, credit unions sent over one million contacts to Congress on a variety of issues. They also met with lawmakers throughout the year, both in Washington through “Hike the Hill,” and back in their districts – “Hike at Home.” In 2010, over 600 credit union advocates also came to Washington for a National Hike the Hill in opposition to the interchange amendment. Focusing on all of these grassroots programs at once has allowed credit unions to maintain constant contact with their legislators throughout the year, so that credit unions are at the forefront of legislators’ minds.

Thanks to Project Zip Code (PZC), credit union advocates are able to

demonstrate to Members of Congress just how many credit union members are in their districts. In 2010, PZC was transformed from a CD-based program to a simple online download. It is easier than ever for credit unions to run the program, which has now matched 77 million credit union members.

CUNA’s first social media advocacy campaign—a key component of our outreach strategy as more people turn to social media outlets for news and information—debuted in late 2009 and matured in 2010. We are focused on two advocacy areas, interchange and member business lending, with Twitter feeds and Facebook pages on both. As other issues gain momentum, we will be able to link them to our existing social media platforms.

Our pages have been promoted not only to credit unions but also to coalition partners to reach a larger audience and drive the conversation on Capitol Hill and among opinion leaders. Our followers and fan base have increased

CUNA Social Media page:  
[http://www.cuna.org/social\\_media.html](http://www.cuna.org/social_media.html)



**But LARRY KISSELL is teaching Congress an important lesson.**

In Congress, Larry Kissell is leading the fight to cut the deficit and rein in government spending.

After all, Larry Kissell understands how hard we work for our money and he doesn't want to see it wasted, or saddle our children and grandchildren with more debt.

Larry Kissell is also working to make it easier for more North Carolinians to start a new business or expand an existing one. Larry Kissell has championed a new law that would allow credit unions in our communities to lend more to small businesses.

**Vote for LARRY KISSELL for Congress**  
*He's teaching Congress a lesson in common sense*

steadily, especially with the posting of a YouTube video on interchange.

**ELECTIONS & POLITICAL ADVOCACY**

Credit unions did very well in the 2010 midterm elections, due to the unprecedented involvement of CUNA, leagues and credit unions. CUNA and CULAC, our federal political action committee (PAC), spent nearly \$4 million in support of pro-credit union candidates. The majority of funds—\$2.8 million—went directly to 380 candidates for the House and Senate, 86% of whom won election.

Beyond contributions to pro-credit union candidates, CULAC and others spent \$1.1 million on direct political communications in 13 targeted races. In these efforts, CUNA utilized both independent expenditures (IEs), in which CULAC financed television, radio and direct mail advertisements for candidates, and partisan communications, where credit unions contacted their members directly in support of a credit union candidate. In all, 22 credit unions sent over 402,000 individual mailers to their members, transforming their grassroots numbers into votes for credit union friends. As a result we helped nine credit union champions win in highly competitive races.

Ultimately, the true measure of a political action program is its success rate in electing credit union friends. On that measure, CUNA continues to succeed. Three quarters of the members of the 112th Congress were elected with some CULAC financial support. Among those members are 15 past beneficiaries of CULAC IEs and CUNA partisan communications, three former credit union directors, and a graduate of CUNA's Campaign School.

**OF ALL REGISTERED VOTERS, 42% IDENTIFY THEMSELVES AS A CREDIT UNION MEMBER, AND 27% SAY THE CREDIT UNION IS THEIR PRIMARY FINANCIAL INSTITUTION.**

**TURNING MEMBERSHIP AFFINITY INTO STRENGTH**

Credit unions have developed a strong political base within their own membership. Of all registered voters, 42% identify themselves as a credit union member, and 27% say the credit union is their primary financial institution (PFI). A core mission of CUNA's is helping credit unions transform the strong affinity their PFI members have for their credit union into political strength.

**Primary Members Are Core of Support**

If a disagreement over legislation broke out in Congress or your state legislature between the banks and the credit unions, would you be more likely to support the banks or the credit unions?

Group	Side w/CUs	Side w/Banks
Sample	51	-39
CU Member/Primary*	93	-4
CU Member/Not primary	62	-27

\*Numbers reflect total number of credit unions (+) lean credit unions and banks (+) lean banks

## PROMOTING AND DEFENDING CREDIT UNIONS



RELIEF FOR CREDIT UNIONS FROM THEIR GROWING REGULATORY BURDENS—WHICH KEEP THEM FROM DOING ALL THEY CAN TO SERVE MEMBERS—IS THE HIGHEST REGULATORY ADVOCACY OBJECTIVE AT CUNA, AND THIS WAS PARTICULARLY IMPORTANT AS CREDIT UNIONS WERE COMING THROUGH A VERY DIFFICULT YEAR IN 2010.

In 2010, CUNA's Regulatory Advocacy team had in its sights every regulatory issue of importance to credit unions, and that work continues throughout 2011. CUNA is at the forefront of issues such as concerns about examination practices, the National Credit Union Administration's (NCUA) increasing budget, the new Consumer Financial Protection Bureau, Financial Accounting Standards Board proposals, as well as the onslaught of new rules from the agencies.

A key CUNA goal in 2010, however, was preparing to fight into 2011 to improve the debit interchange proposal that was ultimately issued by the Federal Reserve Board in December. CUNA has worked hard on this issue since well before the interchange amendment was included in the Dodd-Frank Wall Street Reform Act last summer. The day after the proposal was made public CUNA contacted all governors of the Federal

Reserve to oppose the proposal in the strongest terms and has continued that work on every front.

