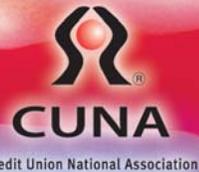


CREDIT UNION NewsWatch



APRIL 19, 2010

Legislation, Regulation, and Innovation *Online* from the Credit Union National Association



Credit unions raised almost \$1 million to support Children's Miracle Network, which in turn benefits Children's Hospitals across the nation, through the 2010 CU Cherry Blossom Race effort. About 15,000 runners wended their ways through the streets of Washington on April 11 and past its world-renowned cherry blossom trees. Former CUNA Chairman Juri Valdov, head of Credit Union Miracle Day, the credit union group that organizes fundraising, is nestled among the check-givers in this group shot. Valdov said charitable efforts are just an offshoot of the credit union people-helping-people philosophy. Also on hand on race day were about 500 credit union volunteers including a cadre of about 15 CUNA employees, such as President/CEO Dan Mica (center back row) and CUNA board member Rod Staatz (to Mica's right). (CUNA Photo)

Reg Reform: Changes Improve Bill for CUs

With comprehensive financial regulatory reform on the Senate agenda this week, CUNA continues to press for improvements to the measure that would minimize adverse impact on credit unions.

The reform proposal, sponsored by Sen. Chris Dodd (D-Conn.), retains the National Credit Union Administration (NCUA) as the independent federal safety and soundness regulator for credit unions. In addition to significant changes to other aspects of financial regulation, the bill would create an independent Bureau of Consumer Financial Protection (BCFP) within the Federal Reserve responsible for writing consumer protection regulation for all financial entities. The bureau would have examination authority for non-depository institutions, as well as large banks and credit unions with total assets of more than \$10 billion.

CUNA has encouraged Dodd to consider adding language that gives the BCFP "the authority to delegate examination authority for large credit unions to the prudential regulator" rather than limiting the NCUA's authority to credit unions with under \$10 billion in assets. Similar language was included in a version of this legislation passed by the House of Representatives in December.

CUNA also [See page 2](#)

UBIT Decision: A CU Victory

After a significant legal decision in favor of the credit union position on unrelated business income tax (UBIT), CUNA said the Internal Revenue Service will need to "recognize the inevitable" and "change its policy" that has guided its UBIT decisions.

The recent decision by the U.S. District Court for the District of Colorado found that Bellco CU of Greenwood Village, Colo., was not liable for UBIT on income derived from credit life and disability insurance and accidental death and dismemberment (AD&D) insurance sales. This ruling, which came earlier this month, represents "a substantial victory in credit union court challenges to the IRS policy toward UBIT and its application to credit unions," CUNA General Counsel Eric Richard said.

The government in its case argued that credit union insurance products were a poor value for members and did not promote thrift, but the presiding Judge Christine Arguello found the government's argument unconvincing, ruling that credit insurance was directly related to the credit union's

[See page 3](#)

2 | Should CRA Be Dismantled?

New bill says yes



3 | UIGEA Compliance Burden:

Lawmakers taking a fresh look

6 | Financial Lit Month:

April showers CU financial education efforts



Upcoming:

NewsWatch 5/3/10
CUNA scrutinizes open-end lending changes



>> Governmental Affairs

CRA Unlikely to Catch Fire in 2010

While the letters C, R and A might give credit union executives heart palpitations due to the unnecessary compliance costs it could force, the House Financial Services Committee's hearing on the Community Reinvestment Act, which took place last Thursday, featured little, if any, new ground in the discussion involving the statute. While Rep. Jeb Hensarling (R-Texas) introduced legislation that would fully repeal CRA shortly after the hearing, no action is expected any time soon.

House committee members have declared an unwillingness to take on any additional controversial items such as the CRA this year, with the recent, con-

tentious battles over healthcare in the rearview mirror and additional debate and, possibly, a vote on comprehensive financial regulatory reform looming ahead.

