

Tuesday

A NEWS PUBLICATION FROM CREDIT UNION MAGAZINE

HIGHLIGHT

Tell Congress the truth about CUs



Members save \$6.3 billion annually because of credit unions' not-for-profit structure and devotion to service. And bank customers save \$4.3 billion annually because credit unions are in the marketplace.

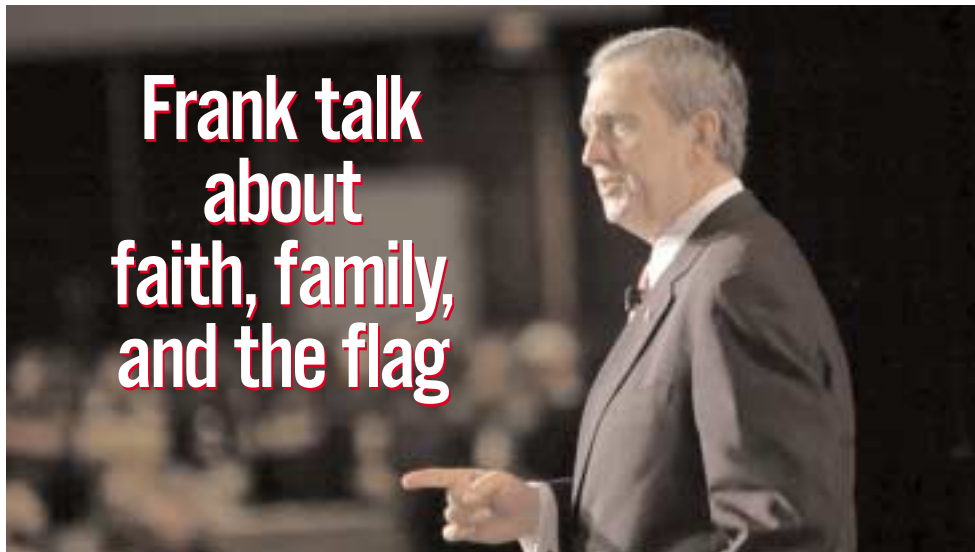
That's why consumers will lose if bankers shut down credit unions. "There's no other financial services alternative than credit unions," CUNA President/CEO Dan Mica told an opening General Session crowd Monday.

Acknowledging many credit unions' great relationships with bankers, Mica then explained "why we're upset and what bothers us" about the banking industry attacks

CONTINUED ON PAGE 19>>

>> Prepare for Hike the Hill visits
See p. 8. >>

Frank talk about faith, family, and the flag



Retired Gen. Tommy Franks has spent his life fighting for the three most important things about America: faith, family, and the flag.

Similarly, credit unions are fighting for a cause: helping members achieve the American dream. "I'm honored to be here because you represent the soul of America and the American dream," the renowned military leader, Presi-

dential Medal of Freedom winner, author, and Fort Sill (Okla.) Federal Credit Union member told an appreciative crowd Monday morning. "Ain't it a great country? It's a country that's served by all of you, not just the veterans serving in time of war today."

Franks, commander in chief of the U.S. Central Command from 2000 to 2003, provided insights into the events

CONTINUED ON PAGE 12>>

Snow reiterates support for CU tax status

Treasury Secretary John Snow reiterated the Bush administration's support of credit unions' tax-exempt status at yesterday's General Session.

At last year's GAC, Snow said, "You get less of anything you tax ... and we don't want less of what you do." Referring to those comments yesterday, he told attendees, "I think you know where we are on the


[credit union] tax exemption."

Snow also addressed the current and future status of Social Security benefits. "The Social Security system has a big hole in it," he stressed. "It's underfunded by \$10 trillion."



When the government initiated Social Security in the 1930s, 40 workers existed for every retiree. Those num-

CONTINUED ON PAGE 20>>



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tuesday

MARCH 1

Time	Event/location
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7 a.m.-3:30 p.m.	Conference Registration Welcome Center/Back Terrace <i>Welcome Center refreshments sponsored by Digital Insight Corp.</i>
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7:15 a.m.-8:15 a.m.	Continental Breakfast Exhibit Hall/Terrace Pavilion
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8:30 a.m.-11:45 a.m.	General Session International Ballroom <ul style="list-style-type: none"> • CUNA Chairman Dick Ensweiler • NCUA Board member Debbie Matz • Rep. John Linder, R-Ga. • Rep. Spencer Bachus, R-Ala. • NASCUS Chairman Roger Little • Sen. Paul Sarbanes, D-Md. • Rep. Charlie Rangel, D-N.Y. • Point/Counterpoint with CNN's "The Capital Gang's" Mark Shields and <i>The Weekly Standard</i> Editor William Kristol
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11:45 a.m.-1 p.m.	Lunch Exhibit Hall/Terrace Pavilion
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1 p.m.-3 p.m.	General Session International Ballroom <ul style="list-style-type: none"> • Rep. Deborah Pryce, R-Ohio • Rep. Ed Royce, R-Calif. • Ed Smart, National Child ID Program • Rep. Paul Kanjorski, D-Pa. • Grzegorz Bierecki, president of Poland's National Association of Cooperative Savings and CUs and World Council of CUs Board member • Rep. Barney Frank, D-Mass. • Capitol Hill Send-off
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7 p.m.-10 p.m.	Gala Reception and Dance International Ballroom
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Wednesday, March 2

8 a.m.-9:30 a.m.	Conference Registration Welcome Center/Back Terrace <i>Welcome Center refreshments sponsored by Digital Insight Corp.</i>
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9 a.m.-noon.	Capitol Hill Visits
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9 a.m.-2 p.m.	Open House for Capitol Hill Visits CU House 403 C Street NE
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Holmes rings bell for Main Event

The bankers have come out swinging, and so did the GAC's "Main Event," when CUNA Vice Chairman Juri Valdov introduced surprise guest and boxing legend Larry Holmes to nearly 4,000 credit union representatives Monday.