As important as it is, the interchange rule was just one area where CUNA's watchful vigilance and timely, strong and measured interventions have sought to benefit credit unions:

- While CUNA, the leagues and credit unions appreciate the need for strong consumer financial protection, as the Dodd Frank Act developed, CUNA urged policymakers to ensure the new Consumer Financial Protection Bureau established by that new law would not impose greater regulatory burdens on credit unions. CUNA met repeatedly with Special Advisor to the President Elizabeth Warren, who was spearheading the organization of the new agency, and won an assurance from Warren, directed to the U.S. Congress, that she would work to reduce regulatory burdens on credit unions. CUNA will continue its efforts to help ensure credit unions' regulatory requirements are minimized, regardless of the agency involved.

- Recognizing credit unions' growing concerns about efforts from some examiners to micromanage their operations and other problematic examiner practices, CUNA developed a new CU Supervisory Issues Working Group, comprised of league and credit union officials. The group serves as a focal point within the system for examination concerns and it works to develop resources for credit unions to use when interacting with examiners. A 2010 highlight was a 63-page guidance



on supervisory issues and the examination process, which includes a 24-item list of Credit Union Examination Rights provided to credit unions by this new group. CUNA also established a site on its home page ([www.cuna.org](http://www.cuna.org)) for credit unions to report, in confidence, on their latest exam experience; a report on the aggregate concerns is intended to be shared with regulators.

- ◆ CUNA also responded to rising concerns among credit union executives about an alarming tendency of some examiners to try to micro-manage, rather than examine, their operations.

A new CUNA Credit Union Mergers Task Force went to work on the problems credit unions were raising about regulatory oversight of mergers. The task force developed a comprehensive list of recommendations to improve the process, including urging the NCUA to establish a national registry for interested credit unions to be considered when merger candidates are identified. NCUA later created just such a registry.

- ◆ CUNA raised serious concerns about NCUA's budget and will continue to press the agency to reduce its costs.

### IN THE COURTS, CUNA PROVIDED SUPPORT FOR THE CREDIT UNION POSITION IN IMPORTANT NATIONAL CASES. KEY AMONG THEM:

- ◆ **UBIT.** Colorado's Bellco CU, and state-chartered credit unions everywhere, came out victorious from a suit originated in 2008 by Bellco, challenging the Internal Revenue Services interpretation of Unrelated Business Income Tax (UBIT) rules. Bellco, with CUNA and league support, sued for a refund of \$199,293 in UBIT taxes it paid on credit life and credit disability insurance, AD&D insurance, and income related to the sale of securities to members during the tax years of 2000, 2001, and 2003. In April 2010, several months after the trial ended, a federal judge issued a ruling in favor of the credit union on virtually all issues. In October, the U.S. Department of Justice withdrew its appeal of the court's decision, making the opinion in favor of the credit union final.

- ◆ **FOM.** In a field-of-membership case, *Home Fed. Sav. & Loan v. Kentucky*, which had been making its way through the courts since 2006, credit unions witnessed two important developments in 2010. In May, the Kentucky Supreme Court issued an opinion in favor of the credit union parties, in effect stating that credit unions there can offer geographic fields of membership as long as the residents share a common bond or shared interests. And in November, the court denied Home Federal's request to rehear the case.

- ◆ **STATE TAX ISSUE.** A state "mortgage recording tax" suit saw lots of action in 2010. In May 2009, Hudson Valley FCU filed suit against the state of New York, seeking a refund of the tax that the FCU paid to record mortgages with the state. In April 2010, oral arguments were made by the credit union's lawyers, CUNA/CU Association of New York and the U.S. Department of Justice. In July, the credit union informed the court it would appeal a May order by the trial judge in favor of New York's motion to dismiss. Oral arguments in the appeal were heard on May 12, 2011 at the Supreme Court of the State of New York Appellate Division: First Department in Manhattan.

## COMPLIANCE IS A CUNA STRENGTH

CREDIT UNIONS WITNESSED AN UNBELIEVABLY FAST-PACED CHANGE IN THE COMPLIANCE WORLD IN 2010, AND THEY CONTINUE TO OPERATE IN THE MOST BURDENSOME COMPLIANCE ENVIRONMENT THAT THEY HAVE EVER FACED.

CUNA helps to lighten the load by working to make regulatory requirements more reasonable through our advocacy efforts and more understandable through dues-supported compliance and information resources and fee-supported training programs. Here are just three examples of new regulatory requirements being imposed on credit unions and how CUNA helps:

### MORTGAGE LENDING

The piecemeal release of mortgage-lending revisions in 2010 became intolerable and CUNA strenuously objected to the U.S. Treasury Department and the Federal Reserve Board about the unworkable process. Later, the Fed announced it would defer to the new Consumer Financial Protection Bureau (CFPB) on finalizing the major overhaul of the Regulation Z (Truth in Lending) rules on closed-end mortgage loans and home equity loans that the Fed had proposed in 2009. The Fed will also leave it to the CFPB to address the additional Reg Z revisions it proposed in 2010, which included the controversial credit life/credit disability insurance

disclosures that CUNA opposes. Still, driven mostly by timetables in the Dodd-Frank Act, a number of changes impacting credit union mortgage lending departments continue to occur, affecting such areas as disclosures, appraisals, and compensation.

### SAFE ACT REGISTRATION

The Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act of 2008 requires that all residential mortgage loan originators be tracked, and the actual registration process started in early 2011. CUNA succeeded in convincing the U.S. Congress that credit union staff should be subject to less onerous registration procedures than those being developed by the Conference of State Bank Supervisors (CSBS) for state-licensed mortgage brokers.

