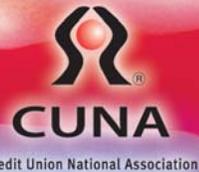


CREDIT UNION NewsWatch



JULY 2, 2010

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



CUNA Board Chairman Harriet May (far right) and President/CEO Dan Mica (foreground, making a point) participate in Electronic Payments Coalition live online video news conference focusing on interchange. (CUNA photo)

CUNA Prepares Next Interchange Steps

CUNA continues to urge legislators to oppose the final financial regulatory reform bill because of its inclusion of a provision requiring government controls on interchange fees. However, CUNA also is also preparing for the likelihood that the legislation will be enacted this summer. In that event, CUNA's efforts will turn to the rulemaking process, once it begins with the Federal Reserve, where CUNA intends to fully represent the interests and concerns of credit unions.

Credit unions have already affected some important changes to the original interchange plan incorporated in the Senate version of the reform bill.

Those changes include:

- ▶ A requirement that would force the Federal Reserve to account for fraud prevention costs when it determines interchange fees;
- ▶ An exemption for government pre-paid cards, and the removal of a provision that would have allowed merchants to discount between payment card networks; and
- ▶ A provision that will force merchants that accept payment from one payment network to accept all debit cards that operate under that network.

While the addition of interchange legislation is of central importance for credit unions, there are other aspects of the final reg reform bill of which credit unions will want to be

▶ See page 6

Special Report: CU Efforts Impact Interchange Debate

When CUNA launched an all-out action alert urging credit unions to flood Capitol Hill with contacts opposing government limits on interchange fees, President/CEO Dan Mica warned how slim the chances were to keep the provision out of the final financial regulatory reform package. But, he admonished, the stakes for credit unions and their members were high and a show of credit union strength was imperative.

The interchange amendment essentially requires the Federal Reserve to set interchange fees. CUNA warned lawmakers that while the law change would save merchants money on the normal cost of doing business, that savings would come at the expense of consumers who would

>> ▶ See page 6

Special Report on Interchange

2-3 | CU Interchange 'Hikes': Credit union advocates turn out in force

6 | NCUA Actions: Board approves assessment, new FOM rules



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Don't let them miss an issue!

CU Interchange 'Hikes' Cover the Hill



President/CEO of the South Carolina Credit Union League Steve Fowler (far right) talks with in-coming CUNA President/CEO Bill Cheney (second from right), CUNA Vice President of Political Affairs Trey Hawkins, and Cheney's daughter Catherine (far left) at the interchange meeting at Union Station. (CUNA photo)



Sen. Christopher "Kit" Bond (R-Mo.) (right) talks in his office with the Missouri credit union contingent which included Dennis Pierce of CommunityAmerica CU, Randy Yeck of Vantage CU, Dan Vogler of ABECU, and Kirk Mills of St. Louis Community CU. Pierce said of the credit union effort to fight the interchange amendment: "The trip was effective in that it allowed us to present our concerns and express the need to remove or modify the interchange amendment. If we aren't willing to defend our positions on issues, we must accept that others will decide our fate. I am not willing to allow that to happen to CommunityAmerica." (MCUA photo)



The evening before credit union advocates' coordinated Hike the Hill visits on the interchange issue, hundreds gathered at a large reception hall in Washington, D.C.'s Union Station to get background information as well as discuss strategies. Shown here from left CUNA Board Chairman Harriet May, CUNA President/CEO Dan Mica, New Jersey CU League President Paul Gentile, and Stan Hollen of Co-op Financial Services. (CUNA photo)



CUNA Board Chairman Harriet May shown in action on the Electronic Payments Coalition (EPC) live online video news conference (left) and answering press questions (right) about the CUNA Hike the Hill effort to try to block the interchange amendment from a final regulatory reform package. Also shown, Claude Marx of the Credit Union Times. (CUNA photo)



CUNA Board Chairman Harriet May (far right) and President/CEO Dan Mica (far left) participate in the EPC live online video news conference focusing on the interchange amendment. Mica noted that for their 100-year history, credit unions have been well known for charging smaller fees for financial services. "This (change in interchange rules) would force us to charge more fees," Mica explained. (CUNA photo)

92 Million Credit Union Members Say No to a Fee on Their Debit Card

But that's exactly what Congress will impose if it passes the legislation that affects interchange fees. This action could force consumers to pay higher fees on their debit cards through a monthly fee or a per use charge. These new fees are nothing more than a new tax on consumers.

The 92 million men and women of the Credit Union movement urge Congress to say "no" to changing interchange fees.