"This year they [bankers] have come out swinging," said Valdov, who called for the opening bell of the GAC to ring and introduced someone who knows a thing or two about fighting: The Easton Assassin, Larry Holmes.

The longest-reigning heavyweight champ other than Joe Louis, Holmes encouraged credit unions to "keep on fighting for what you believe in" because your opponents don't care about you.

Like credit unions in the financial world, the champ was considered an underdog on his way up the heavy-weight fight division.

"A lot of people didn't give me a chance," Holmes said. "I proved them wrong. No one could measure my heart. I'm living proof you can do anything you want to. I believed in myself. Believe in yourself."

An appreciative credit union audience roared when Holmes launched some jabs at George Foreman and his overhyped grill and chided doubters and handlers because "the punches I took, they did not feel."

Holmes appeared as a representative of the National Child ID Program, a program credit unions support. ■



The gloves came off for former heavyweight champion Larry Holmes at a boxing glove autograph fund-raising session Monday. Ted Parsons, chief operating officer, Community Choice CU, Livonia, Mich., was one of many CU purchasers. The 90-minute session raised nearly \$14,000. Proceeds go to the National Association of Police Athletics/Activities Leagues (National Pal) and the National Child Identification Program. As a boy, Holmes went through the National Pal program, the No. 1 juvenile crime prevention program in the country.

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Olson credits CUs for leading Check 21 charge

Following former heavyweight boxing champion Larry Holmes at the podium Monday morning wasn't easy. But keynote speaker

Mark Olson, a member of the Federal Reserve System's board of governors, used it to make an important point.

"Twenty-one years ago, I served on the American Bankers Association's government relations council," said Olson. "I

learned from that experience that going up against the credit union movement was like going up against Larry Holmes. You folks are very good at what you do.

"Credit unions took the lead on Check 21 legislation," he said. "It has been 18 months since the legislation



[the Check Clearing for the 21st Century Act] was passed and six months since it was implemented.

While the original Check 21 goals are still valid, the process is moving much slower than anticipated due to slow start-up investments in supporting technology and inter-institutional relationships.

"Congress will be watching closely to make sure you pass on

to consumers your increased availability of funds."

He concluded by saying financial institutions' loan quality has been strong, but he's starting to see institutions increase their allowance for loan losses, which will have a negative effect on earnings. ■



Bernie Ray (left), Western CUNA Management School director, Tucson, Ariz., greets Debbie Matz, National CU Administration (NCUA) Board member, during an NCUA reception yesterday. Matz invited Ray to attend an April workshop, part of Matz's Partnering and Leadership Successes (PALS) initiative that gives CUs ideas on how to reach new markets. Ray says she appreciates Matz's interest in small CU issues.

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Newly installed CUNA Mutual Group CEO Jeff Post was introduced by CUNA President/CEO Dan Mica during Monday's General Session. Post has worked as an actuary for the insurance industry for many years. Post said he has learned 64 CU acronyms in his first three weeks on the job and joked that as an actuary, he only "needed to be close."

GET A RINGSIDE SEAT AT TONIGHT'S GALA

The GAC's "Main Event" gala begins with a reception and dance in the International Ballroom from 7 p.m. to 10 p.m.

Step right up to the boxing ring in the center of the ballroom, where you can sample delicacies from food stations aptly named:

- "Rocky V," with made-to-order Philly cheesesteak sandwiches;
- "Float Like a Butterfly and Sting Like a Bee," with quesadillas and a made-to-order pasta bar;
- "Round 4," with a mashed potato bar and carved beef, ham, or turkey;
- "Knockout," with stir fry, a taco bar, and Peking duck; and
- "George Foreman," with made-to-order sandwiches prepared on George Foreman grills.

Then make room for dessert, such as chocolate fondue, pastries, an ice cream bar, and freshly brewed coffee and tea. You'll find it all at the "Sugar Ray" station, of course.

The gala takes place against the backdrop of the smooth sounds of Sidney's Orchestras. Under the direction of Sidney Seidenman Jr., this group has a long tradition of musical and entertainment excellence, making it a GAC favorite year after year. ■



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Prepare for Wednesday's Hike the Hill

Hike the Hill visits will take place tomorrow as a result of their successful move from Tuesday to Wednesday during last year's GAC.

Leagues told CUNA that more credit unions were able to meet with their senators, representatives, and legislative aides because of last year's logistical change.

Members of Congress typically return to Washington in large numbers from their home states and districts Tuesday evening after the Presidents' Day recess. As a result, they should be in town for Wednesday's credit union hikes.

