

# CREDIT UNION NewsWatch



MARCH 14, 2011

Legislation, Regulation, And Innovation *Online* From the Credit Union National Association

## Warren: CUs a 'Real Value'



Citing credit unions as “an example of giving real value” to members and communities, Consumer Financial Protection Bureau (CFPB) architect Elizabeth Warren said at CUNA’s 2011 Governmental Affairs Conference (GAC) that the agency will be an ally to credit unions and help ensure that the goals of the credit union movement become reality.

Credit unions must remain a major presence in the economy, Warren said, adding that American families will not be well served in the long run if only a few trillion-dollar financial firms survive these hard economic times.

Warren said that the CFPB is “working with credit unions from the beginning” as the agency streamlines Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) forms into a single form and works on other financial regulations. Credit unions will be a part of the CFPB’s rule-making processes as the bureau develops final rules, Warren told her credit union audience.

“If government regulation is part of the problem, we want to hear about it,” she said.

Warren criticized credit agreements which involve a consumer’s wading through complicated deals and pages of fine print. “Customers have no real chance of understanding these agreements,” she said.

Warren then shared a story about her niece who ran into financial difficulty due to misleading pricing, and was then helped by a credit union get her finances under control. “That credit union will always be a part of our family,” Warren said. 🏠

## Udall Introduces MBL Cap-Lift Bill

Sen. Mark Udall (D-Colo.) began anew the fight to lift the statutory 12.25% cap on credit union member business lending by introducing MBL legislation last Tuesday.

Udall’s S.509, known as the Small Business Lending Enhancement Act, would raise the credit union member business lending cap to 27.5% of assets. A recent CUNA study found that lifting the MBL cap in this fashion could provide up to \$13 billion to small businesses in the first year alone and create over 140,000 new jobs at no cost to taxpayers.

CUNA President/CEO Bill Cheney said that raising the MBL cap is “a no-cost way to free credit unions to do more of what they are doing now: making safe and responsible loans to help their members start or grow their small businesses.”

Udall’s legislation would limit the growth of a given credit union’s MBL portfolio to no more than 30% annually, and would impose capitalization-, underwriting-, servicing-, and management-related requirements.

The National Credit Union Administration (NCUA) would also be given the authority to set intermediate MBL limits >> ▶ See page 6



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Credit union ‘boots on the ground’



# >> Governmental Affairs

## MAY: CUNA is a 'Thought Leader'



CUNA Chairman Harriet May, noting that credit unions faced their “most active year legislatively” in four decades, emphasized CUNA’s role as a thought leader in tackling critical issues facing the credit union movement.

During her March 1 speech during the General Session of CUNA’s GAC, May said, “As your national trade association, CUNA can be a catalyst that helps bring the movement together to devise solutions to meet its many challenges.”

Those challenges, and CUNA’s successes, in 2010 included: ensuring the continued independence of the National Credit Union Administration, limiting the impact of the Consumer Financial Protection Bureau on credit unions, preservation of the \$250,000 share insurance level for credit union members, positive press for credit unions, a strong blow against unrelated business income tax, and progress on the corporate credit union crisis.

May, who is president/CEO of GECU, El Paso, Texas, added that among the highlights of last year was the selection of Bill Cheney as CUNA’s new leader. “The board said in July when choosing Bill that he was the right man for the right time for CUNA,” May said. “That has proven to be the case.”

“Bill has demonstrated strong leadership right from the start in the advocacy arena and in his management of the association,” May noted. Dan Mica retired from the leadership position last summer after 13 years at the helm. 🏠



## Heard at the GAC



Elizabeth Warren

*“[Credit unions are] an example of giving real value to customers and to communities.”*

—Elizabeth Warren, Assistant to the President, and Special Advisor on the Consumer Financial Protection Bureau



Jeffrey Goldstein

*“The housing market is central to the broader economy and needs to be a source of stability (and credit unions and community banks need access to credit markets to help sustain the mortgage market).”*

—Jeffrey Goldstein, U.S. Treasury Under Secretary for Domestic Finance



Debbie Matz

*“For most credit unions, there is no need to fear a tough regulator. In fact, a tough regulator can protect you.”*

—NCUA Chairman Debbie Matz



John Boehner

*“All [the Dodd-Frank Act] will do is punish everyone who had nothing to do with the Wall Street crash two-and-a-half years ago. It puts in place rules and regulation limiting (credit unions’) ability to provide credit to your members.”*

—House Speaker John Boehner (R-Ohio)



John Schneider

*CU for Kids raised \$8.7 million in 2010 for Children’s Miracle network. “It tells me about (credit unions’) resolve to help kids. It would have been easy to take your foot off the accelerator. But you didn’t. You put the pedal to the metal on the old General Lee and crossed the creek.”*

—John Schneider, co-founder Children’s Miracle Network, and former star of “Dukes of Hazzard” TV series



Sen. Mark Udall

*“We’ve worked this [member business lending (MBL) legislation] out. It makes sense. We ought to put it into law. We came very close last year.” (Editor’s note: A week after addressing the CUNA GAC, Udall, with Sens. Olympia Snowe (R-Maine) and Charles Schumer (D-N.Y.), introduced S. 509, which would increase the MBL cap to 27.5% of total assets.)*

—Sen. Mark Udall (D-Colo.)



