



House Financial Services Committee member Carolyn Maloney (D-N.Y.) greets CUNA witness Rod Staatz (far right), of State Employees CU of Maryland, and CUNA Vice President of Legislative Affairs Ryan Donovan, before she leads the panel's examination of a bill intended to enhance consumer protections associated with overdraft protection plans. Maloney is chairman of the Joint Economic Committee. (CUNA Photo)

CUNA witness Rod Staatz, testifying before the House Financial Services Committee on overdraft protection legislation, encouraged Congress to pursue an “independent, unbiased” study of consumer opinions to determine if they prefer overdraft protection services to having their checks bounce and other debits denied. Responsible courtesy pay programs offered by credit unions are in place, Staatz pointed out, “primarily to serve working America, the people who basically live paycheck to paycheck”

“To put arbitrary limits on overdraft programs offered by depository institutions” as The Overdraft Protection Act of 2009 (H.R. 3904) would do, Staatz said, “will only undermine these programs and drive people to alternative money providers who will undoubtedly charge more.”

Rather than pursuing the legislation before the committee, CUNA strongly urged that consumer protection concerns related to some programs should be addressed through the federal regu- >>  See page 2

## 21-Day Fix Goes to the President

The Senate voted by unanimous consent to ratify H.R. 3606, the CARD Act Technical Corrections Act. The bill clarifies that the 21-day late notice requirement found in section 601 of the Credit Card Accountability, Responsibility and Disclosure (CARD) Act applies only to credit card accounts and not to all open-end credit.

The legislation now moves on to President Barack Obama to be signed into law. CUNA sent a letter urging quick action

CUNA, the leagues, and credit unions worked closely with lawmakers and their staffs to explain credit union concerns about a 21-day late notice requirement.

The House approved H.R. 3606 via voice vote in mid-October, and, following the vote, CUNA President/CEO Dan Mica urged the Senate to act quickly to “save credit unions and their consumer members both money and peace of mind.”

Mica hailed the House and Senate actions, calling the votes “a crucial accomplishment,” and also thanked state credit union leagues for their support with many key Senate and House leaders.

“Once this measure is signed into law credit unions may continue the practices of sending members consolidated billing statements, changing payment due dates for members who had

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# >> Legislative Affairs

## CFPA: CUNA Works for Changes

The Consumer Financial Protection Agency (CFPA) took its next step toward creation late last week after it was approved by the House Energy and Commerce Committee.

H.R. 3126, the Consumer Financial Protection Agency Act, would seek to protect consumers of financial products through a powerful independent agency with extensive rulemaking, oversight, and enforcement tools. The legislation was approved by the House Financial Services Committee earlier this month following a total of 16 hours of debate over a five day period.

While CUNA acknowledges the need for increased consumer protections, CUNA is concerned by the potential impact that some portions of the CFPA Act could have on credit unions.

A managers' amendment adopted by the energy panel and opposed by House Financial Services Committee Chairman Barney Frank (D-Mass.) would shift CFPA authority from a single executive to a five-member commission of presidential appointees. Both committee bills contain language to limit the proposed CFPA's examination and enforcement authority to credit unions over \$1.5 billion in assets and banks with more than \$10 billion in assets.

CUNA opposes this amendment, and has advocated that the tasks of examination and enforcement for all credit unions must remain in the hands of the National Credit Union Administration.

The legislation could soon come up for a full House vote, and CUNA continues to work with legislators to ensure that the interests of credit unions are represented in the final bill. CUNA President/CEO Dan Mica has met with Rep. Barney Frank (D-Mass.) to discuss the CFPA Act, and Frank has reportedly indicated that he is willing to work with CUNA to find a solution to some differences. 🏠

 **CUNA Letter on CFPA**  
[http://www.cuna.org/press/press\\_releases/pk\\_102209.html](http://www.cuna.org/press/press_releases/pk_102209.html)

## Data Security: Issue Heats Up

Data breaches have resulted in millions of dollars in losses in recent years, and Congressional attempts to remedy data security issues returned to the legislative agenda late last week, as the Senate Judiciary Committee held markup sessions on S. 1490, the "Personal Data Privacy and Security Act of 2009"; and S. 139, the "Data Breach Notification Act."

