

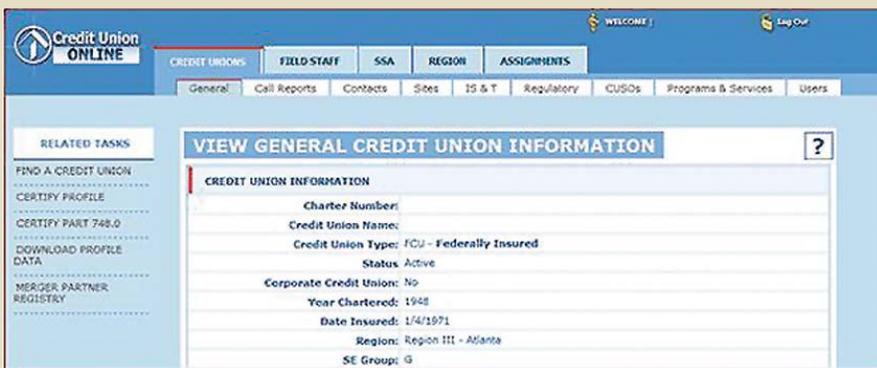
CREDIT UNION NewsWatch



OCTOBER 25, 2010

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

Merger Registry is Here



The new mortgage registry launched by the National Credit Union Administration (NCUA) provides the names of potential credit union supervisory merger partners and allows interested credit unions to search for potential merger partners nationwide, or limit the search to within certain states or counties. Searches may also be limited to within a certain radius of a given address. NCUA Chairman Debbie Matz cautioned that not all merger database participants would be selected for mergers. The registry was strongly recommended by the CUNA's Issues Working Group.

The National Credit Union Administration (NCUA) on Thursday officially launched its national credit union merger partner registry, and CUNA followed up by commending the NCUA for its work.

The registry, which was suggested by CUNA, provides the names of potential credit union supervisory merger partners and allows interested credit unions to search for potential merger partners nationwide. Searches may be limited by state, by county, or to the area surrounding a certain address.

While NCUA officials said that the merger database would provide a "good starting point" for credit unions that wish to merge "but don't know where to start," NCUA Chairman Debbie Matz warned that not all merger database participants would ultimately be selected for mergers.

The registry and the overall merger process will also be covered in a pending NCUA letter to credit unions.



NCUA Registry PowerPoint

<http://www.ncua.gov/GenInfo/BoardandAction/DraftBoardActions/index.aspx>

CUNA Summit to Help Coordinate CU Corporate Response

CUNA has set Nov. 13 as the date for its summit meeting in Chicago, a gathering that will give credit union stakeholders an opportunity to come together as a system to develop a plan for the future of corporate credit unions. CUNA President/CEO Bill Cheney noted recently that CUNA has been asked by a large number of credit unions and others to help the industry chart a path to the future on these issues. He pledged that CUNA, working with the credit union system, will do everything within its power to help address questions that have arisen since the National Credit Union Administration (NCUA) approved new corporate credit union and legacy asset rules on Sept. 23.

"There is no more important issue now than how we, together, address corporate credit union services," Cheney added. "This is why CUNA will be hosting the summit and continuing our work to pursue solutions not only for the transition period under the new rule but for the future."

Common questions posed to CUNA include those concerning the future role of corporate credit unions in providing key payments, settlement, liquidity, and investment advisory services to natural person credit unions. Watch CUNA's News Now for more summit details.



2 | Alternative Capital:

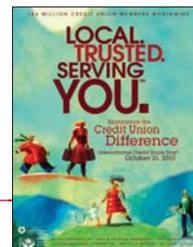
The priority issue gets joint CUNA-NAFCU support

3 | CU Accounting Concerns:

Fair value gets an airing

6 | ICU Day:

Celebrating CU philosophy and value



8 | NCUA Action:

Agency acts on RegFlex and more



>> Governmental Affairs

NAFCU Joins CUNA in Alternative Capital Support

Calling it an issue of “utmost significance” to credit unions, CUNA announced it has sent a joint letter with the National Association of Federal Credit Unions backing the National Credit Union Administration’s (NCUA’s) proposal on alternative sources of capital for credit unions.