CUNA opposes any effort to include credit unions under CRA requirements, stating repeatedly that credit unions already meet the financial needs of a broad spectrum of people that fall within their fields of membership, and play an active role in community development and growth. The CRA requirements would add an unnecessary and costly regulatory burden to credit unions that already meet and exceed the intent behind CRA, CUNA says. 🏠

NCUA's Supplemental Capital Report

Alternative capital remains a priority subject and many credit unions watch developments in this area with intensity. Last week, National Credit Union Administration (NCUA) board member Gigi Hyland released an agency working group report on supplemental capital. The report discusses ways credit unions could access alternative capital.

The NCUA white paper documents the benefits that alternative or supplemental capital could provide. It also highlights further prompt corrective action



Gigi Hyland

(PCA) regulatory reforms. The report also states that any statutory change that affords credit unions the ability to count supplemental capital towards PCA "net worth" must be accompanied by robust regulatory authority to assure reasonable safeguards and risk parameters. A number of those regulatory safeguards and limitations are addressed in the report.

CUNA consistently advocates for supplemental capital authority, sufficient flexibility to allow credit unions to choose among options in offering supplemental capital, while still protecting credit unions, their members and the national credit union share insurance fund from undue risks. CUNA has long maintained that supplemental capital and PCA improvements could be very beneficial to credit unions for the long term.

CUNA is pursuing such authority with the Obama administration, The U.S. Congress, and the U.S. Treasury Department. Also, CUNA is preparing its own white paper that will discuss the need for and benefits of such capital, further options for how it can be structured and used, and political impediments to achieving it. The CUNA paper is expected in early May. 🏠

FHA Adjusts Net Worth Requirements

The Federal Housing Administration (FHA) announced that lenders who take part in its lending programs will need to possess "a minimum net worth of \$1 million."

The new requirement is effective immediately and approved lenders will have to meet this new requirement within three years. It's a big jump from the previous minimum net worth, established in 1993, which was \$250,000.

FHA-approved single-family and multi-family lenders must have a net worth of \$1 million plus 1% of total loan volume in excess of \$25 million, respectively. Multi-family lenders that do not service mortgages must have an additional 0.5% of total loan volume in excess of \$25 million, according to the FHA. However, the requirements for FHA small business-approved lenders are slightly different, as they must possess a minimum net worth of \$500,000.

Although mortgage brokers or third-party originators that were previously approved by the FHA are currently permitted to originate FHA-backed loans "without sponsorship of an FHA-approved lender," that origination authority will end in 2011. 🏠

Reg Reform: Changes Improved Bill for CUs

▶ From page 1

discussed credit union concerns related to data collection language and recently added remittance provisions during the last few weeks.

Discussion of Dodd's regulatory reform package continued over the recess, and while bi-partisan efforts to reach an agreement on the package continue, there are still significant areas where accord has yet to be reached. However, a vote is scheduled this week.

NCUA White Paper
<http://www.ncua.gov/Resources/Reports/plans-and-reports/2010/SupplementalCapitalWhitePaper.pdf>
CUNA Summary
http://www.cuna.org/reg_advocacy/member/041210_summary_ncua_wp.html



>> Regulatory Affairs

UIGEA Compliance Burden has Lawmakers' Ears

Although hearings on the Unlawful Internet Gambling Enforcement Act (UIGEA) that were set for last week were ultimately postponed, the U.S. Congress will likely reexamine UIGEA soon. UIGEA was one of many items pushed back by the recent health care and financial regulatory reform debates, but UIGEA-related legislation could be taken up for a vote in the near future, and UIGEA rules were addressed by the Federal Reserve and U.S. Treasury late last year.

If the UIGEA regulations are not delayed, credit unions and other financial institutions on June 1 will be forced to establish and implement policies and procedures to identify and block restricted internet gambling transactions, or rely on those procedures established by the payments system.

A bipartisan coalition of 19 lawmakers, including House Financial Services Committee Chairman Barney Frank (D-Mass.), late last year urged the National Credit Union Administration and other regulators to move back the effective date of UIGEA, stating that at a time of economic crisis, it is too great a burden on regulators and the financial services indus-

try to move ahead with implementation.

