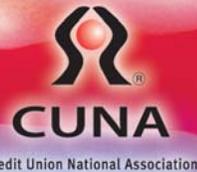


CREDIT UNION NewsWatch



NOVEMBER 22, 2010

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



At the November open National Credit Union Administration board meeting, agency staff reported a National Credit Union Share Insurance Fund equity ratio of 1.29% as of Oct. 31, an increase over September's 1.18% due, the agency said, to invoicing the semi-annual capitalization deposit adjustment and the 0.1242% premium assessment, which are due Nov. 22. Shown here staff makes a presentation to the board regarding CAMEL 4-5 credit unions. (CUNA Photo)

NCUA Budget, Assessment Raise Concerns

CUNA President/CEO Bill Cheney said that CUNA is concerned by the National Credit Union Administration's (NCUA) decision last week to increase its 2011 budget by \$25 million "at a time when so many credit unions are feeling the pain of an obstinate recession." He also said it was troubling that the NCUA appears to be "frontloading" its projected 2011 corporate stabilization assessment by projecting at 20-25 basis points (bp).

The total 2011 budget, approved at the Nov. 18 open meeting, will be just over \$225 million. Nearly half of the budget increase will go to program additions and changes, but it will also cover the addition of 78 staff positions, as well as employee pay raises that, in some instances, could be as high as 8%.

The NCUA also increased its overhead transfer rate to 58.9%, increased its asset level dividing points for the natural person federal credit union oper-

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CUNA-CFA: 2010 Holiday Spending May Creep Up

More than a dozen TV cameras, and additional print and radio reporters, crowded into the 11th annual CUNA-Consumer Federation of America (CFA) Holiday Spending Survey press conference held at the National Press Building in Washington, D.C. CUNA Vice President of Economics and Statistics Mike Schenk and CFA Executive Director Stephen Brobeck, addressing the news assembly, noted that the results of the survey showed glimmers that consumers are trying to rebuild their balance sheets.

"Our survey provides further evidence, along with less borrowing and more saving, that consumers are trying to rebuild their balance sheets and are having some success doing so," said Brobeck. However, he added that lower-income families do not share the more optimistic outlook of their financial conditions.

The survey polled 1,000 households between Nov. 11-14 and found that more respondents overall said their financial condition is better this year (23%) than last year (19%). Far fewer said it was worse this year (30%) than last (36%).

"While the results convince us that holiday spending will increase this year, elements of our survey also underline the

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3 | NCUA Part of New Fin Lit Effort: Agency partners with FDIC, Dept. of Education

6 | The CU Lens: Members see a brighter financial future

8 | CUNA Spearheads Corp. CU Talks: Dialogue is key to the future

Also in this issue:





>> Governmental Affairs

CUNA Champions CU Tax Status

Though the President's National Commission on Fiscal Responsibility and Reform recently suggested cutting tax expenditures to reduce the national debt, the credit union tax exemption is not specifically named to be eliminated.

Cheney moved quickly to cut off any speculation regarding the elimination of the credit union tax exemption, saying that credit unions could not continue

to "effectively serve their members" as cooperative, not-for-profit financial institutions if they were taxed.

Cheney underscored that the reform panel's recommendations are the beginning of what could be a very long process. The broad-ranging tax-change recommendations face a tough road ahead, he added.

CUNA will continue to work with the

entire debt reduction commission, the Obama administration and the U.S. Congress to help all compre-

hend the importance of the credit union tax status on the long-term well-being of the nation's credit unions and their 92 million members. 🏠



Bill Cheney
CUNA President/CEO

MBL Push Stays Strong

With the year-ending lame duck session of Congress officially beginning this month, CUNA is working to attach member business lending legislation to any legislative vehicle that looks likely to move forward before federal lawmakers adjourn for the year.

CUNA continues to work aggressively in favor of MBL legislation to lift the current cap to 27.5% of total assets, up from 12.25%, a move that would infuse \$10 billion of new credit into small businesses and create more than 100,000 new jobs at no cost to taxpayers.

"There is plenty that could keep Congress in session through much of the month of December, and that gives us more time to continue to push the enactment of the MBL cap increase," said CUNA Vice President of Legislative Affairs Ryan Donovan.