The letter thanked NCUA Chairman Debbie Matz for her leadership on the important issue and asked for further meetings with agency staff on pursuing supplemental capital legislation.

The NCUA plan, in part, proposes the following:



Debbie Matz, NCUA Chairman

▶ The law should be changed to allow qualifying credit unions, as determined by the NCUA board, to issue alternative forms of capital to supplement their retained earnings. To ensure the proper authority, alternative forms of capital would be subject to necessary regulations addressing safety and soundness criteria, investor protections, and any impact on the cooperative credit union governance model; and

▶ Using the model of low-income designated credit unions, which are authorized to offer uninsured secondary capital accounts to non-members, the Federal Credit Union Act should be modified to permit qualifying credit unions to offer uninsured alternative capital instruments subject to regulatory restrictions and to expand its definition of net worth to include those instruments. These changes would allow well-managed credit unions to better manage net worth levels under varying economic conditions. 🏠

Legal Action Taken Against Interchange Rules

TCF National Bank earlier this month took legal action against the Federal Reserve (Fed) by challenging the constitutionality of Sen. Richard Durbin’s (D-Ill.) recently passed interchange fee legislation.

The interchange legislation instructs the Fed to write rules on interchange fees for debit card purchases.

TCF cited a lack of legislative history for the amendment, and noted that although Durbin claimed that the amendment would reduce fees charged by credit card issuers and debit network operators, the legislation only addresses the fees charged by debit card issuers. CUNA’s Senior Vice President/Deputy General Counsel Mary Dunn said that the lawsuit aims to delay the Fed from writing regulations until a full hearing on the interchange provisions can occur.

In its complaint, TCF also said that the law is unconstitutional because it only applies to banks of a certain size and does not allow recovery of cost and profit for affected financial institutions.

The federal government has been given 60 days to respond to the complaint. 🏠

NCUA Repays Treasury Loan

The National Credit Union Administration (NCUA) has repaid \$10 billion, plus interest, to the U.S. Department of Treasury. The \$10 billion was a loan from Treasury to the NCUA’s Central Liquidity Facility (CLF). In 2009, the CLF transferred the \$10 billion to the National Credit Union Share Insurance Fund (NCUSIF) so the insurance fund could stabilize U.S. Central and WesCorp with a \$5 billion loan to each.

The majority of the funds used in the payment were gathered from the sale of performing assets of conserved corporate credit unions U.S. Central FCU and Western Corporate FCU. 🏠

 **Corporate CU Issues**
http://www.cuna.org/initiatives/corp_report/

▶ BSA Moves into the Electronic Age

The Financial Crimes Enforcement Network (FinCEN) continues to accept public comment on pending changes to its Bank Secrecy Act (BSA) database, and will provide an overview of its free BSA E-Filing system during a Nov. 4 webinar.

The BSA changes impose no new rules, but instead aim to help continue the transition of BSA Suspicious Activity Reports (SAR) into a “modernized IT environment for electronic reporting.”

FinCEN’s webinar “will highlight the benefits” of the still pending BSA E-Filing system and provide instruction in the “simple process” of signing up and using E-Filing.”

FinCEN has also recently announced that the transfer of its existing BSA rules into a new Chapter X of Title 31 of the Code of Federal Regulations (CFR) will be implemented on March 1, 2011.

The role that employees of financial institutions can play in crime prevention was also noted by FinCEN last week, with that group releasing a study which found that “vigilant financial institution employees (were) reportedly rejecting over half of fraudulent vehicle or student loans facilitated by identity theft prior to funding.”

 **FinCEN webinar**
<https://www2.gotomeeting.com/register/377956498>



>> Regulatory Affairs

Fed Makes Slight CARD Act Changes

The Federal Reserve recently announced a series of slight tweaks to the CARD Act. One such tweak is the pushing back of the compliance date for gift card-related disclosure rules until Jan. 31, 2011.