CUNA will seek feedback on how credit unions and leagues fare on the one-day Hill visits.

Top issues credit unions will discuss include:

- *Preserving credit unions' tax status.* CUNA strongly opposes all attempts to include credit unions in any hearings or legislation in the 109th Congress concerning the credit union tax-exempt status—a position the Bush administration and several members of Congress support.
- *Credit Union Regulatory Improvements Act.* This credit union-specific proposal improves the regulatory envi-

ronment for credit unions, particularly by changing the threshold for the level of member business lending and by introducing a risk-based component to the capital system.

- *Financial Services Regulatory Relief Act.* This proposal would provide regulatory relief to credit unions, banks, and thrifts. It alleviates some of the

statutory micromanagement of credit unions imposed, in part, by the Credit Union Membership Access Act (H.R. 1151).

- *Bankruptcy Abuse Prevention and Consumer Protection Act (S. 256, H.R. 685).*

Credit unions continue to seek reforms to the current Bankruptcy Code to hold more consumers responsible for repaying their debts and making good on their obligations.

- *International issues.* Worldwide credit union development issues are in the hopper again this year. Capitol Hill hikers will represent specific issues of interest to the World Council of Credit Unions.

Refer to Hill briefing papers and other documents you received in your registration packets for more information on what to discuss with your legislators during your Hike the Hill visits. ■



The Massachusetts CU Share Insurance Corp. (MCUSIC) presented a \$5,000 check Monday to the Massachusetts CU League and CUNA for the legal defense fund to counter banker attacks. "The league appreciates the partnership with MCUSIC and its commitment to assist CUs in their defense of banker attacks," said Dan Egan, league president/CEO. From left are Egan; Kenneth Del Rossi, president/CEO, Northern Massachusetts Telephone Workers CU, Lowell; Eugene Foley, president/CEO, Harvard University Employees CU, Cambridge; John Buddle, president/CEO, MCUSIC; and Debbie Guiney, president/CEO, AllCom CU, Worcester.

NCUA to study use of examiner matrix

National Credit Union Administration (NCUA) Chairman JoAnn Johnson said the agency is reviewing the effectiveness of and whether to continue to use the examiner matrix in determining credit unions' CAMEL ratings. The regulator also discussed capital reform during Monday's General Session.

Johnson said the purpose of the matrix is to provide guidance to examiners, not to dictate CAMEL ratings.

She said the matrix isn't risk focused and doesn't account for the complexity of the institution, so NCUA staff have been asked to help determine whether the matrix still should be used.

After consulting with

Reps. Ed Royce, R-Calif., and Paul Kanjorski, D-Pa., along with the Treasury Department, NCUA issued a proposal last week for reforming the credit union capital system—introducing both leveraged and risk-

based components, Johnson explained.

"It's time for modernization," Johnson said. The prompt corrective action [PCA] reform proposal is comparable to the Federal Deposit Insurance Corp. capital system and is in accord with BASEL II capital requirements.

Johnson expressed appreciation to the credit union movement for providing input into the PCA reform plan.

The NCUA official concluded by saying, "We're working to make sure our regulations are effective rather than excessive, and that each regulation will add value to the credit union industry." ■



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Morning lineup packs a punch

If it's perspective you want, it's perspective you'll get during this morning's General Session.

Welcoming remarks will come your way from **Paul Berry**, former television news anchor and GAC emcee, and **Don Larsen**, CUNA Board secretary and CEO of Community Credit Union, Tacoma, Wash. You'll also hear from CUNA Board Chairman **Dick Ensweiler**, president of the Texas Credit Union League.

National Credit Union Administration Board member **Debbie Matz**, who champions the Partnering and Leadership Successes (PALS) initiative, will address this year's top issues for the credit union community.

Look for Rep. **John Linder**, R-Ga., to talk about the future of broad-based tax reform. Linder recently joined the House Ways and Means Committee.

Rep. **Spencer Bachus**, R-Ala., chairman of the Subcommittee on Financial Institutions and Consumer Credit,

and credit union friend, also will address GAC attendees.

NASCUS Chairman **Roger Little** will highlight the strengths of the dual-charter system.

Senate Banking Committee Ranking Democrat **Paul Sarbanes**, Md., will share his views on the credit union landscape and financial literacy.

You'll hear from Rep. **Charlie Rangel**, D-N.Y., ranking member on Ways and Means and chairman of the Democratic Congressional Campaign Committee. Rangel is the principal author of the \$5 billion Federal Empowerment Zone demonstration project to revitalize urban neighborhoods in the U.S.

Mark Shields, of CNN's "The Capital Gang," and **William Kristol**, editor of the political magazine *The Weekly Standard*, share center stage in what's sure to be a lively point/counterpoint discussion surrounding critical issues of the day. ■

NFCDCU TO DETAIL INITIATIVES

To learn what the National Federation of Community Development Credit Unions has on its agenda, attend a briefing and press conference today from 3:30 p.m. to 5 p.m. in the Map Room.