While federal regulators acted last year to move the compliance date for UIGEA back from the previous Dec. 1, 2009 effective date, CUNA and others have stated that simply pushing back the compliance date does not resolve the many issues that credit unions and other financial institutions have with the tenor of the UIGEA legislation. 🏠



House Financial Services Committee Chairman Barney Frank (D-Mass.) has been a strong proponent of addressing compliance problems associated with implementing UIGEA. In fact, in one bill he has introduced, Internet gambling would regain its legal status. Frank is shown here leading a committee session unrelated to UIGEA. (CUNA Photo)

New CUNA Corporate Group to Meet in May

CUNA has formed the Corporate Credit Union Next Steps Working Group, which will look to ensure that credit unions have reasonable options for payment, settlement, liquidity and investment services. The new group will hold its first meetings in May.

The working group, chaired by Jacksonville, Fla.-based Vystar CU's CEO Terry West, is comprised of many continuing members of CUNA's recent Corporate Credit Union Task Force, as well as Jim Regan, CEO of Digital CU in Marlborough, Mass., Mark Lau, CEO of Denver Fire Department CU, Gary Parker, CEO of Waco, Texas's 1st University CU, Dennis Flickinger,

president of York, Penn.'s First Capital FCU, and Ohio Credit Union League president Paul Mercer. The group is comprised of a total of 13 members.

The group will provide a comprehensive vision of a reasonable, dependable future for credit union access and will ensure that natural person credit unions of all sizes continue to have access to key correspondent services provided by the corporates, including payments, settlement, liquidity and investments.

The working group expects to submit its recommendations to change the corporate system to CUNA by the end of the summer. 🏠



CUNA Corporate CU Comment Letter

http://cuna.org/reg_advocacy/member/download/cl_to_ncua_corp_cus.pdf



CUNA's original corporate credit union task force (shown here in January) executed a comprehensive review of the National Credit Union Administration's proposal to revamp the system. Task Force Chairman Terry West is third from left. (CUNA Photo)

UBIT Decision: A CU Victory

▶ From page 1

tax-exempt purpose because it promotes "sound financial management."

While the government's argument relied heavily on evidence of low loss ratios, Arguello in her opinion noted that the low loss ratios simply indicated "that the insurance product was purchased by people who had not used it—yet."

The ruling followed a trial that heard testimony of credit union officers and employees, credit union members and credit union league officials. 🏠

CASE STUDY

CREATING
MEMBER
LOYALTY™

Improve Sales Without Sacrificing Service... CFCU Knows How!



Community First Credit Union (CFCU) is a \$1 billion credit union with 83,000 members based in Appleton, Wisconsin. Its management team wanted to instill a sales culture without sacrificing its core value of providing exceptional service.

After conducting an extensive search, they implemented CUNA's Creating Member Loyalty™, and launched an organization-wide training program.



"We view sales as understanding the members' needs and then educating them on the solutions the credit union can offer."

• **Cathie Tierney,**
*President
and CEO
Community
First Credit
Union*

■ THE CHALLENGES

- **Improve** sales without sacrificing credit union's commitment to service.
- **Create** mindset among staff that inquiring about a member's finances is actually good member service and can result in new financial solutions.
- **Implement** CUNA's Creating Member Loyalty (CML) in an efficient, effective manner to the entire organization.

■ THE SOLUTIONS

- **Launch** CML and create an aggressive, continuous training schedule.
- **Ensure** each training session features staff from all levels of organization to demonstrate credit union-wide commitment and build cohesiveness.
- **Generate** systems and processes to ensure ongoing success.

■ THE IMPACT

- **Improved staff confidence,** positive morale, and more staff relationships have resulted from company-wide training sessions.
- **Member satisfaction** has improved while share draft account penetration increased and single service households decreased.
- **Referrals to business lending,** member's financial services, mortgage lending and auto-buying services are on the rise.

Read and hear how
Community First Credit
Union created a sales culture
while improving service.