The previous compliance date was Aug. 22 of this year.

Promotional programs that waive interest charges for



a specified period of time will also be subject to the same protections as promotional programs that apply a reduced rate for a specified period under recent Fed changes. Application and similar fees that a consumer is required to pay before a credit card account is opened will be subject to the same limitations as fees charged during the first year after the account is opened.

Card issuers will also be required to consider information regarding the consumer's independent income, rather than his or her household income, when evaluating a consumer's ability to make the required payments on credit card accounts. ♣



FINANCIAL ACCOUNTING STANDARDS BOARD

CU Fair-Value Concerns get FASB's Ear

Speaking on behalf of CUNA and credit unions during a recent Financial Accounting Standards Board (FASB) roundtable, CUNA Accounting Subcommittee Chairman and Patelco CU Chief Financial Officer Scott Waite said that FASB's plan to require most financial assets and liabilities to be reported under Generally Accepted Accounting Principles (GAAP) at fair value is "simply not useful to the members, creditors, board members, and regulators of credit unions."

Waite told the FASB panel that credit unions "provide an economic value to consumers by leveraging their not-for-profit status in the higher rates on deposit and lower rates on loans." He added, "For us to be unfairly fair valued on this business model changes the purpose of accounting standards."

"Accounting standards should not be the driver of shaping acceptable business models," but should "provide comparability, transparency, and relevancy," Waite added.

Credit unions over \$10 million in assets are required to comply with GAAP. CUNA also continued to oppose the proposed application of fair value accounting rules to loans and other credit union products.

FASB's final rule, if approved, could take effect in 2013. ♣

 **CUNA Comment Letter**

http://www.cuna.org/reg_advocacy/comment_letters/cl_093010.html



FDIC Proposal Would Broaden Overdraft Rule's Reach

While the Federal Deposit Insurance Corp.'s (FDIC) recently proposed rules that would make some state-chartered banks further incorporate consumer protections into their overdraft programs would not apply to credit unions, CUNA has told credit unions that they should still monitor any similar FDIC proposals.

According to CUNA, these and other FDIC actions could foreshadow decisions about overdraft plans made by the new Consumer Financial Protection Bureau (CFPB). CFPB rules would apply to credit unions.

The FDIC overdraft plan would require banks that rely on automated overdraft payment programs to establish procedures to address overdrafts triggered by checks and ACH transfers, and would require banks using automated systems to specifically provide an "opt out" program for checks and ACH payments and monitor accounts to limit overdraft usage. Customers that overdraw their accounts on more than six occasions during a 12-month period must be presented with less costly alternatives. Banks may also choose to eliminate overdraft protection on a given account, and may cap the amount of transactions subject to an overdraft fee or place a dollar daily limit on overdraft fees.



FDIC Website
<http://www.fdic.gov/>



2 great ways to get informed

Plus, both events count toward the CUNA Volunteer Certification Program.

1 CUNA Supervisory Committee & Internal Audit Conference

December 5-8, 2010 | Las Vegas, NV

I am headed in the right direction... and gaining information for effective oversight.

2 CUNA Volunteer Institute

January 16-19, 2011 | Nuevo Vallarta, Mexico

I am on point... and qualified to understand a complex financial institution.

Find out more at training.cuna.org/VOLCONF

CUNA Volunteer Certification Program

I am a certified expert... and deserve all the recognition in the world for volunteering to direct a credit union. It's also a responsibility that can't be taken lightly.

The program will provide me with a convenient, practical way to become certified in the areas of credit union operations, governance, compliance, and more. Plus, through my studies and taking the online exams, I'll earn credentials as a Certified Credit Union Volunteer (CCUV) to prove I'm a credible credit union volunteer.

Find out more at training.cuna.org/CCUV



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training@cuna.coop
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800-356-9655, ext. 4249

BOARD MEMBERS & VOLUNTEERS

CUNA Volunteer Institute

January 16–19, 2011
Nuevo Vallarta, Mexico

Come early for the Strategic Planning Process Pre-Conference Workshop.