During 2010 CUNA helped CSBS organize a credit union working group so that CSBS could understand the operational challenges involved in getting credit union staff registered. CUNA worked closely with CSBS and NCUA to get timely answers to the myriad of questions raised by credit unions, and put this information in *NewsNow*, CUNA's monthly *Compliance Challenge*, and CUNA's *eGuide to Federal Laws and Regulations*.

CUNA's Center for Professional Development (CPD) offered several training programs on SAFE compliance throughout 2010, and CUNA's 2011 Governmental Affairs Conference included a special breakout session on





CUNA HELPS TO LIGHTEN THE LOAD BY WORKING TO MAKE REGULATORY REQUIREMENTS MORE REASONABLE THROUGH OUR ADVOCACY EFFORTS AND MORE UNDERSTANDABLE THROUGH DUES-SUPPORTED COMPLIANCE AND INFORMATION RESOURCES AND FEE-SUPPORTED TRAINING PROGRAMS.

SAFE compliance. Individual follow-up questions from credit unions after such programs are handled through CUNA's dedicated compliance mailbox, [cucomply@cuna.com](mailto:cucomply@cuna.com). CUNA also promoted the training programs offered by the Nationwide Mortgage Licensing System & Registry to help credit unions through the process. Credit unions and their staff involved in making mortgage loans (including home equity loans) need to be registered by July 29, 2011.

### **OVERDRAFT RESTRICTIONS**

Although CUNA helped to persuade Congress not to legislate extensive restrictions on overdraft protection services offered by financial institutions, in late 2009 the Federal Reserve Board decided to use its authority under the Electronic Funds Transfer Act (Regulation E) to impose restrictions, effective mid-2010. Based on numerous questions raised by CUNA on practical implementation issues, the Fed issued clarifying regulations in the spring of 2010. CUNA continually updated a "frequently asked questions" document to keep credit unions informed about the overdraft regulations, and

CPD offered several training programs in the first half of 2010 to help credit unions comply and market their overdraft programs to help members decide whether to opt in to continuing the service.

It is the unknown that makes compliance that much more challenging in the next 12-18 months. The CFPB is scheduled to officially come into being in July 2011, and credit unions can expect the bureau to be activist in establishing new consumer protection regulations, handling consumer complaints, collecting new data, and exercising its wide-ranging authority to the fullest. Even though only a handful of credit unions will be directly subject to the bureau's examination for compliance with consumer laws, all credit unions should expect to see greater focus by their regulators on compliance with federal consumer protection laws and regulations. CUNA continues to meet regularly with newly appointed senior CFPB staff to make sure they are aware of credit union compliance concerns.

## KEEPING THE CU DIFFERENCE FRONT AND CENTER



THE LINGERING ECONOMIC RECESSION HAS DIMMED THE PROSPECTS OF TOO MANY AMERICANS. CUNA COMMUNICATIONS AND PUBLIC RELATIONS WORKED THROUGHOUT 2010 TO SHINE A SPOTLIGHT ON CREDIT UNIONS AS A SOURCE OF HOPE FOR AMERICAN HOUSEHOLDS AND SMALL BUSINESSES.

Educating legislators and voters about the need for higher business lending limits for credit unions was a yearlong priority. Articles and interviews with national and regional publications and broadcast media stressed that increasing credit unions' business lending authority would provide a critical infusion of capital to local economies. CUNA representatives highlighted that while banks were taking a tight-fisted approach to business lending, credit unions were increasing the funds available to support small businesses, which are responsible for 65% of new jobs in the United States. Publications like *USA Today*, *The Wall Street Journal*, and *The Washington Post* and broadcast outlets like Fox and Bloomberg, shared CUNA's projection that expanding credit unions' business lending authority could generate more than 100,000 new jobs across the country.

When CUNA President/CEO Dan Mica departed mid-year, credit unions gained another forceful advocate in Bill Cheney, CUNA's new president and CEO. Cheney quickly became a vigorous national spokesperson, refuting misleading news headlines that mistakenly applied the "bailout" label to credit unions.

Speaking on credit unions' behalf on CNBC television, in interviews with other media outlets and in a YouTube video, Cheney emphasized that credit unions paid "every single penny" of the cost to reinforce the stability of the credit union system that directly serves consumers.

Members also spoke up to share the good news about credit unions. The *Huffington Post* expanded its online "Move Your Money" campaign to include credit unions after members wrote in to share positive experiences. CUNA leveraged their support to add momentum to local, regional and national press coverage.

These efforts helped highlight consumer dissatisfaction with big banks, leading to ongoing media coverage of credit unions' superior satisfaction ratings, higher interest rates on deposits, lower interest rates on credit cards and loans and modest fees.

Media outlets advising consumers to check out credit unions included the *New York Times*; the *Associated Press*; *Parade*, a magazine inserted in weekend editions of daily newspapers nationwide; *AARP Magazine*, the official publication of the



40 million-member organization for people over age 50; CBS MoneyWatch; SmartMoney; and Bankrate.com.

CUNA strengthened credit unions' image as a trusted source of personal finance information and services with the Home & Family Finance Radio Show, now entering its fifth year. The hour-long show airing on Sundays over the Radio America network has grown to reach 60 major American markets as well as military bases worldwide.