Visit training.cuna.org/cml



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With an amazing lineup of world-renowned keynote speakers, The 1 Credit Union Conference is the ultimate opportunity to get informed, involved and inspired. Join us in Las Vegas as America's Credit Union Conference and The World Credit Union Conference unite to bring you this once-in-a-lifetime event, where leaders in business will share their unique perspective and insights in an energetic, unforgettable forum.

1 GLOBAL EVENT.

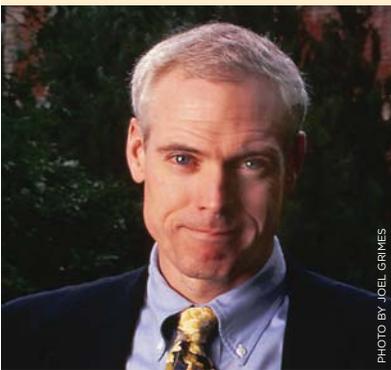


PHOTO BY JOEL GRIMES

JIM COLLINS HOW GOOD ORGANIZATIONS CAN BECOME GREAT

Jim Collins, bestselling author of *GOOD TO GREAT: Why Some Companies Make the Leap...And Others Don't*, will kick off the conference with his keynote address focusing on how credit unions can produce great, sustained results and capitalize on the historic opportunity for growth that the financial crisis has presented.



KEVIN CARROLL CREDIT UNIONS: UNCOMMON CATALYSTS TURNING DREAMS INTO REALITY

Kevin Carroll, author of *The Red Rubber Ball at Work*, will use his masterful storytelling skills during his closing keynote session to challenge and enlighten attendees. He'll help credit union leaders discover new ways of thinking and problem solving in order to build a productive, passionate team to better serve members.

Register early to attend this popular series of learning and networking breakfasts for credit union CEOs and executives, an additional three-part event for only \$299. All well-known business authors, the presenters will lead these sessions with credit union leadership issues in mind. The series includes four books by the authors.

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JULY 11 * 14 2010**





>> Notes Bearing Interest

Financial Literacy Month Brings Showers of Activity

Declared financial literacy month again by the U.S. government, April has provided credit unions another opportunity to showcase their financial education efforts. Many are focusing on promoting savings through CUNA's National Youth Saving Challenge. And National Credit Union Youth Week, April 18-24, is bringing more opportunities to show what credit unions can do.

"CUNA is proud to carry on the legacy of its member credit unions through its support of Financial Literacy Month," says CUNA President/CEO Dan Mica. "In fact, since 2004, CUNA, the leagues and our member credit unions went a step further by launching the National Credit Union Youth Week, which puts into action for our young people the teachings of

financial literacy—in particular, by learning how to become savers.

"Last year, nearly 140,000 youth participated in our program, saving more than \$26 million—double what they saved the previous year and a record. We look forward to another record-setting year—and helping our members, and future members, become even more financially literate," Mica said.

Here's an early pictorial look at just a few of April's financial education efforts. 🏠



President Barack Obama declared April Financial Literacy Month, calling on Americans to "take time to improve" financial knowledge.



(From left) John Williams, Allegacy vice president of Community and Governmental Affairs, State Superintendent of Public Instruction June Atkinson, and North Carolina State Treasurer Janet Cowell visited Allegacy FCU's student-run credit union in Winston Salem to celebrate Financial Literacy for Youth Month in the state. With them is Belinda Wilson, Allegacy director of student run credit union programs and student credit union employees. (Photo provided by Allegacy FCU)



More than 400 students participated in a financial reality fair at Central Connecticut State University, which was sponsored by Connecticut credit unions. (Photo provided by the Credit Union League of Connecticut)



