

**CUNA Small Credit Union Committee  
Meeting Minutes**

**Via Teleconference  
June 16, 2009**

	Present	Unable to Attend		Present	Unable to Attend
Frank Michael	x		Lora Michael		x
John Graham	x		Gary Parker	x	
Trisha Baker	x		Horacio Peralta	x	
Phyllis Cochran		x	Steven Schlundt	x	
Jeff Green	x		Scot Tsuchiyama		x
Eunice Johnson Rodgers	x		Bob Hoel	x	
Reta Kahley	x		Todd Spiczenski		x
Phyllis Kunze	x		Mike Schenk	x	
Vicki McIntosh	x				

**Legislative Update** – Tom Gannon sat in for Ryan Donovan and provided a legislative update. He began by stating there are three items on CUNA’s front burner.

- 1) **Regulatory Restructuring** – CUNA is following the process and is awaiting the Obama proposal which is due out June 17. On June 18 a hearing with secretary Geitner is scheduled where the administration’s proposal will be presented. The feeling by Hill staff is very positive and that NCUA will remain separate for credit unions. Barney Frank is pro-NCUA. In the Bill there is a provision for a Council or commission that would regulate all financial products and services, not just institutions. CUNA is looking very closely at this. Currently, staff feel the timing of the vote will most likely be in October.
- 2) **Nomination of Deborah Matz as NCUA Chair** – The confirmation hearing will be taking place in July. CUNA doesn’t see any surprises ahead and with her background with credit unions and having served on the board before, it may be a win-win.
- 3) **Interchange Update** – At the time of the GAC, neither the House nor Senate had a bill being looked at; now they both do. There are 3 bills that have been introduced in Congress: a) HR 2695 – Conyers of Michigan; b) HR 2382 – Welch of Vermont; c) S1212 – Durbin of Illinois. CUNA is watching all three; however, credit unions are specifically addressed in the Conyers and Durbin bills. As more detailed information becomes available, the committee will be informed.

CUNA plans to write letter of opposition to both offices. Small issuers plan on the fees generated to pay for expenses. Rates seem to be status quo at this time. Merchants are attempting to reduce the fee which may end up hurting credit unions.

When CUNA met with the GAO, credit card fees and regulations were discussed. Tom Gannon said that the GAO report will be available in the next six months and the committee will receive a full copy then. A question was raised if the document will be used as the starting point for regulations and future debates on fees. Depending upon if the report is favorable or neutral will determine the benefit of using it.

Committee Chair Michael then asked for any questions. He asked if CUNA thought that having 2 of the 3 NCUA board members from within the industry was a positive. Gannon noted that they know the industry which is a plus and that there doesn't seem to be any push back on the Hill. Comment has been made that things look positive.

Vicki McIntosh asked about the regulatory restructuring and if the administration was moving away from a "super regulator" because of it being a systemic risk. She also wanted to know if the new Council would have a broad authority over financial services and products and institutions. Gannon replied that the discussion and outline of the commission may not get passed until the end of the year. The authority level is an item that will be closely watched by CUNA. It may have authority over several agencies including NCUA. This would give the Council interaction with credit unions through NCUA/FDIC.

Eunice Rogers asked what the timeframe would be for the restructuring and if CUNA had any feeling for how quickly it would pass and if Matz would be on board before much happened. The final decisions could possibly eliminate OTS with the consensus that it could be folded in the FDIC. Gannon noted that as things progress updates will be sent out.

**GAC Committee Update:** CUNA's GAC committee is scheduled to participate on a call with Elizabeth Warren who is the point person for the commission. Chairman Michael will be on that call and will report back to this committee. He will provide information on how it'll affect smaller institutions. NCUA may end up with supervision of regulatory compliance for credit unions but with it being managed by the Federal government. Some pros AND real cons to it.

#### **Corporate Credit Unions:**

There is a call scheduled for the end of July that includes CUNA, NAFCU, Roundtable and small credit unions. The call will dive into all issues of concern for credit unions.

**Small CU Task Force Report:** Chairman Michael turned this over to Mike Schenk to update the committee. The Task Force report was issued in 1999 with many of the items noted in it completed and/or irrelevant in the current market. Because it's the 10<sup>th</sup> anniversary of the report, Committee members thought this would be a good time to update the report to reflect current issues and concerns.

Some of the items that were pertinent in 1999 are still before credit unions. Many of the committee members thought it a good idea to look at the 1999 report and take out what is no longer fits; then to look at items left, prioritize and update and add new issues that affect small credit unions. Many of the issues are still relevant. One in particular that was identified was the willingness to cooperate and integrate efficiencies. Collaboration and regulatory problems remain on the list. It would then become a "working document".

Once it's cleaned up, the committee could share with the state leagues. The committee needs to identify what the "Tier Issues" are today – Vicki thought one of them should be Regulatory issues. The committee agreed. Bob Hoel stated that in 1999 there were 25 items identified but thought it might be better to list the top 10.

It would be a good item to take to NCUA in the fall once the new chair is chosen. Much of what is pertinent today could be used as a focus point going forward.

**Action Item:** Chairman Michael asked the committee to review and provide feedback to Mike Schenk as soon as possible. Look at the report from 1999 using the same outline and email Mike the top 2 or 3 what the committee and peers think. Each committee member should email THE Big one + 2 or 3 additional issues/concerns. It will be one of the main agenda items in July. It would be good to have an update by fall. **In the next two weeks,** review the report, identify current issues and concerns, rank them and identify any NEW issues. Sort into tiers on where things are today. All agreed that one of the 1<sup>st</sup> tier items would be corporate credit unions.

Everyone agreed that this will be a great tool for leagues to use and for credit unions to understand the challenges and issues facing not only small credit unions but everyone.

**Small CU Financial Update:** Schenk reviewed a Small CU profile that was sent for the call. The numbers are not that good from a historical perspective, however, given the costs, risks, challenges, the outcomes are favorable reflecting the fact that credit unions have near-record levels of capital and "remain in the game". Reviewing the financials in more depth, he noted, may help when reviewing the task force report.

Schenk noted that credit unions are showing strong growth in MBL, 1<sup>st</sup> mortgages and used auto loans. The asset base is growing; loans-to-savings ratios are down but investments are up. There is little interest rate risk and credit unions under \$35M have ROAs of about break even.

Schenk then drew their attention to the document "The Credit Union Difference". He walked through the power point and noted the graphs on pages 4 & 5. Credit unions are not part of the current financial institution problem. They are doing things that are needed and wanted and that are making a positive difference for members and communities. He noted a decline in new auto and weakness in unsecured loans and credit cards are having a negative effect on asset yields.

**ACTION ITEM: Review above and report in the next two weeks.**

Meeting Adjourned at 2:20.

### **Future Conference Calls**

Date	Time
Tuesday, August 18	2:00 pm Eastern
Tuesday, September 15	2:00 pm Eastern
Tuesday, October 20	2:00 pm Eastern
Tuesday, November 17	2:00 pm Eastern
Tuesday, December 15	2:00 pm Eastern