Financial media tapped CUNA's economic expertise on topics such as unemployment rates, home sales, interchange fees and credit card fees by interviewing Bill Hampel, senior vice president of research and policy analysis and chief economist, and Mike Schenk, vice president of economics and statistics. They offered economic analysis to Fox News, *The New York Times*, National Public Radio's Marketplace, CNNMoney.com, The Street.com, Reuters, *USA Today*, Yahoo! Finance and other media outlets.

CUNA also expressed credit unions' deep concern about the Federal Reserve's proposed interchange fee rules. CUNA letters and statements helped regulators and legislators recognize that a 40% reduction in credit unions' interchange-based revenues could cause as many as two-thirds of credit unions to lose money on debit card programs and therefore harm credit unions' members/owners.

Within the credit union industry, CUNA continued to serve as a conduit for the latest information about issues and ideas. The daily online news service *News Now* attracted more than 6.3 million page views in 2010. *News Now LiveWire* delivered quick news summaries to thousands of readers via Twitter. *Credit Union NewsWatch*, a biweekly online publication for CUNA members, was reformatted to expand its readership base. CUNA also launched CUNAVerse, a blog site presenting a wide range of credit union topics.

By combining breaking news with a broader perspective, CUNA Communications and Public Relations better informs and therefore strengthens the national network of credit union professionals and prepares them to act as legislative advocates on both the state and national level.

Likewise, by educating members and voters, CUNA reinforces the growing realization that credit unions are the best way for consumers to conduct their financial services.

## OUTSTANDING BUSINESS RESOURCES FOR CREDIT UNIONS



IN 2010 CUNA LED THE WAY IN PROVIDING CREDIT UNIONS OUTSTANDING BUSINESS RESOURCES IN AFFORDABLE, CONVENIENT WAYS.

CUNA's high quality training, professional membership organizations, research, consulting, expert publications and consumer finance resources all contributed to credit unions' excellence in spite of the most challenging economy in modern times.

### SIGNATURE EVENTS

CUNA celebrated the spirit of cooperation at The 1 Credit Union Conference—a special collaboration of CUNA's America's Credit Union Conference & Expo (ACUC) and the World Council of Credit Union's World Credit Union Conference. More than 2,700 attendees from around the globe convened in Las Vegas to share their best ideas, be inspired by speakers and peers, and build new relationships.

The CUNA Governmental Affairs Conference (GAC) continues to be recognized as the premier political event for the credit union movement, drawing thousands to Washington to hear key policy makers and conduct Hill visits. And the GAC's trade show element has now become the largest exhibitor showcase in the financial services industry.

CUNA hosted the Community Credit Union & Growth Conference in Boston. Focused on building membership and revenue, the experience helped credit unions—community chartered and

otherwise—discover and implement innovative methods for sustainable growth.

### CU EDUCATION AND TRAINING

Credit unions refocused on the importance of career development by taking advantage of CUNA's extensive mixed-media offerings and new training bundles. CUNA's Center for Professional Development saw record numbers participate in webinars, audio conferences, online courses and e-Schools in 2010. In all, 26,000 industry professionals took 150,000 online courses and 16,000 participated in hundreds of other training events. Attendance at face-to-face training increased. CUNA's Management School celebrated its 57th year. The 2010 Certified Credit Union Executives (CCUE) provided more than 5,000 credit union employees with CUNA-backed professional designations in key business disciplines.

Service and sales excellence remained a credit union priority in 2010. Creating Member Loyalty™ (CML), CUNA's highly recognized sales and service culture development system, certified dozens of new trainers to deliver sales, service and leadership strategy training. Credit unions also tapped into CUNA's resources for program implementation and consulting advice pertaining to member relations. More than 200 credit unions make up the CML family, using their outstanding service cultures to expand member relationships and stand out as their members' best choice for financial services.



26,000 INDUSTRY PROFESSIONALS TOOK 150,000 ONLINE COURSES AND SOME 16,000 PARTICIPATED IN HUNDREDS OF OTHER TRAINING EVENTS.

Board and volunteer training and other resources remained an industry focus. The CUNA Volunteer Certification Program's Certified Credit Union Volunteer (CCUV) designation grew to more than 100 volunteers in 2010. CUNA began work on the new Volunteer Network (<http://volunteernetwork.cuna.org/>) which provides participating board members access to an array of business resources, online peer networking and discounts on educational opportunities.

### CUNA COUNCILS

CUNA Councils grew by more than 10% in 2010 and are on track to exceed 5,000 members in 2011. With online and in-person offerings, these professional membership organizations provide executives with best practices, new

ideas, expertise and professional development tools. Currently there are six Councils focused on core business areas: Finance, human resources and training, lending, marketing and business development, operations, sales and service, and technology.

In 2010, the Councils conducted six national conferences, attracting more than 1,500 executives. The meetings focused on key management issues and featured industry leaders, government officials and business experts. The Councils' five separate national awards programs recognized dozens of credit unions for their outstanding work and best practices. The Councils continued to give back in many ways, including their generous scholarships, which opened doors to GAC and other CUNA events.