In addition to discussing the state of the Federation and low-income/community development issues, representatives will cover:

- The Community Development Financial Institutions Fund and the battle to save it from extinction;
- National Credit Union Administration initiatives to improve regulation and examination of low-income credit unions; and
- New initiatives. ■

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See CURIA co-authors this afternoon

Take this opportunity to support those who have supported credit unions throughout the years. Two co-authors of last year's Credit Union Regulatory Improvements Act (CURIA)—plus a diverse lineup of legislative and other leaders—will address this afternoon's General Session.

CURIA's original sponsor, Rep. Ed Royce, R-Calif., likely will discuss the bill's prospects this year and how credit unions should work toward its passage. Advancing CURIA will be a top legislative priority for CUNA.

Rep. Paul Kanjorski, D-Pa., CURIA co-sponsor and Financial Services Committee member, also will address CURIA's prospects. In 1998, the long-time credit union supporter was the lead Democratic sponsor of H.R. 1151, the Credit Union Membership Access Act.

Also on this afternoon's docket:

- Rep. Deborah Pryce, R-Ohio, chair of the House Republican

Conference. Pryce returned to the Financial Services Committee after spending 10 years on the House Rules Committee.

- Rep. Barney Frank, D-Mass. The quick-witted GAC veteran is ranking minority member of the House Financial Services Committee and a member of the Select Committee on Homeland Security. Frank, an H.R. 1151 proponent, has applauded credit unions' efforts on international remittances.

- Grzegorz Bierecki, president of Poland's National Association of Co-operative Savings and Credit Unions and a World Council of Credit Unions Board member. He'll detail lessons learned from defending Polish credit unions' tax exemption.

- Ed Smart, nationally recognized advocate for child abduction prevention. He'll discuss credit unions' role in the National Child ID Program, which distributes inkless fingerprint kits to parents. ■

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leading to war in Afghanistan and Iraq.

On Sept. 10, 2001, he met secretly with Pakistan's intelligence community about how to capture Osama Bin Laden, long considered a terrorist threat. "Watching the second jet crash into the World Trade Center on TV the next day, I realized my country had changed forever," he said. "We forget that day at our peril because it's not a done deal."

The U.S. military began operations in Afghanistan Oct. 7, 2001. Seventy-five days later, it had removed the Taliban and installed a new government.

The first time President Bush asked

Franks about Iraq's role in terrorism was Dec. 28, 2001, disputing claims the president was "fixated" on the country. "He never asked my opinion

about whether to remove Saddam Hussein from power," Franks said. "But if he had, I would have said, 'all right then.'"

When the 9/11 commission asked Franks what he would have done to prevent the terrorist attacks, he cited several previous terrorist attacks against U.S. forces, starting in Beirut in 1983. "When a country turns its back on a problem and

hopes it goes away, this is what happens. We all should remember the price of inactivity." ■

"Watching the second jet crash into the World Trade Center on TV... I realized my country had changed forever."
—Retired Gen. Tommy Franks

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PANELISTS DEBATE SOCIAL SECURITY PRIVATIZATION

►“When I came to Washington 15 years ago, I was told to avoid three topics: postal issues, Medicare, and Social Security,” said David John at Monday’s breakout session, “Prospects for Social Security Reform.” “I figured Social Security was the lesser of those three evils.” John is a research fellow at the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation. He’s a proponent of private investment accounts for Social Security.

“Without personal accounts, we’re faced with either raising payroll taxes or cutting Social Security benefits,” said John. “We could raise payroll taxes from 10.6% to 12.6%, but that would make employment more expensive and cost an estimated 277,000 jobs per year for 10 years following the payroll tax hike. Or we could reduce benefits by raising the retirement age, but all that does is transfer people from the employment roles to the disability roles as more older workers get injured on the job.”

“Social Security was never intended to be an investment vehicle—it’s primarily an insurance vehicle,” said David Cerner, director of the Federal Affairs Department for AARP. Cerner is opposed to funding private investment accounts at Social Security’s expense. “We already created private investment accounts 25 years ago—they’re called 401(k)s and individual retirement accounts. We need to encourage investment in the private accounts we already have without creating new ones.” ■

Panelists

- David Cerner, director, Federal Affairs Department, AARP
- David John, research fellow, Thomas A. Roe Institute for Economic Policy Studies, The Heritage Foundation

PRIVILEGE PAY: CASH COW OR MAD COW?

►Privilege pay seems like a no-brainer service to offer. It generates important fee income and provides a valued service to members.

But be careful how you structure your program. Credit unions will ultimately pay the price if they don’t put their members’ best interests ahead of revenue.

“If we benefit some members but harm many others, credit unions will ultimately pay the price,” claimed Mary Cunningham, president and CEO of USA FCU, in San Diego, Calif. Translating privilege pay fees into an annual percentage rate would make many providers “no better than payday lenders.”

At a standing-room-only breakout session Monday, Cunningham continually warned attendees—most of whom already offer privilege pay programs—to design member-friendly programs.

You need to know how members are using the program and whom it may be hurting, she said. Take steps to protect your members’ (USA refunds fees when asked with no strings attached) and your credit union’s reputations. Review program design suggestions from CUNA, the National Credit Union Administration, and other financial regulators.

“This is a privilege program; it is not a right,” said Wes Millar, senior vice president of CUNA Strategic Services, Inc., Madison, Wis. Millar noted that privilege pay (which has many names, among them bounced protection, courtesy pay, and bounced privilege plans) are growing in popularity, having doubled in recent years.

