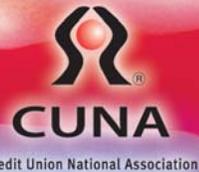


# CREDIT UNION NewsWatch



OCTOBER 11, 2010

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



Assistant Treasury Secretary Michael Barr (left), and CUNA President/CEO Bill Cheney (right), with other CUNA officials, met again last week on credit union issues, such as the National Credit Union Administration's Sept. 23 actions involving corporate credit unions, legacy assets, and more. (CUNA Photo)

## CUNA: 'No Taxpayer Cost to Corporate Plan'

CUNA President/CEO Bill Cheney last week refuted bankers' claims that tried to twist perception of the National Credit Union Administration's corporate credit union actions as a "bailout of the credit union system." The bankers further pushed that it "should cast doubt on the wisdom and the fairness of [credit unions'] tax exempt status." Cheney immediately corrected the banker-speak. Credit unions at large face no threat—and taxpayers will not pay the costs—for resolving wholesale, "corporate" credit unions that were recently conserved by federal regulators, Cheney said.

The CUNA leader hand-delivered a letter on the issue to Assistant Treasury Secretary Michael Barr during a Thursday meeting in Washington, and circulated it to other policymakers. During his meeting with Treasury, Cheney also discussed the NCUA's corporate credit union legacy asset plans.

Cheney and CUNA officials also addressed the state of natural-person credit unions during the meeting by

>> [See page 2](#)

## CFPB Focus for CUs: Streamlining Burdens

With the work of the developing Consumer Financial Protection Bureau (CFPB) having just begun, CUNA has participated in several meetings with both CFPB architect Elizabeth Warren and various U.S. Treasury officials.

The CFPB, created when the Dodd-Frank financial regulatory reform package was passed earlier this year, will monitor financial markets for evidence of systemic risk and work to consolidate and streamline consumer protection rules.

A key goal of CUNA's interactions with the new agency is to underscore the importance of minimizing credit unions' regulatory burdens, costs and requirements. Warren, reportedly a credit union member, has said she views the industry as an ally in the fight to protect consumers.

Warren has said that improving the transparency and consumer-friendliness of many financial products, another key goal of the CFPB, would benefit credit unions by demanding of other financial service providers the same high standards credit unions already provide their members.

Sen. Mark Udall (D-Colo.), known best to credit unions as the sponsor of legislation to increase the member business lending cap, urged Warren last week to make free consumer access to credit scores one of the priorities of the CFPB. Sen. Olympia Snowe (R-Maine) has also asked Warren to detail how the CFPB will implement and undertake periodic small business reviews.



### 2 | Your Money is CU-Safe:

New NCUA campaign tells consumers of NCUSIF benefits

### 3 | Corporate CUs:

CUNA works the many fronts of the issue

### 6 | NCUA Actions:

Short-term loans, secondary capital votes



### 8 | CUNA on YouTube:

CUs alone shoulder the corporate CU bill



# >> Governmental Affairs

## ‘Lame Duck’ is Worth Watching

The pending “lame duck,” post-mid-term election Congressional session, which is scheduled to begin on Nov. 15, could mean positive legislative developments for credit unions.

Although several legislative priorities were wrapped up in the weeks before the current electoral recess, before the end of the year Congress still needs to approve legislation that would continue to fund the government and the nation’s defense system.

CUNA Senior Vice President of Legislative Affairs John Magill said that member business lending cap legislation, or other credit union-related legislation, could potentially be attached to bills that are considered during this time period. CUNA is also working to promote allowing credit unions to raise alternative capital. 🏠

## ‘No Taxpayer Cost’ to Corporate Plan

▶ From page 1

signaling their intent to move forward with key pieces of legislation. A long-term goal is legislation that would reform alternative capital standards for credit unions, and Cheney said that CUNA would push for these reforms in 2011. More recent legislation that would lift the cap on member business loans to 27.5% of total assets was also discussed, and Cheney both thanked the Treasury for its recent support of lifting the cap and signaled CUNA’s intent to find a vehicle for MBL legislation in the upcoming “lame duck” session of Congress. 🏠

## Matz Unveils ‘Keep Your Money NCUA-Safe’

The National Credit Union Administration’s (NCUA’s) campaign to raise awareness of its share account insurance program officially began last week, with NCUA Chairman Debbie Matz taking part in an NCUA-branded “radio tour.”