# PROFESSIONAL DEVELOPMENT AND LEADERSHIP RESOURCES



## BUSINESS-TO-BUSINESS PUBLISHING

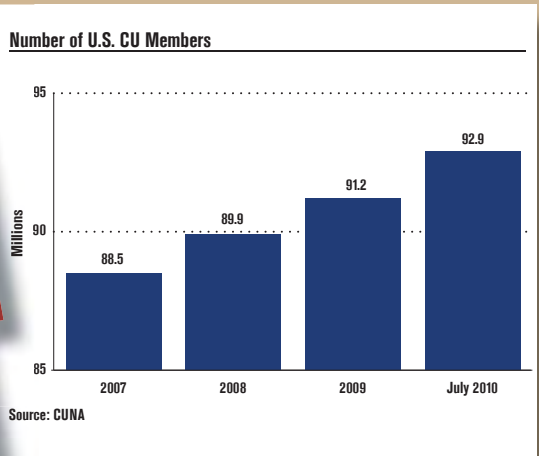
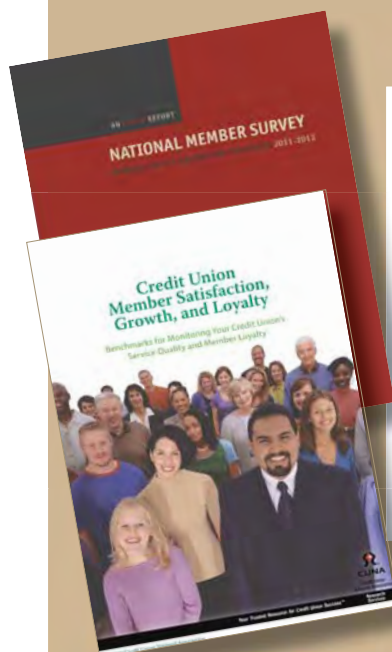
The Credit Union Environmental Scan (E-Scan) strategic planning resources helped credit unions understand and respond to the recession. Credit union leaders counted on E-Scan resources for real-time strategic and business planning. E-Scan's monthly newsletter, which enjoyed significant readership growth in 2010, delivers timely strategic and business insight year-round.

Emphasizing the most valuable asset held by credit unions—consumer trust—the E-Scan detailed the opportunities and challenges facing the movement. *Credit Union Magazine's* intuitive new online format engaged readers with the content most relevant to them. The redesigned website includes reader alerts, online exclusives, archived editions of

*Credit Union Magazine* and enhanced search functionality.

CUNA released several national bench-marking reports, including its popular member loyalty and compensation-related reports. Credit unions turned to CUNA's Complete Guide to Setting Salaries to help them get the most out of CUNA's reports on staff salaries, senior executive compensation and CEO compensation packages.

As the economy improved, credit unions faced growing competition from other financial institutions. CUNA partnered with Celent to provide top national financial services industry research reports at a significantly discounted price. This broader data set is of increasing importance to strategic planning and competitive positioning.





CUNA HAS BEEN THE MARKET LEADER IN MONEY MANAGEMENT INFORMATION AND FINANCIAL LITERACY FOR FIVE DECADES.

## BUSINESS TO CONSUMER PUBLISHING

From the launch of *Everybody's Money* magazine in 1961 to the 2010 launch of Money Mission, an online financial education and life simulation game created in partnership with the Wisconsin Credit Union League, CUNA has been the market leader in money management information and financial literacy for five decades.

CUNA's Business to Consumer Publishing (B2C) area continued to offer the onlineEdge suite of financial education products. More than 1,200 subscribing credit unions used this interactive web content for consumer market segments including youth, young adult, adult and retirement bound. In 2010, subscribing credit unions received an estimated 45 million page views to CUNA's onlineEdge tools from 850,000 visitors increasing awareness and loyalty.

CUNA, in cooperation with Coopera Consulting and the Iowa Credit Union League,

helped credit unions reach out to new markets with the launch of the Spanish language website *El Poder es Tuyo* (*The Power is Yours*). In so doing, *El Poder* captured the National Association of Consumer Agency Administrators' ACE Award.

Known for its leadership of Youth Week and the Savings Challenge, CUNA sponsored and guided a preschool financial literacy research project conducted in partnership with the University of Wisconsin-Madison. This research, funded by the National Credit Union Foundation, was highlighted at an international child finance conference and led to a consulting assignment by one of the UW researchers with Sesame Street.

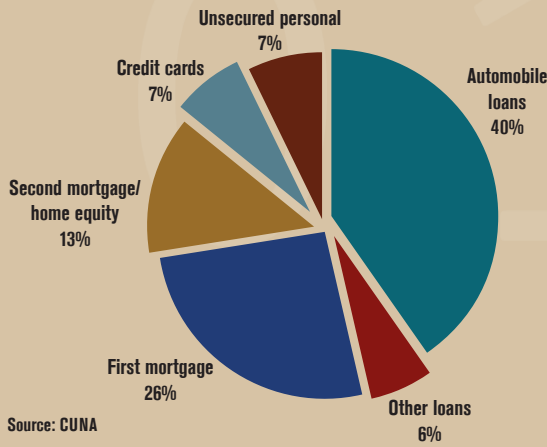
CUNA's Seminars-in-a-Box series grew with the launch of a three-part Women & Money series. These 19 titles make it simple for credit unions to provide effective in-person seminars to their members.