“I encourage you to wear your members’ hat when designing your program,” Millar said. ■

Panelists

- Mary Cunningham, president/CEO, USA FCU San Diego, Calif.
- Wes Millar, SVP, CUNA Strategic Services Inc.

DUE DILIGENCE IS CRITICAL FOR CUs

►When credit unions look for partnerships with third-party service providers, it’s important they check the vendor’s background, review legal and financial considerations, monitor return on investment, and understand insurance requirements, noted Faith Lleva Anderson, vice president/general counsel, American Airlines Federal Credit Union, Fort Worth, Texas. Anderson and other panelists raised due-diligence red flags at a breakout session yesterday.

For their part, boards must consider directors’ fiduciary duty, risk management principles, corporate government principles, and regulations. “One concern is regulators will force more due diligence on credit unions,” resulting in more board micromanagement forced on credit union staff, said Parker Cann, executive vice president/chief operating officer, Arrowhead Credit Union, San Bernardino, Calif.

Panelists

- Faith Lleva Anderson, vice president/general counsel, American Airlines FCU, Fort Worth, Texas
- Parker Cann, executive vice president/chief operating officer, Arrowhead CU, San Bernardino, Calif.
- Faye Patzner, chief legal officer, CUNA Mutual Group
- Michael Daigneault, director of advisory services, DeLeon & Stang, Washington, D.C.

Faye Patzner, chief legal officer, CUNA Mutual Group, Madison, Wis., said performing due diligence depends on whether the project involves a lot of money (revenue or expense), if it’s a mission-critical initiative, and if it creates risk.

The Sarbanes-Oxley Act of 2002 gives credit unions an impetus to perform due diligence regardless if the act applies to them, said Michael Daigneault, director of advisory services, DeLeon & Stang, Washington, D.C. He emphasized recruiting, ethics codes and programs, education, and evaluation. ■

SERVING LOW-WEALTH HOUSEHOLDS

►Did you know nearly 30 million Americans use check cashers each year, and that check cashers process more than 180 million checks worth \$55 billion annually?

So noted Lois Kitsch, director of special projects for the Filene Research Institute, Madison, Wis. She joined Jim Blake, president/CEO of HarborOne Credit Union, Brockton, Mass., and Laura Lowe Edgar, director of community services for Arizona Federal, Phoenix, during Monday's "Best Practices: Modest Means Track" session.

These statistics show not only is there a need for affordable financial services, there's a market for credit unions.

"Credit unions can introduce low-wealth individuals to products and services that will help them build savings, reduce debt burdens, and clean up impaired credit records," said Kitsch. Credit unions can benefit with noninterest income opportunities, membership growth, and political goodwill.

Another prime need for low-wealth households is mortgages, Blake reported. He considers serving this market as a way to help people in need and an opportunity to

boost credit unions' 2% share of the mortgage market. "With our net worth ratios more than 10%, how can we not make these loans? These loans are opportunities to show the real difference between credit unions and banks."

Edgar advocated several practices to help low-wealth households, including:

- Operating branches in low-wealth areas;
- Providing financial education;
- Serving recent immigrants by helping them establish

credit histories, providing a safe place for deposits, and serving as an alternative to predatory lenders; and

- Promoting affordable international remittance services, such as IRNet, licensed by CUNA and the World Council of Credit Unions. ■

Panelists

- Lois Kitsch, director of special projects, Filene Research Institute, Madison, Wis.
- Jim Blake, president/CEO, HarborOne CU, Brockton, Mass.
- Laura Lowe Edgar, director of community services, Arizona Federal, Phoenix

ACTIVATE CU GRASSROOTS EFFORTS FOR CURIA

►The soon-to-be introduced Credit Union Regulatory Improvements Act of 2005 (CURIA) and the importance of credit union grassroots participation in moving the bill were addressed at an afternoon breakout session yesterday.

CUNA staff, key congressional staff, and league and credit union officials discussed their experiences with the legislation and how to drum up support from credit union members in the states and House districts.

Moderator Gary Kohn, CUNA's vice president of legislative affairs and senior legislative counsel, laid the groundwork by recounting the historical path leading to the introduction of CURIA in the 108th Congress and its journey since then. He said CURIA is occurring in the aftermath of restrictions placed on credit unions following the passage of H.R. 1151, the Credit Union Membership Access Act of 1998.

In addition, Kohn said CURIA is the end result legislatively to many of the recommendations of the Renaissance Commission. Last year's congressional session ended with 69 CURIA co-sponsors and a separate hearing to discuss the legislation.

"The hope is we use that strong base of support as a launching point for a new effort this Congress," stressed Kohn. "The bill hasn't been introduced yet because improvements are in the works for its capital modernization title.

"The new bill needs to clarify unjustified criticisms by the banking industry and work with other arms of the credit

union movement and people on Capitol Hill before moving forward," he added.

Last year, Congress received 59,000 banker letters of opposition to CURIA. "This is why it's important to expand our grassroots efforts in relation to CURIA," noted Richard Gose, CUNA's vice president of political affairs. "We must demonstrate we have stronger grassroots involvement than the banks, and we do."