CUNA is also working with incoming members of Congress on credit union issues. CUNA Senior Vice President of Legislative Affairs John Magill said the MBL bill should fit well with newly elected Republicans' campaign promises of reducing government spending and helping small businesses create jobs. He added that credit union priorities, such as capital reform for credit unions, could see debate post-January. Further discussions of the Community Reinvestment Act, mortgage cramdown provisions, and overdraft protection legislation will be less likely in the new Congress.

CU Liquidation Backed by Court

Community development credit union Kappa Alpha Psi FCU's attempt to reverse the National Credit Union Administration's (NCUA) August liquidation order was rejected in U.S. Federal Court earlier this month.

The \$750,000-asset credit union, affiliated with the African-American fraternity of the same name and which served fraternity members and affiliated organizations, was liquidated due to its declining financial condition. The credit union challenged the liquidation, claiming that its net worth ratio was affected by "full accrual accounting" and NCUA's assessments related to its Temporary Corporate Credit Union Stabilization Fund.

The credit union reported a net worth ratio of 0.58% as of Dec. 31, 2009. The NCUA requires newer credit unions to be "adequately capitalized" with a 6% net ratio within 10 years of its charter. The NCUA said that the ruling "reaffirmed the validity" of the NCUA's actions. 🏠



Fed Educates Consumers About Credit Reports



The Federal Reserve unveiled an online resource for consumers who may be struggling to understand credit reports, credit scores, and the importance of protecting personal credit histories. The Fed's new "Consumer's Guide to Credit Reports and Credit Scores" describes the content of a credit report, explains how a credit score is used by companies that request them, and discusses the role of credit bureaus in collecting and disseminating this information.

In announcing the new online resource, the Fed noted that consumers "need to know what's in their credit report and understand how negative information, such as late payments or a bankruptcy filing, might affect a lender's decision to grant credit."

The guide also gives tips on improving a credit score, as well as step-by-step instructions for correcting an error in a credit report. 🏠



Fed Online Resource

<http://www.federalreserve.gov/newsevents/press/other/20101110a.htm>

5 Tips: Improving Your Credit Score

http://www.federalreserve.gov/consumerinfo/fivetips_creditscore.htm

5 Tips: Getting the Most from Your Credit Card

http://www.federalreserve.gov/consumerinfo/fivetips_creditcard.htm

Fin. Lit. Coalition Includes NCUA



A new government financial literacy effort was launched from T.C. Williams High School, whose 1971 football team was made famous in "Remember the Titans." (ACPS Photo)

Credit union involvement in—and dedication to—consumer financial education is a long-established pillar of the credit union movement, and as the country continues to deal with the detritus of an economic meltdown, its citizens need to be financially literate has come to center stage.

The government recently announced a joint effort with the National Credit Union Administration (NCUA) joining forces with the U.S. Department of Education and the Federal Deposit Insurance Corp. (FDIC) to "facilitate partnerships among schools, financial institutions, federal grantees" and others to provide "effective financial education; increase access to safe, affordable and appropriate accounts at federally insured banks and credit unions, and encourage saving."

At the core of the announcement was a student-run credit union at T.C. Williams High School, in Alexandria, Va.—home base of the NCUA. The regulators toured the credit union and met with students from T.C. Williams' Academy of Finance, as well as other students, educators and parents, as part of the kick-off announcement of the joint literacy effort.

The agency heads signed an agreement to work together to increase participation in the National Financial Capability Challenge, a voluntary awards program designed to challenge educators to teach high school students the basics of personal finance, and reward success.

"In many underserved communities, studies show that parents learn about finances from their children, so youth financial education can benefit adults as well," NCUA Chairman Debbie Matz said. 🏠



The National Credit Union Administration (NCUA) continues its "Keep Your Money NCUA-safe" public awareness campaign and unveils a 520 square-foot video ad in New York's vibrant and crowded Times Square. The 15-second ad features NCUA campaign spokesperson Suze Orman and will run until Jan. 1, 2011. (NCUA Photo)

NCUA Establishes Two More 'Bridge' Corporates

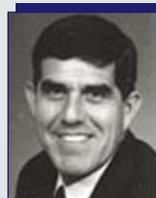
The National Credit Union Administration this month officially chartered Members United Bridge Corporate FCU and Southwest Bridge Corporate FCU to assume the "existing business" of the conserved corporate credit unions Members United FCU and Southwest Corporate FCU.