### [CUNA ONLINEEDGE MEMBER WEBSITE RESOURCES]

Audience	Product
• Youth website and content	Googolplex®
• Young adult website and content	MoneyMix™
• Senior and retiree website and content	Plan It™
• Adult personal finance website and content	Home & Family Finance® Resource Center
• Spanish-language personal finance content	El Poder es Tuyo™
• Interactive courses for teens	Guides to Independence™
• Online interactive personal finance coaches	Anytime Adviser®
• Home value calculator	HomeValueBot®
• Marketing content	Copy & Art Express™
• 16 in-depth personal finance calculators	Calculators

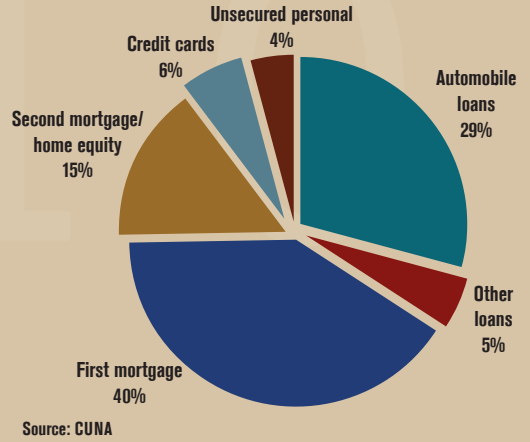
**Distribution of Credit Union Loans**

2000



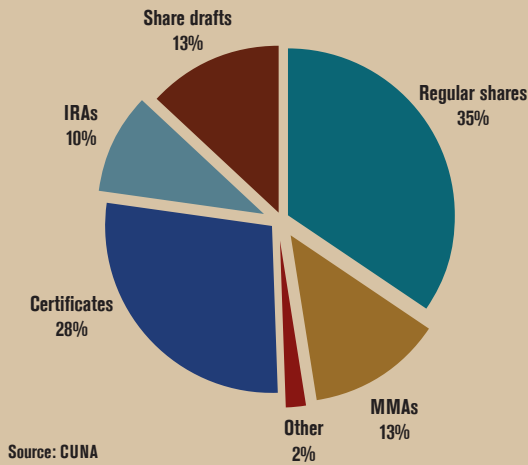
**Distribution of Credit Union Loans**

2010



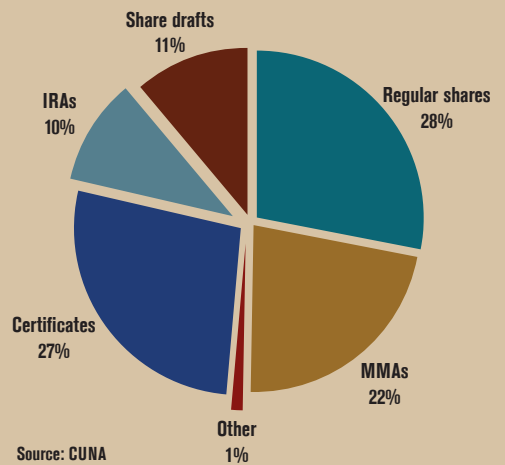
**Distribution of Credit Union Savings**

2000



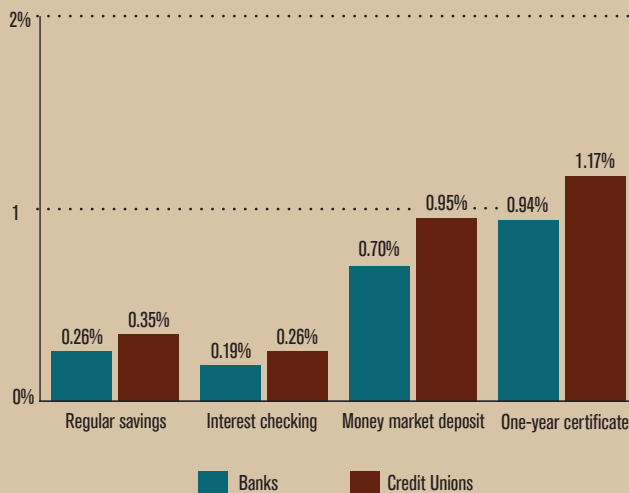
**Distribution of Credit Union Savings**