Todd Harper, legislative director for Rep. Paul Kanjorski, D-Pa.; and Jeremiah Norton, legislative assistant to Rep. Ed Royce, R-Calif., discussed the substance of the bill and the significance of grassroots involvement to members of Congress.

Iowa Credit Union League Vice President Patrick Jury used grassroots involvement to combat banker efforts in his state. He described the league's more successful techniques and said they may prove valuable at the federal level.

Sandy Lingerfelt, CEO of Clinchfield Federal Credit Union, Erwin, Tenn., shared examples of experimental projects that generated substantial grassroots involvement from small credit unions. ■

Panelists

- Richard Gose, CUNA vice president of political affairs
- Todd Harper, legislative director for Rep. Paul Kanjorski, D-Pa.
- Jeremiah Norton, legislative assistant to Rep. Ed Royce, R-Calif.
- Patrick Jury, vice president, Iowa CU League
- Sandy Lingerfelt, CEO, Clinchfield FCU, Erwin, Tenn.

HOT TOPICS IN NCUA EXAMS

► A panel of experts from the National Credit Union Administration's (NCUA) office of examination and insurance provided an overview yesterday of issues of particular interest to examiners in 2005. The issues included seven areas of risk: credit, interest rate, liquidity, transaction, compliance, strategic, and reputation.

Joy Lee, director of supervision, said examiners will expect credit unions to demonstrate that they understand their interest-rate risks—particularly related to fixed-rate mortgages. Credit unions also must have an asset/liability management plan detailing how to address those risks and be prepared to sell loans if necessary.

Credit unions need a strong Bank Secrecy Act (BSA) compliance program, said Elizabeth Habring, program officer. In particular, they should have adequate training programs in place and conduct independent testing as required by BSA regulations.

Regarding due diligence reviews, the agency understands that credit unions should take risks when making loans, noted Wendy Angus, program officer. But NCUA expects credit unions to understand new loan products and evaluate the capabilities of third parties they rely on in making loans and providing other services.

Strategic risk is of key importance, stressed Lee. If credit unions' boards and management plan carefully for a five-year period, the other six risk categories should fall into place. ■

Panelists

From NCUA's office of examination and insurance:

- Joy Lee, director of supervision
- Elizabeth Habring, program officer
- Wendy Angus, program officer

SCOOP THE BANKS IN YOUR LOCAL PRESS

► Michael A. Wishnow, Pennsylvania Credit Union Association senior vice president, communications and marketing, is using his 15 years as press secretary to the state bank regulator to help credit unions respond to banker attacks.

Yesterday, Wishnow shared the league's approach to responding to banking executives using local business journals and other hometown media to portray credit union growth and competition as unfair.

"We stress the importance of CEOs as experts not only regarding credit union issues but in broader issues affecting the financial services industry, economy, and business climate in general," said Wishnow. He showed a video clip of credit union representatives in action on "Pennsylvania Newsmakers," a statewide political issues television show.

The Colorado and Wyoming credit union leagues also know the power of positive media exposure. By appearing as a source for regular articles in a local business journal, the leagues have strong relationships with local reporters, who now rely on league representatives as financial services industry sources.

"When the recent legislative session rolled around, we were contacted by the local business journal to find out what legislation was being proposed and the impact on credit unions and the financial industry," said Terri Johnson, the leagues' manager of communications and public policy. "With one of three Colorado and Wyoming citizens as members of credit unions, we have the power of unity to reinforce our strength through the media."

"With a nonexistent publicity budget, the Consumer Federation of America [CFA] also counts on the media to deliver its messages to consumers," said Jack Gillis, director of public affairs. Gillis shared CFA's tips for "getting in the news," discussed how CFA uses press releases vs. press conferences, and showed how simple lists can help media reps cut through the clutter. ■

Panelists

- Michael A. Wishnow, senior vice president, communications and marketing, Pennsylvania CU Association
- Terri Johnson, manager of communications and public policy, Colorado and Wyoming CU leagues
- Jack Gillis, director of public affairs, CFA, Washington, D.C.

SHARE STORIES OF GLOBAL ADVOCACY AND OUTREACH

► Credit union advocacy and outreach take place every day on behalf of the 123 million credit union members worldwide. Communicating to elected officials your participation in these activities goes a long way toward strengthening credit unions' image on Capitol Hill.

That's what panelists emphasized during yesterday's breakout session "Credit Union Difference on a Global Scale." Educate elected officials and your own members about how your credit union:

- Extends services to the Hispanic community;
- Participates in credit union league international partnership activities; and
- Supports international credit union development and microenterprise initiatives.

Credit unions play a unique role providing affordable financial services to individuals in communities worldwide. Sharing these stories is another way to remind legislators of the credit union difference, panelists said. ■

Panelists

- Kelly Schermerhorn, president/CEO, Harvest Federal CU, Heath, Ohio
- Kellie Larkin, senior legislative counsel for Rep. Luis Guterrez, D-III.
- Michael S. Considine, senior legislative assistant for international trade, investment, and development and deputy legislative director for Sen. Chuck Hagel, R-Neb.

COMBINE ADVOCACY AND ADVERTISING

► More leagues are combining advocacy with their advertising messages to educate the public.

"People have to understand our message because they influence legislators' decisions," said Kevin Chandler, president/CEO, Minnesota Credit Union Network.