The bridge corporates have purchased and assumed the assets and member share deposits of their respective conserved corporate credit unions. NCUA Chairman Debbie Matz said that the creation of these two new corporates, alongside the already established U.S. Central Bridge Corporate FCU and Western Bridge Corporate FCU, "ensures that 4,600 member credit unions continue to have access to essential liquidity and payment services."

The four bridge corporates will service existing loans, will offer new loans for settlement purposes only, and will offer little in the way of new services. The fields of membership for the four bridge corporates will be identical to that of the now-conserved corporates, and new members will not be accepted. The bridge corporates will operate only until current members find individual service solutions.

The NCUA also announced it will liquidate Constitution Corporate CU on Nov. 30.

CU Presence at Financial Capability Meeting



Arty Arteaga

Defense Credit Union Council President/CEO Roland "Arty" Arteaga will be among those taking part in the first meeting of President Barack Obama's Advisory Council on Financial Capability on Nov. 30.

Arteaga is one of 12 non-governmental members with experience in the areas of financial services, consumer protection, financial access, and education. That group will join two ex officio Federal officials as they work to find ways to promote and enhance the financial capabilities of both individuals and families. The first meeting, which will be open to the public, will focus on organization and other strategic areas.

Also on the council is Ted Beck, who is president and CEO of the National Endowment for Financial Education (NEFE). CUNA and the leagues have partnered with NEFE since 2000, helping to broaden NEFE's education-al reach into high school classrooms nationwide. 🏠

Be Ready

From legislation to liabilities, the CUNA Volunteer Institute can help you gain the skills you need to be a well informed and well equipped board member. **Are you ready?**

CUNA Volunteer Institute



CUNA
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St. Thomas, Virgin Islands

Visit training.cuna.org/CVI11 to register today.



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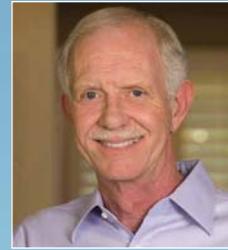
CUNA GOVERNMENTAL
AFFAIRS CONFERENCE
FEBRUARY 27 – MARCH 3
WASHINGTON, D.C.

V
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VISIONARY SPEAKERS

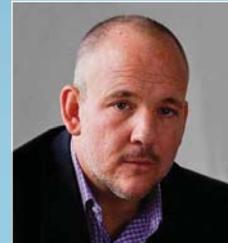
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MARK HALPERIN
Editor-at-large and senior political analyst, TIME



JOHN HEILEMANN
National political correspondent and columnist, New York magazine



ARIANNA HUFFINGTON
Co-founder and editor-in-chief of The Huffington Post



MARY MATALIN
Republican strategist and political contributor, CNN

SUNDAY KICKOFF CONCERT FEATURING
THREE DOG NIGHT

Since 1986, this popular 70's group has performed over 2,000 shows, including two Super Bowls. Come and hear such hits as "Eil's Comin'," "One," and "Joy to the World." Don't miss what's sure to be a legendary performance as they help kick off the 2011 GAC.



CU Members View Finances More Favorably

A survey released this fall by Discover U.S. Spending Monitor showed that consumers who conduct their financial transactions at credit unions have a more positive view of their personal finances than those who don't.

Take a look at these results (*Bankrate.com* did, but more on that later). Thirty-eight percent of credit union members rate their personal finances as good or excellent, compared to 30% among noncredit union members surveyed. A scant 17% of credit union members rate their finances as poor, while 29% of noncredit union members are feeling kind of cruddy about finances. Also, 21% of credit union members feel their finances are getting better compared to 19% of noncredit union members. The two groups also differed on whether their personal financial situation is getting better or worse; 48% of credit union members feel their finances are worsening compared to 51% of noncredit union members.

All this prompted *Bankrate's* blog to look at what causes the correlation between belonging to a credit union and being financially sound.

The likely reason is that people who belong to credit unions tend to seek them out for more generous interest rates and lower loan rates, the blog said. Also, because credit unions generally lack the resources large banks have to build more branches and provide ubiquitous ATMs, consumers make a decision to eschew convenience to conduct their financial business at credit unions, the blog added.