FOR MORE INFORMATION VISIT www.CUNA.org

To back up credit unions' "boots-on-the-ground" efforts to battle the interchange amendment, America's Credit Unions ran ads, like this one reminding federal lawmakers of the costs such a law will impose on consumers: "92 million Credit Union Members Say No to a Fee on Their Debit Card."



The Virginia CU League's Rick Pillow (left), along with other credit union advocates from throughout the Commonwealth, discussed with Rep. Rob Wittman (R-Va.) (pictured right) the challenges that interchange changes would impose on consumers and credit unions and the promise that lifting the member business lending cap could mean for for the country's economic woes. (CUNA Photo)



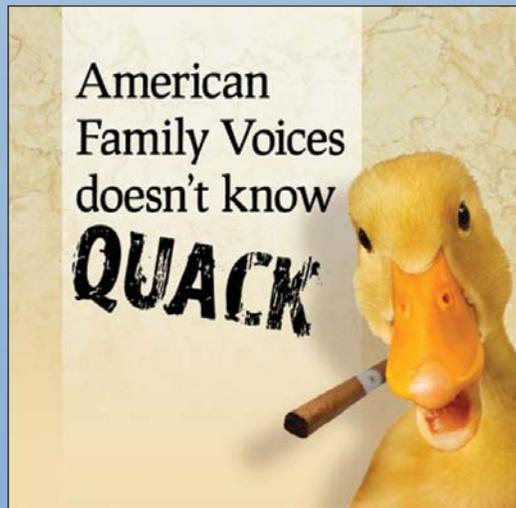
Sen. Susan Collins (R-Maine) greets a credit union delegation from Maine before they roll up their sleeves to discuss credit union concerns with interchange fee controls. Meeting with Collins (shown far right) are Downeast CU's Bert Beaulieu and Dan Daggett, and Otis FCU's President Roland Poirier. Back row (left to right) Atlantic Regional FCU's Leon Laffley, Chanel Coulombe, board chair, and Roger Sirois, president/CEO. (MCUA photo)



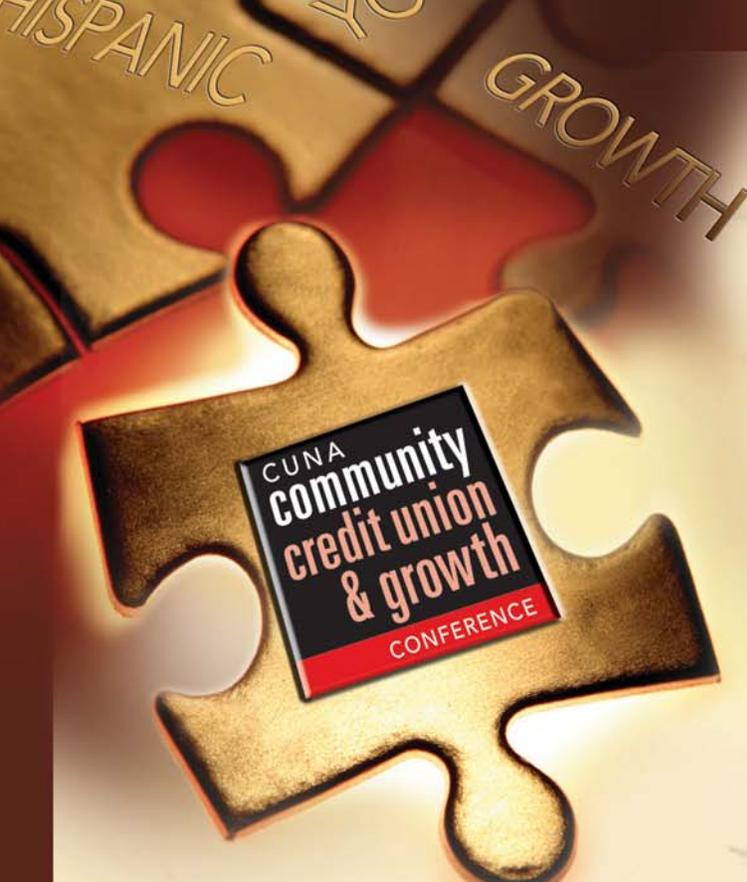
Minnesota credit union advocates met with Sen. Al Franken (D-Minn.) (far left) to discuss interchange issues. Also shown (left to right) are Lisett Comai-Legrand, First Alliance CU; Sarah Mason, Affinity Plus FCU, and Dawn Dunkelberger, North Memorial FCU. (MCUN photo)