## Cheney: 'Change the Conversation' in Washington



CUNA President/CEO Bill Cheney exhorted the more than 4,000 credit union representatives attending CUNA's 2011 Governmental Affairs Conference to "change the conversation" in Washington with a collective voice that serves 93 million consumers. He urged them to present credit unions' solid-track record of serving consumers during a recession, a time when many say they have found banks closing the door to their financial needs.

Cheney noted that between December 2007 and September 2010, business lending by credit unions grew by more than 39%, while bank business lending declined by more than 18%. Overall lending by credit unions, for that period, expanded 7.6% while banks' overall lending declined by 6.5%.

"We're here to stay," Cheney said. "We have a big voice; let's put it work. We have served, prudently, when others wouldn't. We can continue getting the good press we have received; we just have to continue to tell our story."

As evidence of the credit unions' ability to influence the conversation, Cheney cited a GAC speaker slate that included Elizabeth Warren, the Obama administration official in charge of setting up the Consumer Financial Protection Bureau, House Speaker John Boehner (R-Ohio.), Sen. Mark Udall (D-Colo.), Rep. Spencer Bachus (R-Ala.), Sen. Roy Blunt (R-Mo.), Rep. Debbie Wasserman Schultz (D-Fla.), Sen. Mike Crapo (R-Idaho), Rep. Shelley Moore (R-W. Va.), Sen. Jon Tester (D-Mont.), and House Majority Whip Kevin McCarthy (R-Calif.).

*"You were sold a bill of goods in October when you were told as credit unions that the interchange fees didn't apply to you. Well, it's March, and you know it applies to you... We know with interchange fees that if we don't get it right, credit unions and community banks are not going to be there. And we know that the big banks will."*

—House Financial Services Committee Chairman Spencer Bachus (R-Ala.)



Spencer Bachus

*"Credit unions have extended credit to small businesses at a time when entrepreneurs have had a hard time with their banks... Main Street, not Wall Street, will lead us out of our economic problems and credit unions will play a key role."*

—Rep. Debbie Wasserman Schultz (D-Fla.)



Debbie Wasserman Schultz

*"[The NCUA] must design and apply regulations that will prevent as much loss to the system as possible without stifling new and innovative opportunities for well-run credit unions to serve their members... The power of the credit union system is you—the people..."*

—NCUA board member Gigi Hyland



Gigi Hyland

*"We have a common cause, and we have to understand that we need to work in unison and cooperation... You are the vanguard of hope... Through hard work and confidence credit unions will build a magnificent future for themselves better than their extraordinary past."*

—NCUA board member Michael Fryzel



Michael Fryzel

*"To ensure that small institutions are truly exempt, to ensure that fraud costs are truly accounted for, we have got to slow [the interchange regulation] process... If we fail to do that, then the debit network is going to be weaker and small institutions are going to be at a disadvantage."*

—Rep. Ed Royce (R-Calif.)



Ed Royce

*"Credit unions have one of the most forceful and effective lobbies on Capitol Hill... There are a lot of questions on both sides of the aisle on interchange fees. There will be hearings, and I hope you will continue to let us know your views."*

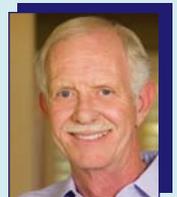
—Rep. Shelley Moore Capito (R-W.Va.)



Shelley Moore Capito

*"The forced calm that is part of our profession was the result of a lifetime of training. It resulted in imposing order where there could have been chaos."*

—Airline Capt. Chesley B. "Sully" Sullenberger III, "Miracle on the Hudson"



Chesley B. "Sully" Sullenberger III



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- reviewing your CEO executive compensation plan regularly so when examiners ask questions you have answers?

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# KEYNOTE SPEAKERS



## **THE JOURNEY: LESSONS FROM AMERICA'S MOST INFLUENTIAL LEADERS** ERIC SAPERSTON

Be captivated by the retelling of wisdom and inspiration from an epic road trip to meet some of the most powerful people in the world.



## **INNOVATIVE ENGINEERING: HOW TO INNOVATE & GROW YOUR CREDIT UNION** DOUG HALL

Hear from the founder and CEO of Eureka! Ranch, an "invention and research think tank" that specializes in helping corporate leaders and entrepreneurs develop Measurably Smarter choices for growth.