2010



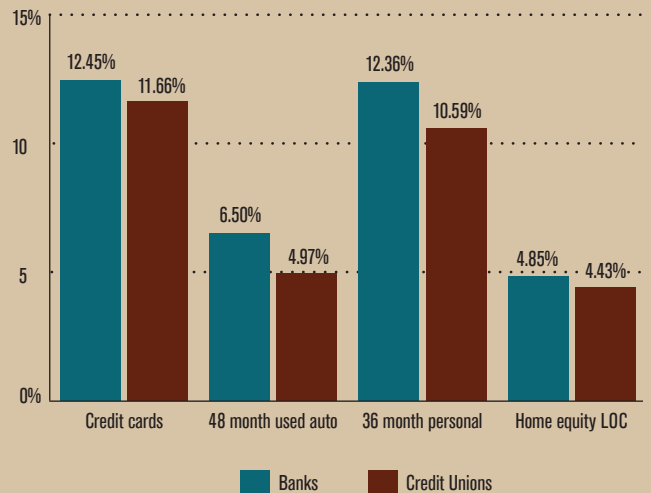
**Interest Rates on Deposit Accounts**

2010



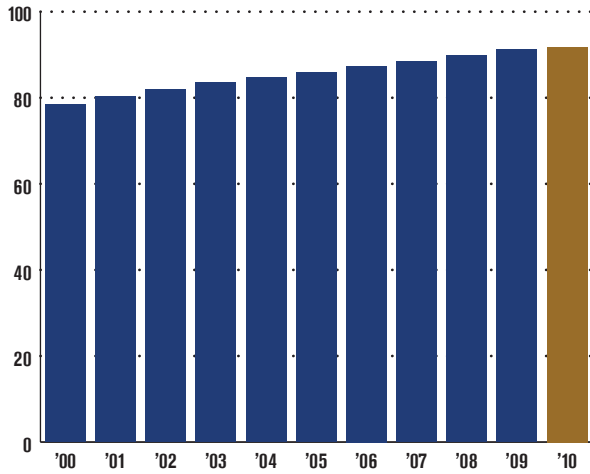
**Interest Rates on Loans**

2010



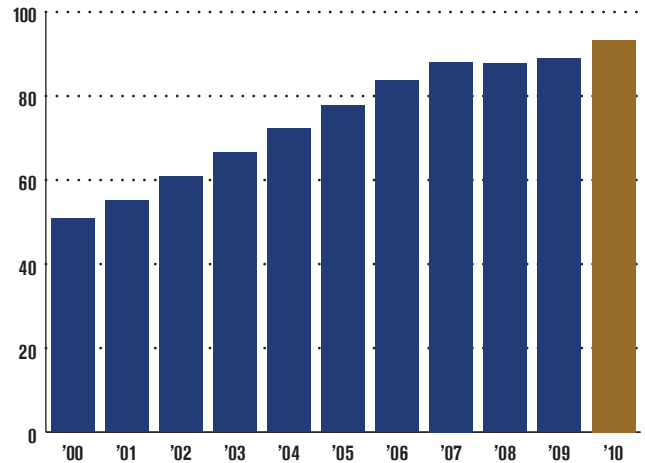
### U.S. Credit Union Membership

(in millions)



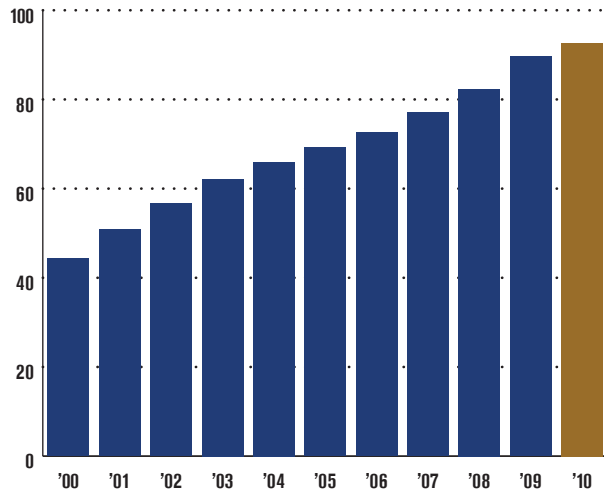
### Total Credit Union Net Worth

(\$ billions)



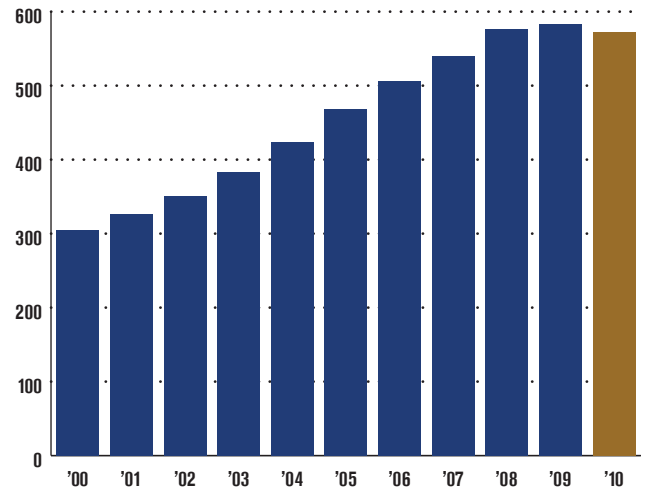
### Credit Union Assets

(\$ billions)



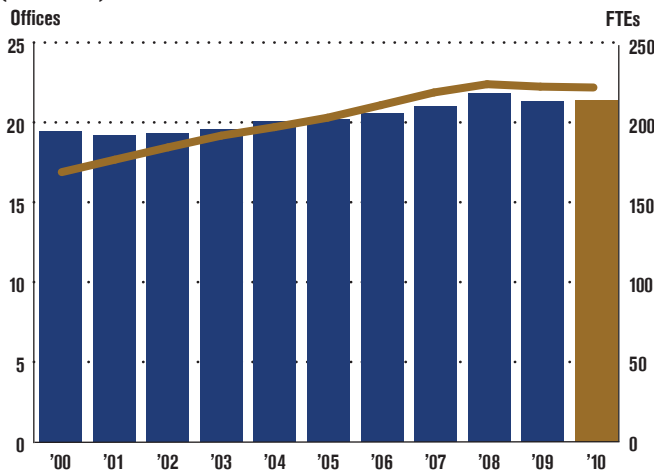
### Credit Union Loans

(\$ billions)



### Credit Union Offices\* & Full-Time Employees

(in thousands)



\*Includes main and branch offices

■ Offices      — FTEs

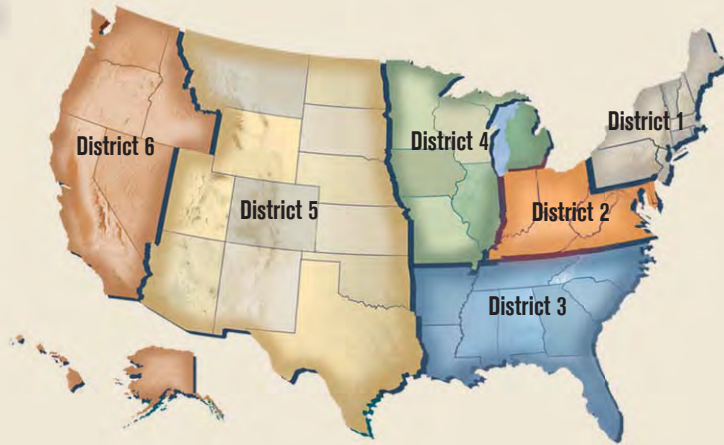
### U.S. Credit Union Profile

(year-end 2010)

▶ Credit union savings balances increased by 4.5% in 2010, with consumers continuing to favor short-term liquid accounts in the face of historically low interest rates. Both money market and regular shares posted double digit growth rates of 10.7% and 10.3% respectively. Share drafts and IRAs also ended the year higher, with share drafts rising by 5.9% and IRAs growing at 4%. The one component of credit union savings to shrink was certificate accounts balances which fell by 5.6%.