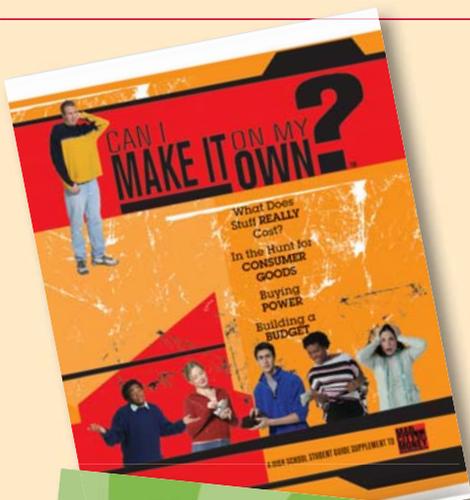
Pennsylvania Newsmakers focused on April as Financial Education Month during a recent broadcast. From left are Dr. Terry Madonna, host; Mary Rosenkrans, director of the Pennsylvania Office of Financial Education; and Mike Wishnow, senior vice president of communications and marketing at the Pennsylvania Credit Union Association. (Photo provided by the Pennsylvania Credit Union Association)



Malynda Lightsey, of Hutchinson (Kan.) CU, helps students understand the difference between simple and compound interest at the Kansas Treasurer's Office Money\$mart Financial Management Camp. (Photo provided by Kansas Credit Union Association)



Kim Watson (right) of The County FCU, Caribou, Maine, helps a student with his food budget at the Financial Fitness—A Money Management Experience in Limestone, Maine. The event was coordinated by the Aroostook Chapter of Credit Unions. High school juniors from throughout Aroostook County participated. (Photo provided by the Maine Credit Union League)



 **Can I Make It On My Own?**
<http://buy.cuna.org/detail.php?sku=29469>

Money@School
<http://buy.cuna.org/detail.php?sku=29470>

▶ The Front Burner

The most viewed news stories on cuna.org during March 2010 reveal the hottest issues for credit unions. Access the complete stories at www.cuna.org/newsnow/top10. Register to receive CUNA daily headlines at http://cuna.org/get_news/

10 NCUA says 'cease' building plan to CU in S.D.

The National Credit Union Administration issued a cease and desist order against South Dakota-based Rapid City Telco FCU.

9 CUNA comment on corporates suggests new model

CUNA President/CEO Dan Mica in a comment letter to the National Credit Union Administration said that CUNA supports corporate credit unions but not the business model that many, but not all, used.

8 CUNA applauds NCUA on 'legacy asset' timetable

CUNA President/CEO Dan Mica commended the National Credit Union Administration's projected timetable for solving the corporate credit union "legacy asset" issue.

7 Matz replies to urging to help CUs bear NCUSIF costs

Responding to CUNA's urging to help credit unions deal with unprecedented National Credit Union Share Insurance Fund costs, Chairman Debbie Matz wrote that the National Credit Union Administration will look at the operating level target in the fall.

6 Compliance Challenge: Can CUs give overdraft incentives?

CUNA's Compliance Challenge addresses a question regarding overdraft protection policies.

5 42 charged in Fla. fraud ring, targeted CUs

Florida law enforcement authorities are looking for the ringleader of a fraud and identity theft ring involving 42 people who stole more than \$200,000 from five Orlando area credit unions over three years.

4 Compliance: Answers to overdraft questions

CUNA has added five questions to its "frequently asked questions" on Regulation E's new overdraft rules requiring members to consent before being assessed fees on overdraft services for ATM and one-time debit card transactions.

3 CUNA Compliance: CUs need check-hold disclosure review

As of Feb. 27, the Federal Reserve Board consolidated all its check-processing operations into Cleveland, Ohio. This action eliminates all "non-local checks" under Regulation CC, which implements the Expedited Funds Availability Act.

2 Three banned from CU work

The National Credit Union Administration issued orders prohibiting three individuals from participating in the affairs of any federally insured financial institution.

1 CreditCards.com lists 10 places not to use a debit card

There are 10 situations where consumers should keep their debit card in their wallet, according to CreditCards.com. CUNA's Susan Tiffany, director of consumer periodicals, provides some of the advice.

>> Special Report

CU's Find Ways to Keep Health Benefits

Although a tight economy continues to constrict budgets and the costs of providing health care have continued to escalate, credit unions continue to provide health insurance to their employees.