CUNA Volunteer Certification School

2011 dates coming soon!

National Credit Union Roundtable for Board Leadership

2011 dates coming soon!

CUNA Supervisory Committee & Internal Audit Conference

2011 dates coming soon!

FINANCE & ECONOMICS

CUNA CU Finance for Non-Financial Managers & Volunteers

April 3–6, 2011
Nashville, TN

CUNA CFO Council Conference

May 15–18, 2011
San Diego, CA

CUNA Economics & Investments Conference

2011 dates coming soon!

CUNA Financial Management Schools

August 14–18, 2011
Boston, MA

HR & TRAINING

CUNA HR/TD Council Conference

April 10–13, 2011
San Francisco, CA

LENDING & COLLECTIONS

CUNA Consumer & Residential Mortgage Lending School

March 20–24, 2011
Austin, TX

CUNA Certified Financial Counselor Schools

April 10–15, 2011
Huntington Beach, CA

CUNA Business Lending Institutes

July 18–22, 2011
Madison, WI

CUNA Lending Council Conference

November 6–9, 2011
New Orleans, LA

MANAGEMENT & LEADERSHIP

CUNA Governmental Affairs Conference

February 27–March 3, 2011
Washington, D.C.

America's Credit Union Conference & Expo

June 19–22, 2011
San Antonio, TX

CUNA Management Schools

July 2011
Madison, WI

CUNA Community Credit Union & Growth Conference

October 24–27, 2011
San Francisco, CA

CUNA FUSE

2011 dates coming soon!

MARKETING & BUSINESS DEVELOPMENT

CUNA Marketing & Business Development Council Conference

March 16–19, 2011
Las Vegas, NV

CUNA Marketing Management Schools

May 16–19, 2011
San Diego, CA

OPERATIONS, SALES & SERVICE

CUNA Sales & Service Culture Institute

August 8–10, 2011
San Francisco, CA

CUNA Operations, Sales & Service Council Conference

September 28–October 1, 2011
San Antonio, TX

CUNA World-Class Customer Service Executive Institute

2011 dates coming soon!

REGULATORY COMPLIANCE

CUNA Regulatory Compliance Schools

April 30–May 6, 2011 Henderson, NV

September 10–16, 2011 Boston, MA

Come early for the CUNA Compliance Fundamentals Seminar. eSchools also available.

CUNA Bank Secrecy Act Conference

2011 dates coming soon!

SECURITY & TECHNOLOGY

CUNA Disaster Recovery & Preparedness Conference

2011 dates coming soon!

CUNA Security & Fraud Institutes

2011 dates coming soon!

CUNA Technology Council Conference

September 28–October 1, 2011
San Antonio, TX

Please note: All dates and locations are subject to change.



Credit Union
National Association



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>> Special Report

'Local. Trusted. Serving You:' CU Philosophy Celebrated

CUNA, the U.S. Credit Union Development Educators and the World Council of Credit Unions (WOCCU) commemorated International Credit Union (ICU) Day by noting that the current economic challenges facing the world make credit unions more important than ever.

Credit union contributions to members and communities worldwide, through good times and bad, were the focus of a commemorative ICU day webcast.

This year's ICU Day theme—"Local. Trusted. Serving

You"—recognized credit unions' identity as member-owned financial cooperatives and celebrates the trust members worldwide have in their credit unions. "It doesn't matter where you go around the world, the 'people helping people' philosophy, the cooperative structure, and the one person, one vote [of credit unions] remain constant," CUNA President/CEO Bill Cheney said. "Overall, the U.S. credit union movement remains