"It follows then, that credit unions are attracting a consumer who is more proactive and diligent when it comes to financial matters, and one who is willing to do a little more legwork and sacrifice some convenience to get credit unions' better deals," the blog concludes. 🏠

CUNA-CFA: 2010 Holiday Spending May Creep Up

▶ From page 1

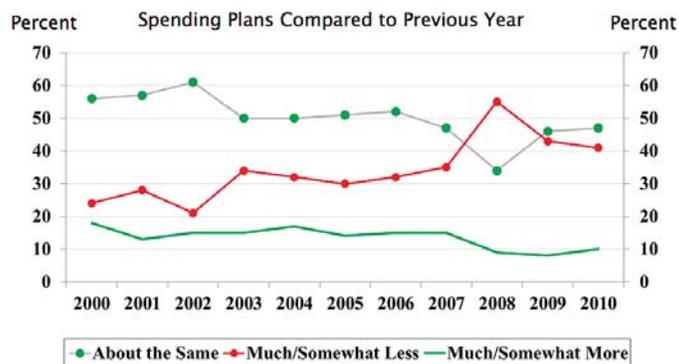
fact that many consumers continue to harbor significant concerns about the economy and their personal finances," Schenk said. Ultimately, Schenk and Brobeck said, retailers can expect an increase in sales this year, albeit a modest one—perhaps 2.5%, or roughly half the 5% long-run average increase.

However, as mentioned, the survey results delineated a clear difference regarding the concerns of lower-income families. While overall, 30% of respondents said their financial situation is worse than a year ago, 44% of lower-income families answered that way.



Consumer Federation of America Executive Director Stephen Brobeck (right) joins CUNA economist Mike Schenk (left) to unveil the results of their groups' annual holiday spending survey at a press conference at the National Press Club in Washington, D.C. (CUNA photo)

Holiday Spending Plan Trends



Source: 2000–2010 CFA/CUNA Holiday Spending Surveys

Savings Tips for Holiday Spending

CUNA and the CFA offer the following tips to consumers to wisely manage holiday spending:

Comparison shop and easily save more than 10% on items.

Pay off debts quickly using low interest cards, or better yet avoid overspending by using cash.

Open a Christmas Club account as a way to handle next year's purchases.

Take stock of your wrapping and ribbon supply to avoid unnecessary purchases.

Use post-Christmas bargains to buy next year's gifts.

Be smart about gift cards that have been improved by recent rules that curb expiration dates and fees.

Be aware of return policies since some stores have tightened their rules.

Consider the alternatives and find low- or no-cost ways to celebrate the holidays.



>> Regulatory Affairs

Dialogue is Central to Corporate CU Future

CUNA President/CEO Bill Cheney told the 80 attendees of CUNA's Corporate CU Summit in Chicago on Nov. 13 that their presence showed they recognize "there really is no more important issue facing the (credit union) movement today than the future of the corporate network and the services it provides to natural person credit unions."

The attendees represented corporate and natural person credit unions, credit union leagues, trade associations, and third-party system service providers. The CUNA summit was designed to "bring key participants together, have a dialogue, seek opportunities for coordination, and begin to chart a path to ensure all credit unions will have access to the critically important services they need to run their operations—especially payments, settlement and liquidity services." Cheney emphasized that it is not CUNA's role

to "impose a solution."

During the day's discussions, participants agreed that greater back-office consolidation and, potentially, front-office consolidation could be helpful, but said that passive consolidation would not be a viable option. Increased, quicker consolidation and aggregation "needs to take place in the corporate system to provide the scale and scope needed to deliver payments and settlement services efficiently and seamlessly," Cheney said.

"There really is no more important issue facing the (credit union) movement today than the future of the corporate network and the services it provides to natural person credit unions."

—Bill Cheney

Also needed, according to the group, is a comprehensive external analysis of the corporate credit union system, which should be completed by the end of the first quarter of 2011. CUNA said it plans to put a new working group together, drawn from summit participants to offer perspective and advice. ■

NCUA Budget, Assessment Raise Concerns

▶ From page 1

ating fee scale by 3.4%, and decreased the natural person federal credit union operating fee rates by 2.86%.

The agency also estimated that credit unions may be required to pay dual assessments of 20-35 basis points (bp) next year, with an expected 10 bp going to the National Credit Union Share Insurance Fund and the "frontloaded" 20-25 bp going to the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) assessment. CUNA will pursue an alternative approach with the agency.