Sen. Tom Harkin (D-Iowa), who was a Senate conferee to work out a final financial regulatory reform package, met with 22 credit union representatives from his state to hear their concerns regarding the provision to allow the government to set interchange fees. Answering the senator's questions, the Iowa credit union delegation explained that a proposed carve out in the provision intended to shield credit unions and community banks from it's impact would not have the power to do so. Also shown is Legislative Assistant Zachary Schechter Steinberg to the senator's left. CUNA Chief Economist Bill Hampel (foreground) also attended the Iowa meeting. (CUNA Photo)



A pro-merchant group calling itself "American Family Voices" ran an attack ad on Capitol Hill trying to equate credit unions' fight against government controls on interchange with a reason to increase credit union taxes. The group, oddly, faxed the ad to a large number of credit unions. One, American 1 FCU, of Jackson, Mich., pushed back with a blog posting that spoofed the ad saying, "American Family Voices doesn't know QUACK."



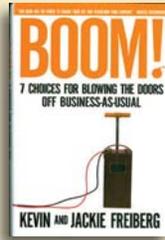
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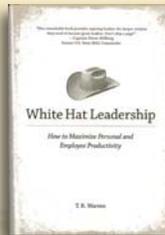
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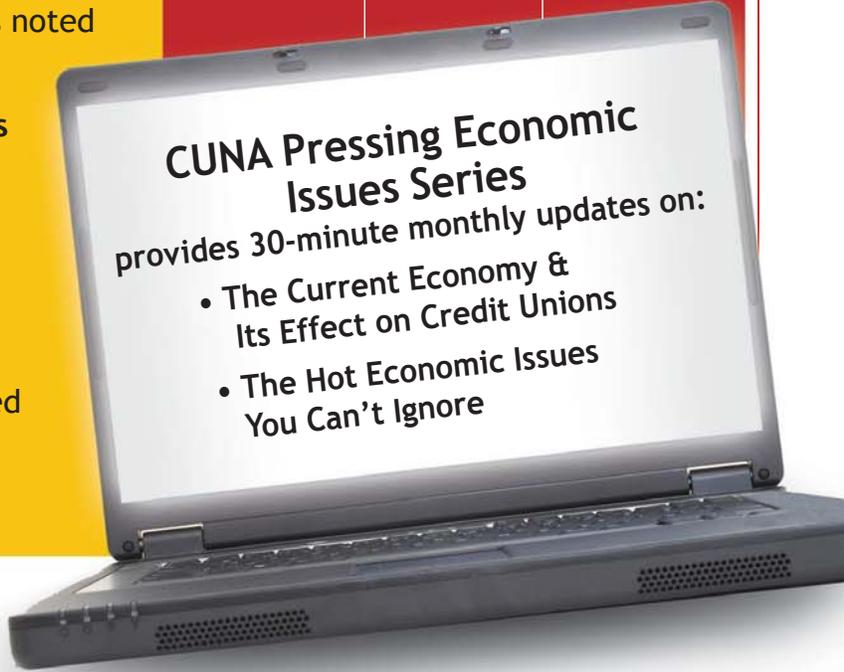
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>> Governmental Affairs

NCUA Approves Assessment, New FOM Rules

The National Credit Union Administration (NCUA) last week announced that it will charge credit unions an assessment of 0.134% of insured shares to pay for the costs of corporate credit union stabilization.

Invoices for this assessment, which will provide \$1 billion toward corporate credit union losses, will go to credit unions in July with the assessment due in August. The NCUA assessment of the likely amount of those costs is in the neighborhood of \$6 billion, but the actual amount of the losses will not be known for some time, CUNA Chief Economist Bill Hempel said.

Credit unions should expense their assessment in June and report the expense on their June 2010 call reports, the NCUA said. The NCUA also said that an additional assessment to replenish the National Credit Union Share Insurance Fund would be discussed later this year. Hempel recently predicted that the pending NCUSIF assessment would be somewhere between 5 and 10 basis points (bp), bringing the

total amount assessed by the NCUA this year to between 18 and 23 bp.

The NCUA during its monthly board meeting, which took place last Thursday, also approved a final version of previously proposed chartering and field of membership (FOM) policy changes, setting objective and quantifiable criteria to determine the existence of a well-defined local community for areas that encompass multiple political jurisdictions.

Under the final rule, single political jurisdictions, such as a county, may continue to be the basis for a new or expanded community charter without having to meet further statistical standards.

While much of the original proposal was retained, the NCUA did make some changes to population limits and other factors in the final rule. 🏠



 **CUNA Summary of NCUA Action**
http://cuna.org/reg_advocacy/member/ncua_board/ncua_boardsumm.html

CU Efforts Impact Interchange Debate

▶ From page 1

have to absorb more fees on what are now generally free financial services.

