

CUNA Small Credit Union Committee
Meeting Minutes
Via Teleconference
November 3, 2009

Roll Call

	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
Vicki McIntosh		x	Mike Schenk	x	
			Michael Edwards (DC)	x	

Approval of September 22 Minutes - The minutes were approved as submitted.

Washington Update – Michael Edwards, Regulatory Affairs, Counsel for Special Projects joined the call to update the committee on the important issues facing the industry.

Corporate Stabilization – U.S. Central’s financials were released showing additional losses since their audit. It is showing approximately \$140 M left. WesCorp is showing positive earnings under OTTI, but has a negative retained earnings of \$4.6 Billion.

Clayton did an analyses of the corporate situation and noted there could be write downs with losses flowing down to the corporate credit union member credit unions. There could be liquidity issues in the near future. NCUA is helping to replace the funds by selling notes in the market. At the NCUA meeting scheduled for November 5 to discuss corporate credit unions, it will be releasing a proposed regulation on November 19 on the corporate structure, risk-based capital with some rule changes going forward. It may have a smaller corporate system. NCUA has taken the recommendations from the CUNA/NAFCU joint task force in preparing this proposal. NCUA examiner, Robert Fenner, wants to find or develop a rule going forward – possibly by Spring of 2010.

Credit Card Act - This continues to be a top issue for CUNA & NCUA. Congress passed an amendment eliminating the 21-day rule except for credit unions. Obama will sign soon. There were some questions as to what credit unions would have to do to un-comply. A committee member referenced an article in News Now on November 3 about the details of the Act.

Edwards noted that there is a section on CUNA’s web site under the Regulatory Advocacy area where comments on RegZ are being requested with a due date of November 10 to CUNA. There is also a comment section on home equity and closed-in adjustable rates. Comments due to CUNA by December 10. Here is the link: http://www.cuna.org/reg_advocacy/index.html

UBIT For state-chartered credit unions, there needs to be a memo from the CU Accountant stating the position on how the credit union will deal with this issue. This will assist when preparing the credit insurance and GAP at the CU.

New Agency – Consumer Financial Protection Agency: The bill is before the House and Financial Services committee. As it is outlined, the NCUA Chair will be on the board of CFPA. If a credit union is under \$1.5B in assets, NCUA will examine, not CFPA. The amount noted for banks is \$10Billion. As written, all small credit unions will fall under NCUA.

There are two overdraft bills before Congress. One states that there will only be 1 OD allowed in a month with no more than six per year. If banks block CFPA, this may move it forward. CUNA feels there are a lot of variables before it goes forward. There are also three interchange Bills in Congress. There will be a report out early in January with updates on items that could affect the financial industry.

CUNA is drafting language to go to NCUA on Secondary capital and natural-person credit unions. There is a white paper scheduled for December. CUNA hopes to persuade NCUA & Treasury that what's outlined in the white paper is a good idea. Will have to wait and see.

Schenk asked the committee if they had any concerns on what was happening. Horatio stated that he's a member of a credit union research group that focuses on small credit unions and they are all concerned with the corporate structure and where it's headed. It could put most corporates out of business – and then where do small credit unions go for services. He also asked if there's any initiative at the national level. Schenk stated he wasn't aware of anything but that it's in NCUA's best interest to consider no interruptions in service for all credit unions. Credit unions may decide to go elsewhere but with the liquidity issues, we should rely on the "system".

John Graham expressed concern for the long-term viability of the KY Corp and all corporates. There will most likely be fewer corporates to choose from – going from a 3-tier to a 2-tier system. Eunice Rogers from Alabama noted that Corporate American has a suit against US Central. This could be the first of many from credit unions to corporates.

Mike Edwards noted that in DC – at NCUA and ACCU, CUNA is getting good signals. He will provide a summary to the committee after some upcoming meetings have finished.

Schenk then questioned the committee on how the credit card fix was affecting them. Most agreed that it was good and that some of their credit unions waited to see how it played out - so not much to do on the back end. He also asked how many were offering overdraft protection. Most do have this but several have a process in place where members can opt out. The committee all agreed that the limits being discussed – 1 per month; 6 per year, could be devastating.

Schenk thanked them for their input. Much of this can be used when CUNA is asked to participate in upcoming hearings. Their comments may help to drive the issues home.

10-Year of Small CU Task Force Report Schenk brought their attention to the report that was sent prior to the call. The paper is a work in progress. Mike didn't include the activities that have taken place over the last 10 years, but focused on the issues facing small credit unions with a comparison on where they stand today and what's new on the list.

The report will be used as an update to the CUNA Board along with leagues, NASCUS, etc. It will serve as a reminder of WHY small credit unions are vitally important. He asked them to look at the matrix on page 7 which shows the results in 1998 and the recent challenges facing

small credit unions. The main 1st tier issue is the corporate credit union stabilization. The safety and soundness, or possible lack of, will affect the small credit union as well.

He then reviewed the solutions to the challenges on page 10. Almost all of them remain from the 1999 report. Need to focus on new solutions.

ACTION ITEM: To review prior to the November 17th call to craft solutions for pages 10-12. On page 4 is the key recommendation from the 1999 report – this also needs to be looked at and feedback provided to Mike. Provide comments to Mike by Wednesday, November 11 to incorporate into the new report. He will then send back to the committee to review prior to Tuesday, November 17.

One of the agenda items for November 17 will be review of the 2nd draft.

The committee agreed it was a great start. John Graham who is a CUNA board member noted that this will assist the board to look at the smaller credit unions. He added that 70% of credit unions are less than \$35M.

Bob Hoel asked what some of the recommendations were from the 1999 report and asked to get this sent to him again for review. Schenk stated that there were 4 to consider: 1) new challenges; 2) corporates; 3) lack of succession planning; 4) regulatory and compliance.

Reta Kahley stated that the new report is on the right track and that the '99 recommendations were fairly generic and that the new issues were now clearer.

Schenk noted the following items as examples of collaborations: a) challenges; b) importance of small credit unions; c) solutions to challenges; d) recommendations to the board.

With no other business or issues, the meeting was adjourned.

GAC Face-to-Face The committee meeting is scheduled for Sunday, February 21 with a joint meeting with the Federal CU Subcommittee and the Community CU Committee. The schedule and hotel information will be sent soon. CUNA's policy will pay for airfare, 1 hotel night and 1 day's expenses.

Schenk asked the group if they wanted to keep this face to face meeting or try and schedule something separate where they could meet with NCUA at their offices. In the past, there had been a two-day meeting in Virginia where the committee met for a ½ day and then walked over to NCUA. This type of meeting would be impossible to set up during the GAC due to the already packed schedule. Would the committee like to research something for January at NCUA? The majority on the call plan to attend GAC but would also like to research a separate face to face as done in the past. Mike will do some research and report back to the committee.

The committee agreed to keep the calls to once a month as was in 2009. With no other business, the call was adjourned

Future Conference Calls

Date	Time
Tuesday, November 17	2:00 pm Eastern
Tuesday, December 15	2:00 pm Eastern