S. 1490, introduced by Sen. Patrick Leahy (D-Vt.) earlier this year, would "prevent and mitigate identity theft, to ensure privacy, to provide notice of security breaches, and to enhance criminal penalties, law enforcement assistance, and other protections against security breaches, fraudulent access, and misuse of personally identifiable information."

S. 139, introduced by Sen. Diane Feinstein (D-Calif.), would "require Federal agencies, and persons engaged in interstate commerce, in possession of data containing sensitive personally identifiable information, to disclose any breach of such information."

CUNA has spoken in support of allowing financial institutions to charge retailers for any costs incurred by the financial institution that is forced to notify its account holders following a data breach. 🏠

## CUNA: Overdraft Fixes are a Regulatory Concern

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latory system. However, CUNA underscored that most credit unions approach overdraft protection in the best interest both of the individual members and the overall membership that puts its money behind the programs.

"We note," Staatz's testimony said, "that just over a week ago, the committee approved legislation to create a robust federal consumer protection regulator, which would have the authority to promulgate rules governing overdraft protection programs. Moreover, the Federal Reserve and other banking regulators, which currently have the authority to issue these rules, have rulemaking processes underway which address key concerns with overdraft programs."

The committee is not expected to vote on the proposed legislation for another few weeks at the earliest. 🏠

 **CUNA on Overdraft Issues**  
[http://cuna.org/gov\\_affairs/legislative/issues/download/overdraft\\_protection.pdf](http://cuna.org/gov_affairs/legislative/issues/download/overdraft_protection.pdf)

## 21-Day Fix Awaits Senate Action

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previously chosen a due date based on their specific financial situation, and continuing bi-weekly payment plans – all essential tools consumers use to manage their finances in the ways that best suit their needs," Mica noted. Read News Now (11/2/09) for compliance information related to the CARD Act fix.



# >> Political Affairs

## CUNA to President: CUs Can Help Small Biz

CUNA President/CEO Dan Mica in a letter to President Barack Obama said that credit union members with small businesses are turning to their credit unions for loans because they cannot find credit elsewhere, including at banks. Mica repeated the credit union message—that credit unions have continued to support the credit needs of their communities during the country’s economic crisis.



Dan Mica

In the letter, also sent to U.S. Treasury Secretary Timothy Geithner, Small Business Administrator Karen Mills, National Credit Union Administration Chairman Debbie Matz, and U.S. Treasury Assistant Secretary for Financial Institutions Michael Barr,

Mica offered CUNA’s full support for a number of small business initiatives that have been announced by the president.

Mica also offered to work with Treasury, SBA and the U.S. Congress toward increased loan limits for many key SBA programs and to achieve higher limits for the SBA’s 7(a) and 504 programs.

While Mica noted the positive growth in credit union member business lending (MBL) activity, which increased by 14% for the 12-month period ending in June, he warned that such growth “cannot continue because of the statutory cap on credit unions’ aggregate MBLs.”

“Credit unions have a ceiling on the amount of member business loans they can make — 12.25% of total assets — despite very low MBL loss rates. We estimate that if the cap is eased, approximately \$10 billion could be provided in new small business loans,” Mica added in the letter.

Mica urged administration and congressional support for H.R. 3380, the Promoting Lending to America’s Small Businesses Act, to increase the MBL cap to 25% of a credit union’s total assets. It also would raise the “de minimis” threshold for a loan to be considered a “member business loan” to \$250,000, and exempt loans made to non-profit religious organizations, as well as loans made in qualified underserved areas from the cap. ☒

## 350,000 Interchange Postcards in the Works

“Little Guy” feet are on the ground, blanketing Capitol Hill in a CUNA grassroots effort to educate lawmakers about why government interference in setting interchange rates would harm consumers.