The tour is the kick-off to the NCUA’s “keep your money NCUA-safe” campaign, which will feature television, radio and billboard ads with financial advisor and motivational speaker Suze Orman helping to outline the benefits of NCUA share insurance.

The ads aim to educate potential and current credit union members that the NCUA’s share insurance guarantee is “virtually identical” to the more well-known Federal Deposit Insurance Corporation’s (FDIC’s) account insurance. The NCUA made the \$250,000 account fund guarantee permanent earlier this year, as did the FDIC.

The NCUA also has created a new website with links to the video ads, an “e-calculator” which will help users find out how much of their money is “NCUA-safe,” and other information.

NCUA Chairman Debbie Matz in a release said that the campaign “will give consumers the tools to make sure their accounts are properly set up so

that they can have the peace of mind they deserve.” 🏠

🏠 **NCUA and FDIC. Virtually Identical.**  
<http://www.ncua.gov/NCUAsafe.aspx>

The image shows a YouTube video player for a PSA titled "NCUA 30 Second Share Insurance PSA with Suze Orman...". The video features Suze Orman speaking. To the right of the video player is a promotional graphic with the headline "NCUA and FDIC. Virtually identical." and a call to action "use the e-Calculator". Below the video player are three transcript thumbnails: "Twins" :60, "Twins" :30, and "Backstage interview with Suze Orman". To the right of the transcripts is a "Follow NCUA" section with a tweet from 6 days ago: "TheNCUA was Wondering if your funds are safe at your #creditunion? Use NCUA's Share Insurance Toolkit to find out! http://go.usa.gov/hzY".

Personal finance expert Suze Orman is appearing in public service TV messages to explain the similarities between NCUA and FDIC protection: “They’re virtually identical. NCUA protects the money you have in a credit union account up to \$250,000, same as FDIC protects money in a bank account.”



## CUNA Works Many Fronts on Corporate CU Issue



Bill Cheney  
CUNA President/CEO

As credit union CEOs attempt to digest the corporate rule approved Sept. 23 by the National Credit Union Administration (NCUA), CUNA continues to work on many fronts to help credit unions deal with these developments.

For instance, CUNA President/CEO Bill Cheney immediately took to the airwaves to dispel misperceptions caused when even some solid stories in major news publications were topped off by glaringly erroneous headlines that called the corporate plan a “bailout.” Cheney underscored for a national audience that the costs of the corporate stabilization plan will be born by the credit union system alone—no taxpayer dollars are involved.

In addition to working with the press, CUNA has been in discussions with leaders on Capitol Hill to help lawmakers digest the details and understand the finer points of the new corporate credit union rules. Also, the U.S. Treasury Department asked to meet, and CUNA staff last week discussed the NCUA plan’s details and impact with officials there. (See related story on p. 1.)

CUNA also has created a detailed summary of the NCUA’s corporate credit union plan to help member credit unions absorb the details. (See link below for the complete summary.) CUNA is gratified that the new corporate rule reflects many of the recommendations of its Corporate Task Force. “We firmly believe it offers a solid model for corporate credit unions going forward,” Cheney has said.

CUNA frequently urged NCUA over the past year to develop a plan that does not create additional costs due to the legacy assets, on top of the already very large expected credit losses on those assets. After a careful review of the plan, CUNA believes the NCUA approach will do a good job of meeting this objective of minimizing resolution costs to credit unions by avoiding market losses in addition to the credit losses. That is, the NCUA will place the legacy assets in trust in order to avoid their sale. The agency, in turn, will create notes that mimic the expected cash flows of the legacy assets—and the notes will have a government guarantee.

CUNA absolutely notes the hardship that the costs of the stabilization plan and legacy asset resolution causes for credit unions. However, although difficult for credit unions to hear, it could have been worse; credit unions will not have to absorb any significant market value losses in the resolution of the legacy assets.

The \$14 billion to \$16 billion updated range of expected losses is much narrower than the \$6 to \$18 billion range that NCUA projected last year, and while it is within NCUA’s previous range, the expected losses are on the high side of that former range. This apparent conservative approach was likely used to ease underwriting concerns and to get Treasury approval of the deal.

Bonds, such as those that make up most of the legacy assets, have, if anything, improved slightly over that past few quarters. In other words, there is reason to believe that the actual, realized losses will come in below the \$14 billion to \$16 billion range, although there is no guarantee of this. Of course, the losses could even be greater than \$16 billion, although this is unlikely. Indeed, the total other-than-

temporarily-impaired charges for the five corporates as of June, revealed during a recent NCUA webinar, were \$11.7 billion.