Radio spots "take on banks head on," Chandler explained, by exploiting bad press state banks have received for rampant bank mergers and their proclivity to charge high automated teller machine (ATM) surcharges. The league has prepared for a possible tax fight.

The California and Nevada leagues created a \$6 million advocacy campaign to build support and awareness for credit union issues, noted Henry Kertman, director of public relations. It developed three radio spots:

- "Voices" features a variety of people explaining the credit union difference.

- "Doors" warns consumers that their financial institution options are in danger of being curtailed by banks.

- "Save nothing" takes a humorous approach to explain how healthy competition benefits consumers.

The Utah League of Credit Unions developed a multi-pronged advocacy campaign that "captures the essence of the credit union difference," said Scott Simpson, Utah League of Credit Unions president. The result is "You," a long-term campaign using television, a Web site (*defendmycreditunion.org*), billboard ads, and other elements, branded by a blue circle bearing the word "you." ■

Panelists

- Kevin Chandler, president/CEO, Minnesota CU Network
- Henry Kertman, director of public relations, California CU League
- Scott Simpson, president, Utah League of CUs

FACT ACT CREATES EDUCATED CONSUMERS

► Regina Metz, National Credit Union Administration (NCUA) staff attorney, understands all too well the perils of identity theft. She was a victim of a "smash and grab," in which her car window was shattered and personal identification (ID) items stolen.

Metz immediately put a fraud alert on her credit accounts, she told attendees at yesterday's breakout session, "Getting the FACTS: ID Theft and Credit Reports." Taking the proper steps when your credit union sees a fraud alert on a credit report is part of new Fair and Accurate Credit Transactions (FACT) Act requirements, noted Anne Gehring, senior attorney, CUNA Mutual Group.

Credit unions still await the bulk of the FACT Act's implementing regulations. NCUA finalized one rule last fall addressing disposal of consumer and member records. The agency expects to release another final rule soon, Metz said.

FACT Act requires an ID theft prevention program, Metz added. That program calls for credit union policies and procedures addressing red-flag guidelines to identify ID theft, prevent take-over accounts through change-of-address notices,

assess the validity of change-of-address requests, and address inactive accounts.

In the long run, the FACT Act will produce more educated consumers and members, said Andrew Smith, FACT Act program manager, Federal Trade Commission. That's because the law requires consumers to receive one free credit report annually and mandates a financial literacy education commission. ■

Panelists

- Regina Metz, staff attorney, NCUA office of the general counsel, division of operations
- Anne Gehring, senior attorney, CUNA Mutual Group
- Andrew Smith, FACT Act program manager, Federal Trade Commission

CULAC FUND-RAISING STRATEGIES

► A breakout session on the Credit Union Legislative Action Council's (CULAC) fund-raising strategies Monday afternoon discussed the success of old and the promise of new fund-raising programs.

Rookies and veterans alike learned about the various programs under CULAC, the political action committee of CUNA.

Richard Gose, CUNA's vice president of political affairs, gave an overview of fund-raising programs that have been largely successful for the leagues.

The coin program, for instance, capitalizes on each state's quarter. The proceeds from credit union sales of the state-coin collection sets go to CULAC.

Another example is the Deduct-a-Buck Program. Credit union members have a contribution deducted from their share draft or savings accounts each month, quarter, year, or other interval, with proceeds going to CULAC.

Scott Earl, director of the Children's Miracle Network's Credit Unions for Kids Program, described the new customizable Matching Gift Program. Credit union members make a contribution to CULAC through their credit unions, and credit unions match those contributions by donating to various charities.

Jan Baran and Mark Renaud, senior partner and associate, respectively, of Wiley, Rein & Fielding, Washington, D.C., discussed the pending CUNA-supported Federal Election Commission (FEC) rule change on payroll deduction. ■

Panelists

- Richard Gose, CUNA's vice president of political affairs
- Scott Earl, director, CU for Kids Program, Children's Miracle Network
- Jan Baran, senior partner, Wiley, Rein & Fielding
- Mark Renaud, associate, Wiley, Rein & Fielding

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South Carolina State Rep. Chauncey K. "Greg" Gregory (center) receives the Desjardins State Legislator Award from Lee Williams, chair of CUNA's State CU Subcommittee and CEO of Aviation Associates CU, Wichita, Kan., and Garry Parks, president/CEO of the South Carolina CU League. Following the award presentation, CO-OP Network CEO Bob Rose was recognized for the company's \$100,000 donation to CUNA for its support of the National Endowment for Financial Education®.

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CUNA President/CEO Dan Mica recognized Pete Crear for his 40 years of service to the credit union movement during the General Session Monday morning. Crear, who recently retired from CUNA as executive vice president of external relations, worked for the Connecticut, Indiana, and Michigan leagues, crossed the country founding credit unions, and co-founded the African American credit union movement. He said, "Next year, I expect to be in the audience asking really tough questions."

on credit unions.

Ads claiming credit unions are hurting banks appeared yesterday on Capitol Hill. "I'm not here to condemn the bankers but to put some reality in this discussion," Mica said.

Bankers just announced record profits for the fourth consecutive year. It's now a \$10 trillion industry with net income of \$123 billion.