In its interchange postcard campaign, launched last month, CUNA has supplied the state leagues with 250,000 postcards--featuring the credit union “Little Guy” pictured on the front of a debit/credit card. The leagues have distributed the cards to natural person credit unions to be handed out to members—and requests for more cards are flowing in. As one league representative said in her request for more cards, they are “going like hotcakes.” CUNA has ordered an additional 100,000 to meet demand.

The card campaign targets the Senate side of the Capitol and the text starts out: “Dear Senator, Why are merchants asking Congress to reduce their responsibility for the card payment system they benefit from every day?” The card also warns that the merchants are trying to shift their costs for a valuable service onto consumers.

The interchange outreach effort has also resulted in over 60,000 emails being sent to congressional representatives. ☒

**CUNA’s Interchange Information**  
[http://cuna.org/cgi-php/offlink.php?nlink\\_id=31001](http://cuna.org/cgi-php/offlink.php?nlink_id=31001)

**CUNA Members-Only Materials**  
[http://www.cuna.org/pol\\_affairs/member/interchange\\_materials.html](http://www.cuna.org/pol_affairs/member/interchange_materials.html)



In Cary, N.C., a member pens her name to a postcard as Little Guy stands by. (NCCUL photo).



Hampton Roads (Va.) Educators FCU members take a minute to contact their senator about interchange fees. (VCUL photo).



At First Financial FCU in Toms River, N.J., a member services rep lends a corner of her desk to help a member sign. (NJCUL photo)

# MONUMENTAL



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The GAC is where credit unions stand strong. We need you and your board to join us in Washington. And we'll do our part by making this GAC (my last as CUNA CEO) the best yet." – Dan Mica



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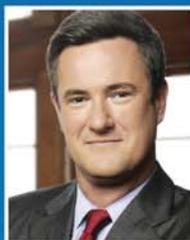


**Alan Greenspan**  
Former Chairman of the Board of Governors  
of the Federal Reserve System

#### POINT/COUNTERPOINT



**Howard Dean**  
Former Chairman,  
Democratic National Committee



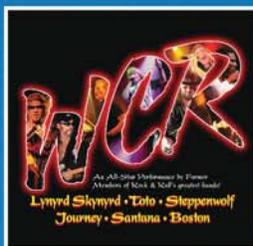
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# >> Regulatory Affairs

## NCUA's Latest on Premium Assessment

Although it was anticipated that the National Credit Union Administration (NCUA) might discuss at its October meeting a more finely honed prediction for next year's share insurance assessments than the 15-30 basis points currently being circulated, that discussion did not occur. Shortly before that meeting, board member Gigi Hyland foreshadowed the board's decision by stating publicly that the NCUA could not predict the amount of the assess-

ment in 2010 due to the unknown nature of future expenses, share growth, investment yields and resolution costs.

One concern about stating too narrow an estimate is the accounting repercussions such an action could have. The NCUA staff is expected to make a presentation before



the board at the Nov. 19 open meeting: How this is presented will be of great interest because, some observers note, if the agency were to announce too precise a figure for the future premium assessment, accountants might require credit unions to book the costs this year.

The NCUA recently reminded credit unions that this year's assessment of 0.15% of insured shares will be collected from federally insured credit unions during the fourth quarter. 🏠

## This Month at NCUA: Corporate CU Rule, Budget

The National Credit Union Administration (NCUA) plans to release its much-anticipated proposal to revamp the rules governing the corporate credit union rules by its Nov. 19 board meeting, though the plan is still under construction. The board held a number of town hall meetings—in person and online—and information and opinions collected during these meetings is being incorporated into the corporate rulemaking proposal.

CUNA Deputy General Counsel Mary Dunn commended the NCUA for the “unprecedented” nature of its outreach during the rulemaking development process.