## **SWITCH: HOW TO CHANGE THINGS WHEN CHANGE IS HARD** DAN HEATH

Is it possible to overcome our internal "schizophrenia" about change? Through research, anecdotes and experience discover the game plan that makes the hard changes in life a little bit easier.



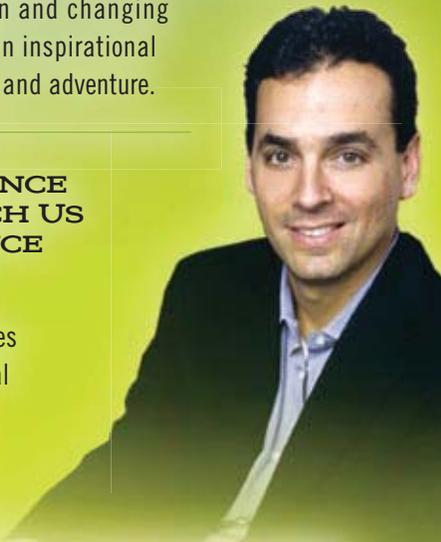
## **BREAKING BOUNDARIES** ALISON LEVINE

Gain a unique perspective on the topics of leadership, teamwork, innovation and changing environments from an inspirational success in business and adventure.

## **DRIVE: WHAT THE SCIENCE OF MOTIVATION CAN TEACH US ABOUT HIGH PERFORMANCE**

DAN PINK

Best-selling author of *A Whole New Mind* uses four decades of behavioral research to reveal why the traditional approach to high performance backfires.



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# >> Legislative Affairs

## Cheney Testifies on Interchange, Other CU Issues

The steady accumulation of new regulations, and the possible implementation of proposed interchange changes, is distracting credit unions from their core mission of member service and could stifle innovation and force further credit union consolidations, CUNA President/CEO Bill Cheney said during a recent House subcommittee hearing.

Several legislators expressed concern over the potential harm that interchange fee changes could cause. A number of lawmakers have recently called for a delay in the Fed's proposed interchange plan. The plan is scheduled to come into effect in July of this year. "We're concerned this is a train wreck for



consumers, but we can stop it before it happens," Cheney said.

Cheney during his testimony exhorted Congress to ensure that a proposed exemption for financial institutions with under \$10 billion in assets is meaningful.

Cheney noted that as credit unions are not-for-profit financial cooperatives, members are the ones who receive the benefit of ownership, through reduced fees, lower interest costs, and higher rates on savings. "Every dollar that a credit union spends complying with an unnecessary or overly burdensome regulation is a dollar that is not used to benefit the credit union's membership," Cheney stated.

Another regulatory burden targeted by Cheney's testimony included the Consumer Financial Protection Bureau's (CFPB) planned review of regulations impacting smaller issuers. This review could create more issues for small financial firms, Cheney said. ▀



Former Rep. Paul Kanjorski (D-Pa.) receives a resolution from the credit union movement that recognizes him as a "true credit union champion." The CUNA resolution recognized Kanjorski for his many years of service to "his state, country and to the credit union movement, when its 93 million members across the United States needed his support the most – for their own access to credit unions, and the continued health of the nation's not-for-profit, member-owned, cooperative financial institutions." Kanjorski served in the House of Representatives from 1985 through 2010. (CUNA Photo)

## MBL Cap Lift on the Move

▶ From page 1

under Udall's legislation.

Udall's bill was cosponsored by Sens. Olympia Snowe (R-Maine) and Charles Schumer (D-N.Y.), and several other Senators have publicly backed the bill.

Udall introduced similar legislation last year, and Rep. Ed Royce (R-Calif.) told attendees of CUNA's recently completed Governmental Affairs Conference that he intends to introduce his own MBL cap legislation in the House later this year.

CUNA has asked credit union backers to encourage their respective Senators to sign on in support of the MBL cap lift.



## Review Your SCRA Compliance Program



Valerie Moss

You may have seen recent headlines regarding violations of the Servicemembers Civil Relief Act (SCRA) by two large U.S. banks, followed by an oversight hearing

conducted by the House Committee on Veterans' Affairs last month. With the renewed focus on the SCRA, now might be a good time for credit unions to review their SCRA compliance programs.

The SCRA protects individuals (and their dependents in certain cases) who are on full-time duty in the active military service of the United States, whether here on U.S. soil or deployed abroad. The most common violations that seem to occur involve: 1) the failure to apply the 6% interest rate cap for the full SCRA-protected period; and 2) enforcing debts on real estate while a servicemember is on active duty.