In any case, using the \$15 billion midpoint, NCUA reports that \$5.6 billion of the loss has already been covered by the extinguished capital of the conserved corporates.

That leaves \$9.4 billion to be covered by the Stabilization Fund, of which \$1.3 billion has been paid in last year’s (\$0.3 billion) and this year’s (\$1 billion) assessments. The remaining estimated balance is therefore \$8.1 billion.

The extended life of the Stabilization Fund also gives credit unions longer to pay the stabilization assessments. Assuming the \$15 billion midpoint turns out to be accurate, the average cost in basis points of insured shares depends on the growth of those shares over the next 11 years.

▶ Assuming credit union shares and deposits grow by 5% a year for the next eleven years, the average annual assessment will be 7.3 basis points (bp). (Starting at 9.2 bp next year, falling to 5.5 bp in the last year).

▶ Again, the future loss estimates are just that, estimates. If savings growth is faster than 5% a year, and/or if the remaining losses to be covered by the stabilization fund are less than \$8.1 billion, the average cost will be less than seven basis points per year. Conversely, if savings growth is slower than 5% a year, and/or if the remaining losses to be covered by the stabilization fund are higher than \$8.1 billion, the average cost will be more than seven basis points per year.

▶ Some other examples of average annual basis point costs are in the table below.

### Annual Stabilization Assessments

Depending on: Total Stabilization Cost and Assumed Insured Share Growth

		Low	Medium	High	
Total Cost		\$7 B	\$8.1 B	\$9.2 B	
4% Annual Share Growth	First (2011)	8.1 bp	9.3 bp	10.6 bp	Top Average
	Last (2021)	5.4 bp	6.3 bp	7.1 bp	
	Average	6.7 bp	7.7 bp	8.8 bp	
	Total Cost	Low \$7 B	Medium \$8.1 B	High \$9.2 B	
6% Annual Share Growth	First (2011)	7.9 bp	9.1 bp	10.4 bp	Low Average
	Last (2021)	4.4 bp	5.1 bp	5.8 bp	
	Average	6.0 bp	6.9 bp	7.9 bp	
	Total Cost	Low \$7 B	Medium \$8.1 B	High \$9.2 B	

Under the plan, the financial markets will be funding the legacy assets as they wind down, and doing so with a government guarantee. Credit unions will also be allowed to buy the NCUA guaranteed notes if they wish. Notes will be issued in several blocks later this year and into 2011. 🏠

📄 **CUNA Summary of NCUA Actions**  
[http://www.cuna.org/initiatives/corp\\_report/](http://www.cuna.org/initiatives/corp_report/)  
**NCUA Letters to CUs on Corporate CU Action**  
<http://www.ncua.gov/Resources/LettersCreditUnion2010.aspx#top>

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*"All are necessary to achieve positive results, not only operationally, but politically. The 2011 CUNA Governmental Affairs Conference is our opportunity to set a compelling vision for political success and take action to advance our legislative and regulatory agenda.*

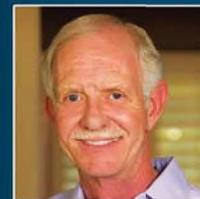
*I look forward to all that we will accomplish together. We can ensure a future in which credit unions can serve their members to the very best of their abilities. But such a future will not take shape unless we create it. That is what the GAC is all about. I urge you and your board to attend and be part of this unique and vitally important event."*

– Bill Cheney,  
CUNA President and CEO



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## OPENING KEYNOTE

**CHESLEY B. "SULLY"  
SULLENBERGER, III**

Former pilot, US Airways



## POINT/COUNTERPOINT

**ARIANNA HUFFINGTON**

Co-founder and editor-in-chief  
of *The Huffington Post*

**MARY MATALIN**

Republican strategist and political  
contributor, CNN



# >> Regulatory Affairs

## NCUA Addresses Short-Term Loans, Secondary Capital

Rules impacting short-term, small amount (STS) lending and secondary capital were among the many items approved at the National Credit Union Administration's (NCUA's) most recent monthly open meeting.

The STS loans, which will serve as an alternative to the predatory payday loans often offered by some financial service providers, may feature an interest rate that is 10 percentage points above the established usury ceiling at that time. The terms of the loans will be restricted, with the NCUA setting limits on the term, amount, and fee schedule. Credit unions may also charge a \$20 application fee per loan. However, the consumers of these loans must have been a member of the credit union for one month or longer, a move that could potentially bring



the unbanked into the credit union system.