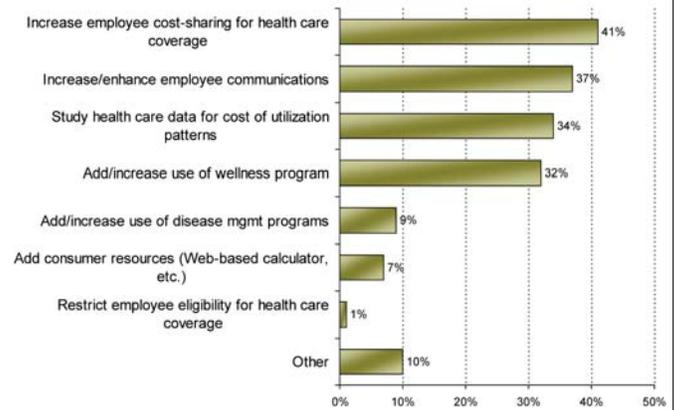
As in past years, 65% of credit unions provide health insurance as an employee benefit—and nearly all credit unions with \$50 million or more in assets offer it, according to CUNA's just-released 2010-2011 Credit Union Staff Benefits Report.

Beth Soltis, senior research analyst for CUNA, says that health care insurance is arguably the most important component of an employee benefits package that will recruit and retain great employees.

But the quest to retain the important employee benefit has been a difficult one, based on the numbers.

However, employers currently providing this benefit will continue to face challenges fairly soon, with percentage cost increases projected to return to double-digit levels in 2010 and

Figure 1-2
Changes Made to 2010 Health Care Plan to Reduce Health Care Plan Costs



Note: Based on credit unions that provide any type of health insurance to employees.

2011. Half of credit unions saw 2010 health insurance costs increase at least 10% over 2009 costs. And there are as yet unanswered questions from the frontier of new health care laws.

The full impact of health care reform on health care coverage as an employer-provided benefit is not yet clear. Soltis says, however, it will be vital for credit unions to understand the impact of reforms and to monitor cost trends to maintain a cost-effective health care plan and preserve its place in the employee benefits package. ■

2010-2011 Credit Union Staff Benefits Survey Report
<http://buy.cuna.org/detail.php?sku=29015>

>> CUNA Notebook

The Impact of Corporate Preparedness on the Bottomline

Date: April 21, 2010

Time: 1:00 pm Central (2:00 pm Eastern, 12:00 pm Mountain, 11:00 am Pacific)

Attend a FREE webcast brought to you by CUNA Strategic Services and Agility Recovery Solutions.

Most organizations are operating on limited resources these days. Management may not feel that corporate preparedness is a vital activity. This could be in part due to the physical location of the business or just an "it will never happen to me" attitude. This webcast will review the far-reaching impact of corporate preparedness aside from the ability to recover following any interruption.

Join us to learn how corporate preparedness affects many key financial statements including:

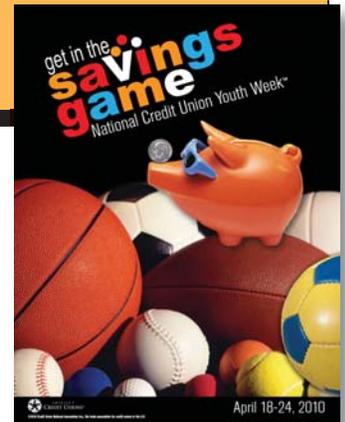
- ▶ Balance sheet
- ▶ Profit and loss statement
- ▶ Income statement

Register
<https://www1.gotomeeting.com/register/409712960>

National CU Youth Week™

April 18-24, 2010

A Worthwhile and Easy Celebration



It's National Credit Union Youth Week, smack dab in the middle of Financial Literacy Month, and credit unions across the nation are doing what they do best: helping youth prepare for a healthy and secure financial future.

The theme of the week, "Get in the Savings Game," has been developed by CUNA to help launch children of all ages on their journey to understanding the value and rewards of saving money.

Credit unions have signed up—and still can—for the National Youth Savings Challenge, which runs the entire month of April and invites youths to open new accounts.

National Youth Savings Challenge
http://finlit.cuna.org/saving_challenge.html