"This is not an industry in trouble," Mica said. "It's one that's growing. And bankers brag to everyone—except to Congress—how healthy their industry is."

However, a strong group of zealots in that industry, Mica noted, believes it must fight credit unions regardless. So year after year, credit unions must fight back.

One way to fight back is to talk to legislators. Mica's message when attendees hike the hill this week: Tell the truth about credit unions. ■

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Two years ago, the Small Business Administration (SBA) opened eligibility to all CUs to participate in its 7(a) loan guarantee program, creating greater access to capital for small businesses. To date, 50 CUs have participated as SBA 7(a) lenders, providing more than \$26 million in loans. Tom Dorey, president/CEO of Suncoast Schools FCU, Tampa, Fla. (left), presented Hector Barreto, SBA administrator, a plaque in recognition of the agency's support for CUs.

Snow | CONTINUED FROM PAGE 1

bers have dwindled to about 15 workers per retiree in the 1950s and to the current three workers per retiree today. "Add baby boomers into the picture, and there will be only two workers per retiree," said Snow.

Social Security benefits won't be affected for Americans age 55 or older, he noted. "But how do we fix the system to provide benefits for younger people?" One solution: Encourage them to invest in safe investment vehicles, which will grow over time into a nest egg.

Snow said President Bush brought the issue to light in his State of the Union address, which has ignited broad national debate. "We've seen a clear shift from 'Is there a problem?' to 'How do we fix it?'" He urged attendees to raise the Social Security issue in their communities and with their lawmakers. "You can be an important part of that dialogue." ■



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This year's Future Forum will build on 2004's brilliant, bold, and creative endeavor in Honolulu, at which more than 1,500 industry professionals soaked up knowledge, as well as the Hawaiian sun and spirit of Aloha. The motto for the 2005 event: Lead, inspire, succeed.

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- A think tank of credit union profes-

sionals explaining their thoughts on

innovation and what disrupts that crucial process; and

- Benchmarking tools your credit union can use to gauge its financial performance against peer institutions.

Although tourism remains the city's top industry, San Francisco has a base of thousands of technology and professional service firms and is one of the world's most ethnically diverse communities.

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For more information, visit the Future Forum booth in the Exhibit Hall Pavilion on the Terrace Level. ■

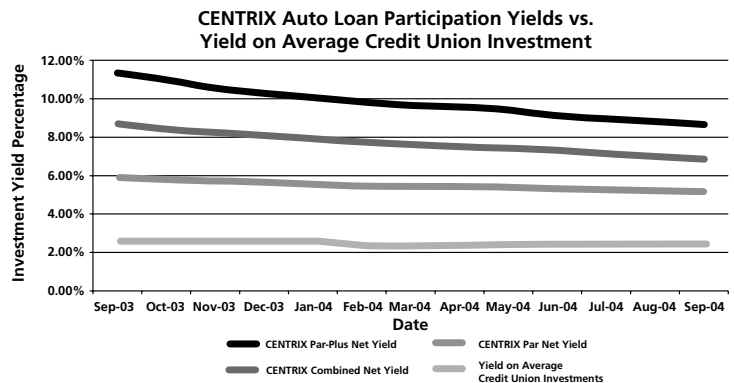
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what do you think?

QUESTION OF THE DAY

WHAT WILL YOU TALK TO YOUR LEGISLATORS ABOUT WHEN YOU HIKE THE HILL?



Danville Prather
Vice chair/legislative
representative
Battle Creek Chapter
Kellogg Community FCU
Battle Creek, Mich.

We visit our representatives a couple of times a year. Some of the top issues we'll talk about Wednesday are bankruptcy, identity theft, and predatory lending. We've already addressed some of these concerns with legislators and their staffs. And before we see them, we give them information on what credit unions are all about.

We use the Capitol Hill visits to try to establish a long-term relationship with our legislators. We want to get some face time with them. We'll probably discuss the banking attacks. We're expecting a contingent of about 60 to 70 people from our state.

Ralph Cathey
Director
South Carolina FCU
Charleston



Anne Marie Garfield
Director
Municipal CU
New York

There are so many issues to discuss with legislators, and bankruptcy reform is a key one. We try to stay in touch to get representatives' support for issues that are important to us so we can better serve members. Each year we also show legislators through Project Zip Code exactly how many credit union members they represent in their districts.

Bankruptcy reform. We usually have a good group from Missouri attending—about 15 to 20. Our Hill visits have changed. We used to visit all of our lawmakers in the past. Now, what works best for us is a breakfast meeting with our legislators. They can just drop in and see us to discuss any topics.

Dennis DeGroot
CEO
Missouri Corporate CU
St. Louis



William Mellin
President/CEO
New York State
CU League
Latham

We'll talk about CURIA [Credit Union Regulatory Improvements Act]. We'll also emphasize the credit union difference and the important role credit unions play in our nation, our states, and our communities. We want to talk about meaningful bankruptcy abuse reform. Consumers who really need it can still file for bankruptcy, but those who abuse the system should be stopped.

We really have no agenda. We just want to be sure our representatives know where we're coming from on issues. Credit unions in our state already have a strong relationship with legislators. Our goal is to cultivate that relationship.

Brian Osberg
President/CEO
Potelco United CU
Pocatello, Idaho





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