▶ At the same time loan portfolios declined by 1.4% in 2010 as consumers focused on paying down debt. This was the first annual decline in credit unions loans since 1980. The year ended 2010 marked the first year in recent memory that loan growth actually turned negative with a loss of 1.4%. Member business lending continued to grow at 6.2%, which contrasts with a 2.9% drop in commercial and industrial lending at commercial banks. Credit cards and first mortgages also showed gains of 3.1% and 2.7% respectively. Second mortgages had the largest shrinkage at -6.4%, followed by auto loans at -5.3% and non-credit card unsecured loans at -0.3%. The silver lining of slow asset growth in credit unions has been an improvement in net capital ratios, which rose from 9.77% to 9.93% in 2010 despite a strong headwind from corporate stabilization, an NCUSIF premium, and high provisions.

Source for all charts: CUNA



## CUNA DIRECTORS AND THEIR DISTRICTS

2011

	Class A Less than 22,000 members	Class B 22,000-80,999 members	Class C at least 81,000 members	Class D Leagues
<b>District 1</b>	 <b>Edwin L. Williams</b> Discovery FCU Wyomissing, PA	 <b>Eugene J. Foley</b> Harvard University ECU Cambridge, MA	 <b>Robert M. Cashman</b> Metro Credit Union Chelsea, MA	 <b>Paul Gentile</b> New Jersey CU League Hightstown, NJ
<b>District 2</b>	 <b>John Graham</b> Kentucky Employees CU Frankfort, KY	 <b>Stephen G. Behler</b> Kemba Credit Union West Chester, OH	 <b>Rod Staatz</b> SECU of Maryland Linthicum, MD	 <b>Wendell Lyons</b> Kentucky CU League Louisville, KY
<b>District 3</b>	 <b>Sandy Lingerfelt</b> Clinchfield FCU Erwin, TN	 <b>Laida E. Garcia</b> floridacentral CU Tampa, FL	 <b>Maurice R. Smith</b> Local Government FCU Raleigh, NC	 <b>Michael J. Mercer</b> Vice Chairman* Georgia CU League Duluth, GA
<b>District 4</b>	 <b>Pat Wesenberg</b> Secretary* Marshfield Medical Center CU Marshfield, WI	 <b>Pete Dzuris</b> Northland Area FCU Oscoda, MI	 <b>Dennis Pierce</b> Treasurer* CommunityAmerica CU Kansas City, MO	 <b>Patrick Jury</b> Iowa Credit Union League Des Moines, IA
<b>District 5</b>	 <b>Winona Nava</b> Guadalupe CU Santa Fe, NM	 <b>Roger Heacock</b> Black Hills FCU Rapid City, SD	 <b>Harriet May</b> Chairman* GECU El Paso, TX	 <b>Marla S. Marsh</b> Kansas Credit Union Association Wichita, KS
<b>District 6</b>	 <b>Susan Streifel</b> At-Large Member* Woodstone CU Federal Way, WA	 <b>Jeff York</b> CoastHills FCU Lompoc, CA	 <b>Brett Martinez</b> Redwood CU Santa Rosa, CA	 <b>Dennis K. Tanimoto</b> Hawaii Credit Union League Honolulu, HI

\* Executive Committee Member

## CSS: SOLID VALUE

Despite an economy that faced almost daily uncertainty, CUNA Strategic Services continued to maintain solid financial footing while providing value to credit unions, their members, and state leagues.

These economic challenges, though significant, did not hinder our ability to contribute \$2.7 million back to the credit union system in 2010. In fact, sixty cents of every dollar that CUNA Strategic Services earned was returned to the credit union system. In the past 10 years, that adds up to more than \$25 million in contributions to the movement.

CUNA Strategic Services currently manages 30 alliance relationships by leveraging the CUNA name and customizing a unique marketing strategy for each provider. These alliance programs are designed to serve credit unions by:

- Contributing to their bottom line through increased operational efficiency or revenue generation

- Adding to their peace of mind as they effectively meet regulatory standards and address security concerns
- Enhancing their relationships with services designed to grow and retain membership

One of our ongoing strategies is to add, develop and foster new alliance programs each year. To ensure our resources are efficiently focused, we review potential offerings using a matrix that examines revenue growth opportunity and market share within the credit union space.

Overall, credit unions continue to benefit from CUNA Strategic Services' presence in the market, which resulted in \$25 million in savings on products and services in 2010.

As the economy continues to rise from the recession, we will continue to grow relationships with providers to assist credit unions and their members while increasing value to our shareholders—the state credit union leagues and CUNA.



**Front Row:** Robert M. Cashman, Director; Dennis E. Pierce, Secretary; Patricia Wesenberg, Chair; Sylvia Fath, LSC Representative, Ex Officio; Harriet May, CUNA Chair, Ex Officio **Back Row:** William Mellin, Vice Chairman; Mark Cummins, Director; Bill Cheney, President, Ex Officio; Rodney Staatz, Director; Scott Earl, Treasurer; Brett A. Thompson, AACUL Chairman, Ex Officio



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