An interim final rule that permitted low-income designated credit unions to redeem all or part of government-funded secondary capital, along with matching secondary capital, "at any time after it has been on deposit for two years," was also approved during the meeting.

The NCUA during the meeting also approved a 12.42 basis point National Credit Union Share Insurance Fund (NCUSIF) assessment, which the NCUA estimated will increase the NCUSIF's equity ratio to 1.3%, and will replenish the NCUSIF with an estimated \$933 million in funds. The NCUA has not determined whether or not a similar assessment would be charged in 2011. ■

## Overdraft Disclosure Rule Needs Changes

In a comment letter sent to the National Credit Union Administration (NCUA) last week, CUNA said that credit unions should have the option to list overdraft fees on periodic statements as "total overdraft fees for paid items" instead of "total overdraft fees."

Doing so would further distinguish the paid overdraft items from items that are returned unpaid and that are also required to be disclosed, CUNA said.

The NCUA, along with the Fed Reserve, changed Regulation DD (Truth in Savings) last year, requiring all financial institutions to disclose on the periodic statement the fees charged for overdraft services and for returning items unpaid, both for the statement period and the year-to-date.

The rule also provides a sample form that may be used to comply with these disclosure requirements, and clarifies some key definitions. CUNA asked the NCUA to allow credit unions to continue using a sample overdraft and returned item fee form.

 **CUNA Comment Letter**  
[http://www.cuna.org/reg\\_advocacy/comment\\_letters/cl\\_100410a.html](http://www.cuna.org/reg_advocacy/comment_letters/cl_100410a.html)

## ▶ Seeking CU Comment...

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

### Federal Reserve Board

AGENCY DUE DATE	PROPOSAL	CUNA DUE DATE
December 23, 2010	Additional Consumer Protections and Disclosures for Reg Z Mortgage Loans <a href="http://www.cuna.org/download/rcc_100110.pdf">http://www.cuna.org/download/rcc_100110.pdf</a>	December 9, 2010
November 23, 2010	Disclosure Requirements under the Mortgage Disclosure Improvement Act <a href="http://www.cuna.org/reg_advocacy/reg_call/rcc_090310.html">http://www.cuna.org/reg_advocacy/reg_call/rcc_090310.html</a>	November 1, 2010
October 25, 2010	Proposed Revisions to Escrow Account Requirements for Jumbo Loans <a href="http://www.cuna.org/reg_advocacy/reg_call/rcc_090310a.html">http://www.cuna.org/reg_advocacy/reg_call/rcc_090310a.html</a>	September 15, 2010

### Federal Trade Commission

November 15, 2010	Mortgage Acts and Practices <a href="http://www.cuna.org/reg_advocacy/reg_call/rcc_100110.html">http://www.cuna.org/reg_advocacy/reg_call/rcc_100110.html</a>	November 4, 2010
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# >> Notes Bearing Interest

## ▶ The Front Burner

The most viewed news stories on [cuna.org](http://cuna.org) during September 2010 reveal the hottest issues for credit unions. Access the complete stories and register to receive daily credit union news headlines at [www.cuna.org/newsnow/top10](http://www.cuna.org/newsnow/top10).

**10 Official insurance signs have March 2011 deadline**  
Starting March 2, 2011, federally insured credit unions must abandon any jury-rigged public displays that disclose a 2006 change in law that increased share insurance levels to \$250,000, up from \$100,000.

**9 Study: CUs beat banks on trust--again**  
Banks could take a lesson from credit unions on building relationships, according to a recent Mintel Comperemedia report.

**8 More on SAFE Compliance: Sample policy**  
CUNA, in response to inquiries, has written a sample policy that credit unions may find useful to review in developing their own Safe and Fair Enforcement for Mortgage Licensing (SAFE) Act policy that had to be adopted by Oct. 1.

**7 NCUA: Assessment at 12.4 bp, corp. CU rule Sept. 24**  
The National Credit Union Administration approved a 12.42 basis point National Credit Union Share Insurance Fund assessment at its open board meeting.

**6 NCUA reveals new corporate CU rule**  
The National Credit Union Administration revealed the final corporate credit union rule on Sept. 23.

**5 NCUA to CUNA: Expect merger registry in Oct.**  
The National Credit Union Administration said credit unions can expect a national merger registry "to be live by October." The registry, an idea initially recommended by CUNA would provide the names of potential credit union merger partners.