It is true that 650,000 email and phone contacts later, and after hundreds of credit union advocates made personal appeals on Capitol Hill and at federal lawmakers' district offices, an amendment was included in the final conference report of the bill. But the wave of credit union effort and influence was felt far and wide, and was picked up by media outlets across the country.

CUNA President/CEO Dan Mica lauded credit union representatives for the strength and numbers they showed in the interchange battle, and for a notable outcome.

Because the interchange language was included in the final regulatory reform package, CUNA now opposes the overall bill. However, it is important to note that credit union efforts did effect some important changes in the language. 🏠

CUNA Prepares Next Interchange Steps

▶ From page 1

aware.

One positive addition to the overall regulatory reform bill is language that would retain the National Credit Union Administration (NCUA) as the prudential regulator of credit unions. The legislation also designates the NCUA as the sole consumer protection regulation examiner for credit unions with less than \$10 billion in total assets.

CUNA also pressed for the inclusion of language that directs a new Bureau of Consumer Financial Protection to guard against burdening credit unions and other financial institutions with duplicative regulations by ensuring that outdated, unnecessary, or unduly onerous regulations are regularly identified and addressed in order to reduce unwarranted regulatory demands. Legislators also agreed to add the NCUA to a still developing council of financial regulators.



>> Notes Bearing Interest

FinCEN Levies \$1 million BSA Fine

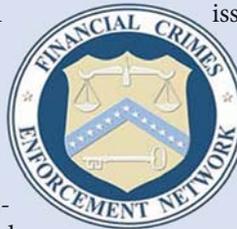
Although the walloping fine did not involve a credit union, the Financial Crimes Enforcement Agency's (FinCEN's) recent \$1 million civil money penalty assessment against a savings bank for violating a number of Bank Secrecy Act (BSA) requirements stands as a vivid reminder for credit unions about one of the reasons they spend so much time and effort on BSA compliance.

FinCEN cited Pamrapo Savings Bank, S.L.A., of Bayonne, N.J., with a lack of internal controls, unqualified BSA compliance personnel, "relatively non-existent" training, and deficient independent testing.

FinCEN said the deficiencies resulted

in a "wholly ineffective" BSA compliance program which, in turn, resulted in a failure to file a substantial number of currency transaction and suspicious activity reports in an "accurate and timely manner." FinCEN further charged that the bank misled regulators about its attempt to fix the problems. Pamrapo Savings Bank, without admitting or denying the allegations, consented to payment of the penalty, FinCEN said.

Earlier this year, CUNA drew credit unions' attention to a new version of the "Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual"



issued by the National Credit Union Administration and other federal financial institution regulators. The revised manual clarifies supervisory expectations provided since an August 2007 update.

CUNA has recommended that credit unions pay special attention to updates made to the core examination overview/procedures discussion that deal with basic BSA concepts, as well as the appendices. Those sections have been "streamlined and reorganized" to be "more logical," as FinCEN has put it. 

 **Regulators BSA/AML Manual**
http://www.ffiec.gov/bsa_aml_infobase/default.htm



>> CUNA Notebook

Economic Issues and CU Strategies

From Aug. 6-8 and then Aug. 8-11 in Boston, Mass., CUNA is offering two conferences on key economic issues geared to exploring credit union strategies for success in the current economic environment. But that's where the similarities between the meetings end. The first conference, the National Credit Union Roundtable for Board Leadership, will focus on credit union directors, the leaders who set the mission, vision and values of an organization.

This event will help directors hone their abilities to govern and oversee the widening range of risks that credit unions now face. The second conference, the Economics & Investments Conference, is where directors can join forces with their CEOs, CFOs and senior management to learn about the economic forces that affect the basic operations of all financial institutions. Sessions will provide expertise on such topics as loan management and ALM policies, as well as discuss trends and issues that affect a credit unions mission, vision, and values.

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http://training.cuna.org/on_site/EICMA10_fct.html

National Credit Union Roundtable for Board Leadership
http://training.cuna.org/on_site/BLRMA10_fct.html

CUNA REGULATORY COMMENT CALL

Comment Now: Payday Loan Alternative for CUs

The National Credit Union Administration (NCUA) proposes to allow federal credit unions (FCUs) to offer short-term, small-amount loans as a viable alternative to predatory payday loans offered by other financial services providers. FCUs would be permitted to charge a higher interest rate than the current usury ceiling in the Federal Credit Union Act, but the agency proposal would impose limits on the permissible term, amount, and fees for the loans.

Comments are due to the NCUA July 6.