CUNA and the National Association of Federal Credit Unions early this year established a joint task force and submitted to the NCUA detailed, comprehensive recommendations on the major areas of the corporate credit union system. Those areas include services, capital, structure, corporate governance, federal regulatory oversight and insurance of shares and deposits in corporates.

Another upcoming issue for the NCUA is its 2010 budget. For eight years running, the NCUA held an annual Budget Briefing and Public Forum to invite public comment but has no plans to do so this year.

Financial concerns were a highlight of the NCUA's most recent board meeting, with NCUA Chief Financial Officer Mary Ann Woodson reporting a total increase of 55 CAMEL Code 4/5 problem credit unions from yearend 2008 to September 2009.

Woodson also debuted a new slide comparing the total shares of CAMEL Code 3 troubled credit unions during the meeting, and reported on the financial toll of systemic credit union issues, disclosing that the 21 credit union failures that have taken place so far this year have resulted in nearly \$95 million in losses to the NCUA's insurance fund. 🏠

 [www.ncua.gov](http://www.ncua.gov)  
<http://www.ncua.gov>

## ▶ November Deadlines for CARD Act Comments

The Fed has released its plan to implement portions of the Credit Card Accountability, Responsibility and Disclosure Act of 2009—or CARD Act—that limit minimum payment warnings to credit cards and prohibit interest rate increases for existing balances and during the first year the account is opened. Credit union representatives that wish to comment to the Fed on these issues must do so by Nov. 20.

CUNA is also seeking credit union comment on the Fed proposal, having published a comment call, and is accepting comments until Nov. 10.

Bills to address certain provisions of the CARD Act continue to work their way through the legislative process. The House Financial Services Committee recently approved legislation to would move up the compliance date of some provisions to Dec. 1, and included important exclusions for credit unions. The House and Senate also approved H.R. 3606, the CARD Act Technical Corrections Act, which would clarify that a 21-day disclosure requirement for late payments applies only to credit card accounts, not to all open-end credit.

 **CUNA Comment Call**  
[http://www.cuna.org/download/rcc\\_101409.pdf](http://www.cuna.org/download/rcc_101409.pdf)



# >> Notes Bearing Interest

## CUs in the News

While the executives of bailed-out banks publicly gripe over potential pay restrictions, credit unions continue their good work, and stories in the national media detail their efforts. Among them *The New Yorker* and *The Washington Post* very recently noted credit unions' good work.

The *Washington Post* commended credit unions for their payday loan alternative products, citing a product offered by Chicago's North Side Community FCU which provides members with a six-month, \$500 loan with a 16.5% interest rate.

The credit union product, which the *Post* cited as an example of innovation by the private sector, has been taken advantage of by 5,000 members since it was introduced several years ago.

North Side Community manager Ed

Jacob said that his credit union hopes to help place members into good financial standing so they can then apply for profitable products--such as auto loans. How-



ever, the credit union does not profit from the payday loan alternative.

In *The New Yorker* piece, author James Surowiecki encouraged consumers to rise up "en masse" and move their money to credit unions, as the market is slow in dealing with the problems faced by many of the megabanks.

Surowiecki noted that big banks--like Wells Fargo, Citigroup, Bank of America and JPMorgan Chase--have continued to grow not based on their customer-friendly philosophy, but by charging higher fees than other institutions.

"Even if people are dissatisfied with their bank, it's usually cheaper not to fight than switch," Surowiecki wrote, and many customers and clients haven't moved on because switching from one financial institution to a credit union is often considered a hassle. Still, he encouraged consumers to move their money to credit unions. Only then will the market have to deal with the problem of megabanks, which means Washington will then have to deal with them, he wrote. ■

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## 2009-10 CUNA Board Elections

Voting for District 6, Class A ends Dec. 18

All other incumbents were re-elected by acclamation.