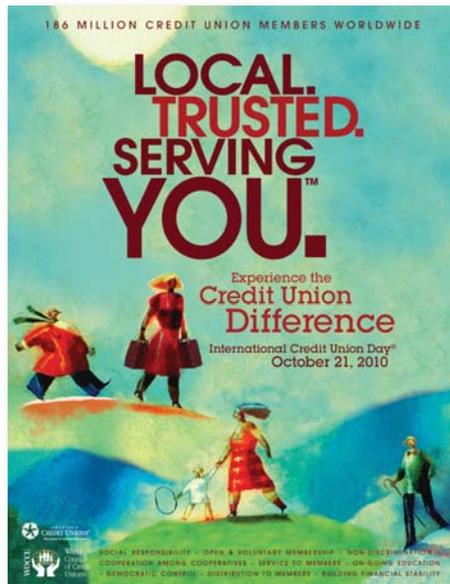
healthy. Credit unions continue to take care of their members. In most of the country, people still are struggling, but credit unions have persevered and are doing everything they can to help their members."

ICU Day was also commemorated during a panel discussion between credit union and cooperative industry dignitaries at the Credit Union House in Washington, D.C.

Cheney; Paul Hazen, president/CEO of the National Cooperative Business Association; Mark Meyer, CEO of the Filene Research Institute, and Pete Crear, president/CEO of the World Council of Credit Unions addressed their collective member service heritage during the panel discussion. ☺



World Council of Credit Unions President/CEO Pete Crear (left), marking International Credit Union Day with a webcast from Credit Union House, shown with CUNA President/CEO Bill Cheney (right), says cooperatives worldwide have stepped up in times of need: "The common currency we have is people working together." Cheney adds, "It doesn't matter where you go around the world, the 'people helping people' philosophy, the cooperative structure, and the one person, one vote [of credit unions] remain constant." Paul Hazen, president/CEO of the National Cooperative Business Association, and Mark Meyer, CEO of the Filene Research Institute, also were featured in the webcast. (CUNA photo)



▶ Fannie Offers Cost Savings to CUNA Members

Fannie Mae is now extending significant cost benefits and price breaks to CUNA member credit unions that are active in the secondary mortgage market.

CUNA, CUNA Strategic Services (CSS) and Fannie Mae recently completed work on an affinity program that will give CUNA member credit unions that service or sell their mortgage loans access to innovative mortgage loan products and features and special member pricing in the secondary market for whole loan sales to Fannie Mae. Member credit unions will also be offered discounted licensing and loan submission fees for Fannie Mae's Desktop Underwriter® software, discounts on training through Fannie Mae's Housing Finance Institute™, and access to newsletters, announcements and webinars.

CUNA President/CEO Bill Cheney said that the agreement would provide a "terrific, cost-saving opportunity" to CUNA member credit unions that use the secondary market.

A "Path to Approval Toolkit" has also been made available to credit unions that wish to determine if they are qualified to sell loans directly to Fannie Mae.

 **CSS/ Fannie Mae Webpage**
http://www.cunastrategicservices.com/Fannie_Mae_103.html



>> Notes Bearing Interest

RegFlex Gets Tightened with 2-1 Vote



Frank Kressman (left), a senior staff attorney, briefs the NCUA board Oct. 22 on a final rule that would make changes to the agency's Regulatory Flexibility (RegFlex) Program, which exempts some credit unions with "superior performance" from certain regulatory requirements. (CUNA Photo)

Fixed-asset investments, stress testing, and net worth requirements all will be affected by the National Credit Union Administration's (NCUA) adoption of new RegFlex provisions.

Specifically, the RegFlex proposal approved Oct. 21 requires RegFlex credit unions to comply with the general limitation of a federal credit union's investment in fixed assets to no more than 5% of its shares and retained earnings.

RegFlex participants that take part in member business lending will also be required to comply with collateral and security provisions that include obtaining the personal liability and guarantee of the borrower.

NCUA Chairman Debbie Matz said that a main concern of the NCUA was aggressively protecting the National Credit Union Share Insurance Fund. While board member Michael Fryzel also backed the final rule, fellow board member Gigi Hyland opposed the changes, calling them a "substantial dilution" of the original RegFlex provisions.