**4 NCUA denies community charter for CU**  
The National Credit Union Administration has denied an application by Bridgeton, Mo.-based Vantage CU to convert to a federal community charter.

**3 Compliance: A SAFE registration update**  
The Conference of State Bank Supervisors briefed CUNA and other trade associations about its progress on developing the registration process that banks, credit unions, and their employees will have to follow in order to comply with the Safe and Fair Enforcement for Mortgage Licensing (SAFE) Act.

**2 CU movement reacts to NCUA's actions on corporates**  
The credit union movement responded over the weekend to the National Credit Union Administration's announcements about its final corporate rule, the conservatorship of three corporate credit unions, and its plan to isolate and securitize the corporates' "legacy assets."

**1 Cheney battles notion of CU 'bailout' on Fox News**  
CUNA President/CEO Bill Cheney took to the airwaves to correct the misperception that credit unions are being "bailed out" by the National Credit Union Administration's recently released corporate credit union and legacy asset plans.

## Where Would FinCEN Plan Apply?

The Financial Crimes Enforcement Network's recently proposed cross-border electronic transmittals of funds disclosure rules would apply only to financial institutions that transmit or receive electronic-funds-transfer instructions directly to or from a foreign financial institution.

CUNA estimates that about 300 financial institutions would be impacted, and recommends credit unions analyze the proposal to determine how it applies to their business activities.

The proposal exempts from reporting funds transfers that are conducted and messaged entirely through a credit union's or bank's proprietary systems, and the reporting requirements will not apply in situations where there is no third-party consumer to the transaction.▲

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# >> CUs In The News

## CUNA on YouTube: CUs Alone Foot Corporate Bill

CUNA President/CEO Bill Cheney took quickly to YouTube to urge folks to read past some faulty headlines associated with the National Credit Union Administration's (NCUA's) recent action on corporate credit unions and go to the meat of the articles for the facts.

Stories in such publications as *The Wall Street Journal*, *The New York Times*, *MarketWatch*, *Reuters*, and *CNN Money.com* got it right—hat “taxpayers are not paying for this stabilization; credit unions are paying for it.”

Cheney adds, “Credit unions, because they are conservatively managed and have come through this crisis stronger than other financial institutions, will still pay the highest rates on savings; they’ll

charge the lowest rates on loans, and they’ll have the lowest fees. CUs are still the best deal for American consumers.”



CUNA President/CEO Bill Cheney appeared on Fox Business Network to correct credit union 'bailout' claims and discuss the superior rates and services that credit unions offer to both current and potential members. (CUNA photo)

Cheney also battled the notion of a CU “bailout” on Fox News. Appearing alongside host Gerri Willis, *The Wall St. Journal's* Mark Maremont, and analyst Bert Ely on Fox Business Network's “The Willis Report,” Cheney stressed that credit unions, not taxpayers, are bearing the cost of corporate credit union restructuring. Retail credit unions “will have to bear the cost over a 10 year period,” he explained to the national audience, “but already have been paying the cost for a year and a half.” Maremont backed up this statement. 🏠

**Cheney on YouTube**  
<http://www.cuna.org/newsnow/archive/list.php?date=092910#47772>

**CUNA's Credit Union Magazine: "It's Not a Bailout"**  
<http://www.creditunionmagazine.com/articles/its-not-a-bailout>



# >> CUNA Notebook

## Registration is Open for CUNA's 2011 GAC

Registration is now open for CUNA's 2011 Governmental Affairs Conference (GAC)—and the theme is, “Visionary: Creating the Credit Union Future.” Bill Cheney, who will be presiding over his first GAC as CUNA's president/CEO, notes that the new Congress that gavel into session in 2011 will be dramatically different than its predecessor. “More than ever, we must educate legislators, demonstrate our grassroots strength, and make a powerful impact. The GAC presents an early opportunity to do precisely that and set a compelling vision for political success.”

The conference, Feb. 27-March 3, of-



fers a wide array of educational “break-out” sessions, the credit union industry's largest exhibitor showcase, and much more. CUNA's GAC is the credit

union movement's premier political conference, each year giving credit union executives and board members an opportunity to hear influential leaders from Congress, the administration and the federal regulatory agencies. The afternoon of Wednesday, March 2, and the morning of Thursday, March 3, will be devoted to Capitol Hill visits, when attendees meet face-to-face with their members of Congress and staff to discuss issues of concern to the credit union movement.

Speakers and session topics will be announced in the weeks to come. 🏠

**Registration is Open!**  
<http://www.cuna.org/events/gac11/>