In other action, the NCUA proposed amending its corporate credit union rule by limiting credit union membership in corporates to one corporate at a time. The corporate credit union membership limit is an attempt to protect against "rate shopping" which the NCUA said "resulted in increased competition and, in some cases, led to unsafe investment activities as corporates sought higher investment yields to subsidize share dividends and service costs."

Proposals that would require corporate credit unions to establish enterprise-wide risk management committees and record all votes by directors in official board minutes were also approved by the agency.

The NCUA also proposed implementing "voluntary" TCCUSF assessments to privately-insured credit unions and non-credit unions, such as credit union leagues, which are members of a corporate. Slight changes to executive compensation disclosures, corporate credit union auditing and reporting requirements, and management's reports on various corporate credit union activities were also proposed during the meeting. ■

 **NCUA Board Action**
<http://www.ncua.gov/GenInfo/BoardandAction/Draft-BoardActions/index.aspx>

Biz Plan Date Moved for Corporates

An important deadline extension was granted last week by the National Credit Union Administration (NCUA) last week, one which allows corporate credit union business plans to be submitted on March 31, 2011 instead of the last day of this year.

That move, said CUNA President/CEO Bill Cheney, will "allow some breathing room for corporates and the movement to consider broader solutions that will ensure all (credit unions) have ready and efficient access to the services they depend upon."

Credit unions called for the deadline extension during CUNA's recent Corporate Credit Union Issues Summit, held in Chicago Nov. 13, and CUNA and other industry representatives immediately raised the concerns with top officials at the NCUA.

The corporate credit union business plans are expected to detail the individual corporate credit union's future plans for operations, focusing on capitalization and the services that they plan to offer to natural person credit unions. ■



>> Notes Bearing Interest

Consumers Will Switch FIs For Free Checking

There is a new study out by Raddon Financial Group (RFG) that says 39% of consumers surveyed would switch financial institutions to get or maintain free checking. “Forget about deposit rates, loan rates, NSF (nonsufficient funds) fees, online banking, ATM or branch locations,” said RFG in its report. “Consumers indicated that they don’t care about those things nearly as much as they value their free checking accounts. More precisely 39% of consumers indicated that they would switch financial institutions if you messed with their free checking.” Open Solutions is



the parent company of RFG. The research group, based in Lombard, Ill., noted that financial institutions that elect to keep their free checking product “may find themselves at a competitive advantage over their counterparts.” Other changes that would prompt consumers to switch financial institutions include:

- ▶ Service quality: 35%;
- ▶ Convenient branch locations: 29%;
- ▶ Fair overdraft/NSF service charges: 20%;
- ▶ Access to surcharge-free ATMs: 19%;
- ▶ Convenient branch hours: 19%;
- ▶ Deposit rates: 17%;

- ▶ Online banking technology: 16%;
- ▶ Large ATM network: 16%;
- ▶ Overdraft coverage for checks: 14%;
- ▶ Loan rates: 14%;
- ▶ Overdraft coverage for ATM/debit: 13%;
- ▶ Range of products/services: 11%;
- ▶ Mobile banking technology: 6%; and
- ▶ Other: 5%.

RFG indicated consumers are willing to meet requirements such as direct deposit, a minimum number of monthly debit card transactions or combined balance minimums in order to maintain access to free checking. 🏠

 **RFG WEBSITE**
<http://www.raddon.com/about/>



>> CUNA Notebook

▶ Seeking CU Comment...

These issues are open for public comment. Credit unions are asked to submit a copy of their comment to CUNA.

NCUA

AGENCY DUE DATE	PROPOSAL	CUNA DUE DATE
November 29, 2010	Interim Final Rule: PCA – Amended Definition of Low-Risk Assets http://www.cuna.org/reg_advocacy/reg_call/rcc_110510.html	November 22, 2010

Federal Reserve Board

AGENCY DUE DATE	PROPOSAL	CUNA DUE DATE
January 31, 2011	Fed Proposes CARD Act Clarifications http://www.cuna.org/download/rcc_110210.pdf	December 17, 2010
December 27, 2010	Appraisal Independence http://www.cuna.org/download/rcc_110110.pdf	December 17, 2010
December 23, 2010	Additional Consumer Protections and Disclosures for Regulation Z Mortgage Loans http://www.cuna.org/download/rcc_100110.pdf	December 9, 2010
	Use CUNA’s Operation Comment http://capwiz.com/cuna/home/	

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