CUNA opposed the changes, saying that they would render the RegFlex program "much less helpful to credit unions." 🏠



RegFlex Rule
<http://www.ncua.gov/GenInfo/BoardandAction/DraftBoardActions/2010/Oct/Item2a10-1021.pdf>

NGNs to Have 0% Risk Weight

The National Credit Union Administration (NCUA) Guaranteed Notes (NGNs) that securitize the cash flows on legacy assets held by the conserved corporate credit unions will officially have a 0% risk weight, the NCUA said last Thursday.

The NGNs are fully backed by government funds, and are being sold in a series of auctions on the open market.

NCUA Chairman Debbie Matz said that the NCUA approved the interim final rule, which expands the definition of "low-risk asset" for Prompt Corrective Action purposes, to help a greater number of credit unions participate in the NGN investment opportunity. However, NCUA board member Gigi Hyland cautioned that credit unions should balance any NGN-based investments with other investments in their portfolios. 🏠

Amended Definition of PCA/Low risk assets
<http://www.ncua.gov/GenInfo/BoardandAction/DraftBoardActions/2010/Oct/Item3a10-1021.pdf>

CAMEL Code CUs Increase Slightly

Although the overall status of the credit union system has mostly remained stable since last month's report, National Credit Union Administration Chief Financial Officer Mary Ann Woodson last week reported slight increases in the number of CAMEL Code 3, 4 and 5 credit unions.

Specifically, Woodson said the total number of CAMEL Code 4/5 credit unions increased by 14 and the number of CAMEL Code 3 credit unions increased by 16 between August and September. However, Woodson said, one of the new CAMEL Code 3 credit unions was a former Code 4/5 credit union that improved its financial condition.

Overall, just over 18% of total insured shares are held in CAMEL 3 credit unions, and 5% of those same shares are held in CAMEL 4/5 credit unions, Woodson added.



>> Notes Bearing Interest

Do You Travel the *CUNAverse*?

When CUNA launched its *CUNAverse* blog on May 3, the mission was to provide insight on credit union issues while offering a behind-the-scenes glimpse at CUNA, Inc. Now, almost six months later, it seems *CUNAverse* has made its mark.

words, wit and wisdom



There are a total of 74 posts in 21 topics, and the most popular topics include compliance, credit union history/philosophy, marketing, operations, personal finance education, conferences and training. There are a total of 319 comments posted on *CUNAverse*. From May 3 to Oct. 17, *CUNAverse* was accessed 32,701 times by 15,849 individual computers/cell phones with an average of two pages viewed per visit. 🏠

Here's a Top 10 list, the most popular blog entries so far:

- ▶ Components of a credit union social media plan—825 views;
- ▶ What credit unions can learn from Pizza Hut—567 views;
- ▶ Worried that CUs aren't focused enough on upcoming truth in lending changes—427 views;
- ▶ Turnover increase on the horizon for credit unions—425 views;
- ▶ A culture of fear or a culture of love—409 views;
- ▶ First feedback on Bill Cheney as new CUNA president/CEO—381 views;
- ▶ Why celebrate International Credit Union Day—362 views;
- ▶ What I've learned about online community management—333 views;
- ▶ Is the credit union difference reaching consumers—327 views; and
- ▶ The golden-circle concept for credit unions—299 views.

 **CUNAverse**
<http://cunaverse.com/>



>> 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 1, 2010	Proposed IRPS: Corporate Credit Union Chartering http://www.cuna.org/reg_advocacy/reg_call/rcc_100810.html	October 26, 2010
Federal Reserve Board		
December 23, 2010	Additional Consumer Protections and Disclosures for Regulation Z Mortgage Loans http://www.cuna.org/download/rcc_100110.pdf	December 9, 2010
November 23, 2010	Disclosure Requirements under the Mortgage Disclosure Improvement Act http://www.cuna.org/reg_advocacy/reg_call/rcc_090310.html	November 1, 2010
Federal Trade Commission		
November 15, 2010	Mortgage Acts and Practices http://www.cuna.org/reg_advocacy/reg_call/rcc_100110.html	November 4, 2010