Active duty servicemembers (or a servicemember and a spouse jointly) cannot be charged more than 6% on obligations incurred prior to active duty. Therefore, outstanding balances on credit cards, auto loans, signature loans, and some others, will be subject to the 6% rate cap during the active duty period. There is enhanced protection for mortgage loans under the Housing and Economic Recovery Act (HERA) of 2008, which permanently extended the SCRA's 6% interest rate cap for one year beyond the period of military service when the debt is a mortgage.

To receive the reduced rate, the servicemember must provide the credit union with a written notice and a copy of the military orders no later than 180 days after the date of the service-



member's termination or release from military service. Once the credit union receives this notice, it must reduce the interest rate on any pre-service debt as of the date on which the servicemember

was called to military service.

The SCRA also provides foreclosure protection to servicemembers who took out a mortgage prior to active duty. For these obligations, no sale, foreclosure, or seizure of real estate will be considered valid under the SCRA without a court order if it occurs during, or within nine months after, the servicemember's military service ends. Further, in a legal action to enforce a debt against real estate that is filed during or within nine months after the servicemember's military service ends, a court may stay (postpone) the proceedings for a period of time or adjust the servicemember's debt.

HERA amended the SCRA to provide nine months of foreclosure protection rather than 90 days for returning servicemembers after they separate from active duty. This provision was set to expire on December 31, 2010; however, the Helping Heroes Keep Their Homes Act enacted in late December 2010 extended the protection through December 31, 2012. So, be sure your staff is aware of the extension of this provision.

This is just the tip of the iceberg. For more information on the SCRA, visit CUNA's e-Guide to Federal Laws and Regulations at [www.cuna.org](http://www.cuna.org), and click on "Compliance" (or use the link below). The e-Guide's section on the SCRA contains a summary of the law and frequently asked questions and answers that credit union lending and compliance staff can use to assist them in complying with the requirements. 🏠

 **CUNA e-Guide on SCRA**  
[http://www.cuna.org/compliance/member/eguide/eguide\\_sscra.html](http://www.cuna.org/compliance/member/eguide/eguide_sscra.html)



# >> Special Report



## Hill Hikes Always Integral to GAC Week

Credit union advocacy on Capitol Hill is always an integral and important part of the GAC experience, and this year more than 4,000

credit union representatives flooded Washington, D.C. for the annual event. Credit union backers from across the country met with their congressional delegations to discuss the importance of maintaining credit unions' tax exempt status, the importance of further study of proposed debit card interchange fee regulations, the need for supplemental sources of capital, and the credit union difference, among other key topics.

The following are representative of the many meetings:

▶ New York state credit union leaders and the Credit Union Association of New York, meeting with Rep. Peter King (R) and Sen. Charles Schumer (D), described the interchange plan as "well intended legislation that's going to hurt

American consumers." Supplemental capital and extended MBL authority would allow credit unions to offer more services to their members at a time when credit and job creation are critical to growing the U.S. economy, the credit union reps explained.

▶ A Colorado contingent also stressed the credit union position on interchange, supplemental capital, MBL, and tax exemption during their meetings with legislators (see photo), and;

▶ The Michigan CU League said that the group's visits were extremely productive, particularly noting visits with Reps.

The New Jersey CU League noted the importance of the hikes, and said this type of direct advocacy demonstrates to members of Congress just how committed credit unions are to playing an active role in the public policy process. 🏠



Rep. Ed Perlmutter (D-Colo.), center, goes into detail during a discussion on member business lending, interchange fees, and other issues facing credit unions. Perlmutter met with representatives of the Colorado CU League, including one very young credit union member, second from left, and various state credit unions during their March 2 Capitol Hill hike. (CUNA Photo)



In addition to Capitol Hill visits with at least eight federal lawmakers and key staff, the Louisiana CU League arranged a special opportunity for Louisiana GAC attendees: Some took part in the Wreath Ceremony at the Tomb of the Unknown Soldier in Arlington National Cemetery. Escorted by a military guard, presenting the wreath were: Al Oar, Barksdale FCU, Bossier City, representing the Air Force; Cortez Bridges, Bossier FCU, Bossier City, Army; Rhonda Hotard, Louisiana FCU, Laplace, Navy; and Richard Pelloquin, CSE FCU, Lake Charles, Navy. (LCUL Photo)



Another credit union presence on Capitol Hill during CUNA's GAC: The National CU Foundation's (NCUF) REAL Solutions Program held its first D.C. Financial Reality Fair, an interactive financial literacy tool for high school students. Based on the CU League of Connecticut's award-winning program and materials, the D.C. fair was held at the Rayburn House Office Building March 2, with about 50 area high school students attending. Shown here, a volunteer helps a teen spin the fair's "Wheel of Reality." (NCUF Photo)