Highlighted individuals terms expire in 2010

For more information about the CUNA Board visit CUNA's website

<http://www.cuna.org/cuna>

\* Incumbent

	<b>District 1</b> <b>States include:</b> CT, ME, MA, NH, NJ, NY PA, RI, VT, Puerto Rico and Virgin Islands	<b>District 2</b> <b>States include:</b> DE, DC, IN, KY, MD, OH, VA and WV	<b>District 3</b> <b>States include:</b> AL, AR, FL, GA, LA, MS, NC, SC, TN	<b>District 4</b> <b>States include:</b> IL, IA, MI, MN, MO and WI	<b>District 5</b> <b>States include:</b> AZ, CO, KS, MT, NE, NM, ND, OK, SD, TX, UT and WY	<b>District 6</b> <b>States include:</b> AK, CA, HI, ID, NV, OR, WA, American Samoa, Guam, Johnston Atoll, Midway Atoll, No. Mariana Islands, Palmyra Atoll and Wake Atoll
<b>Class A</b> <b>CUs having less than</b> <b>20,000 members</b>	Edwin Williams (PA)	*John Graham (KY)	*Sandy Lingerfelt (TN)	*Pat Wesenberg (WI)	Winona Nava (NM)	Jon Hernandez (CA) *Susan Streifel (WA)
<b>Class B</b> <b>CUs having 20,000-</b> <b>73,999 members</b>	Eugene Foley (MA)	William Herring (OH)	*Laida E. Garcia (FL)	Pete Dzuris (MI)	Kris J. Mecham (UT)	Mary Cunningham (CA)
<b>Class C</b> <b>CUs having at least</b> <b>74,000 members</b>	*Robert Cashman (MA)	Rod Staatz (MD)	Tom Dorety (FL)	*Dennis Pierce (MO)	Harriet May (TX)	Dave Rhamy (NV)
<b>Class D</b> <b>League Presidents</b>	Joseph Bergeron (VT)	Paul Mercer (OH)	Mike Mercer (GA)	Brett Thompson (WI)	*Marla Marsh (KS)	*Dennis K. Tanimoto (HI)



# >> Special Report

## CUNA Outlook: Freefall Over, Growth Fragile

Although the country's economic freefall has ended and there is an expected return to modest growth, CUNA Chief Economist Bill Hampel predicts that the bad news in unemployment figures is not over and that rate will continue to "drift up." In this context, he says, credit unions can expect continued strength in savings growth and weak loan demand. High loan losses will continue to place downward pressure on earnings.

Overall, he says, although the "worst is behind us," for the near term credit unions are facing a "fragile low-growth economy."

Hampel recently presented an extensive economic update and outlook



*Bill Hampel  
CUNA SVP and Chief  
Economist*

on credit unions to the American Institute of Certified Public Accountants Conference on Credit Unions in Chicago, and within that presentation he shared his insights on the corporate credit union situation.

First, Hampel said, significant losses in the Western Corporate CU and U.S. Central Corporate CU portfolios will occur over the next one to five years. However, the actual amount of those losses depends on the future course of interest rates, the economy, housing markets, and housing finance. Because of this,

the rate and depth of future losses are "unknown, and unknowable."

He said the situation for credit unions is made more difficult by accounting rules. He noted that GAAP, or Generally Accepted Accounting Principles, unfortunately require a single number representing loss estimates for financial statement purposes. "Because there is no way to have any confidence about what that number is, GAAP is a misleading way to deal with the situation," Hampel said.

For more from Hampel on "Accounting v. Reality" use the link below to access CUNA's *Credit Union Magazine*. 🏠

 **Credit Union Magazine**  
<http://www.creditunionmagazine.com/>

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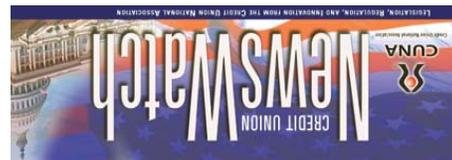
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