



Credit Union National Association

# CREDIT UNION NewsWatch

LEGISLATION, REGULATION, AND INNOVATION FROM THE CREDIT UNION NATIONAL ASSOCIATION

OCTOBER 5, 2009

## Premium Assessments Discussed at Matz's First Meeting



At the first open board meeting under Chairman Deborah Matz, the National Credit Union Administration approved a total premium assessment of 0.15% of insured shares for federally insured credit unions, revisions to the Central Liquidity Fund's policies, and a revised corporate credit unions' agreements under the Temporary Corporate Credit Union Liquidity Guarantee Program. Pictured from left: Board member Michael Fryzel, Matz, board member Gigi Hyland. (CUNA Photo)

National Credit Union Administration (NCUA) Chairman Deborah Matz began her first meeting in charge by saying that her first priority as a regulator is to protect the deposits of all credit union members.

The three-member board then addressed the deposits of federally insured credit unions by approving, as expected, a 0.15% of insured shares assessment to help replenish the National Credit Union Share Insurance Fund's (NCUSIF) equity and repay \$310 million in funds the Stabilization fund has borrowed from the U.S. Treasury.

The assessment, which will be invoiced by November, will also repay all interest accrued by the NCUSIF as of June 30, 2010. The NCUA will require credit unions to pay these assessments by mid-December. While additional assessments could be imposed in 2010 or 2011, the NCUA will base that decision on future economic conditions. The board will try to provide credit unions with a budgetary range for any future assessments at its upcoming October board meeting, Matz said.

The NCUA board also approved clarifications to

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## Minimum Payment Warnings Limited to Credit Cards

Recently released proposed amendments to Regulation Z would limit the required minimum payment warning disclosures outlined in the Credit Card Accountability, Responsibility and Disclosure (CARD) Act to credit card accounts.

CUNA has repeatedly urged the Fed to limit these minimum payment warning disclosures. CUNA is pleased that the Fed is using its authority under the Truth in Lending Act to limit these provisions in this manner, and will file a comment letter on this latest Fed development.

The Fed proposal would also prevent credit card issuers from increasing a borrower's interest rate during the first year that an account is open and would limit the increased fees that financial institutions charge on so-called "subprime" credit cards.

The proposal will also require that payments which exceed the minimum payment must now be allocated to balances with the highest interest rate first. Credit consumers under 21 years of age will also be required to have a co-signor on their accounts under the new rules.

The remaining portions of the CARD Act are set to become effective in February or August of next year, and legislation on the Hill, if approved, could accelerate the effective date for some portions of the CARD Act to December of this year. (Use link to read related News Now story.)

**News Now: Compliance: What an accelerated CARD ACT date would mean**

<http://cuna.org/newsnow/09/wash093009-2.html>

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75 million young adults worth reaching

# >> Special Report

## Successful 2009 Hike the Hill Season

Defeating harmful interchange legislation. Increasing member business lending authority. Shaping financial institution regulatory reform. These are among the top goals for credit union foot soldiers when they meet with their federal lawmakers through CUNA's Hike the Hill program. In September and October alone, there are 25 leagues, representing 29 states, blanketing the Hill and telling lawmakers how key issues like these affect credit unions and credit union members.

CUNA SVP of Political Affairs Richard Gose urges, "This is a critical time for credit unions to affect a positive outcome in the U.S. Congress. Issues that could impact credit unions for years to come are being debated and voted on this fall in Washington, D.C. Standing on the sidelines just is not an option."

For more information on Hike the Hill visits go to [http://cuna.org/pol\\_affairs/hike\\_the\\_hill.html](http://cuna.org/pol_affairs/hike_the_hill.html).





# >> Regulatory Affairs

## Interview: Matz Wants Focused, Not Forceful, Rules

The situation for corporate credit unions continues to evolve, and new National Credit Union Administration (NCUA) chairman Deborah Matz in a recent interview with *News Now* said that the board is looking to release a proposed version of new rules for corporate credit unions by its mid-November board meeting.

The NCUA is also following several other regulatory necessities, including the effect that the financial crisis is having on credit unions, and Matz said that proper credit union regulation must ensure the safety and soundness of credit unions without being excessive. Matz's intent as NCUA chair is "not to over-regulate, but to have focused regulation" that protects credit union members.

Proper credit union regulation will ultimately benefit consumers, and Matz said that the NCUA's role as "the best regulator for consumers" can go "hand in hand with credit unions being recognized as the best financial institution for consumers."

Solutions to the credit union-specific issues of member business lending and alternative capital, as well as the more general goal of improving communication between the board and credit union officials, are also priorities for the new NCUA chairman.

Matz also hopes to propose a division of consumer protection within the NCUA in 2010, whether or not the Consumer Financial Protection Agency is established in the near future.

Addressing the Credit Card Accountability, Responsibility and Disclosure (CARD) Act, Matz said that while she has instructed NCUA examiners to provide some leeway to credit unions as they adapt to the new rules, Credit unions will still have to comply "unless the law is changed." 🏠

## Pressing Compliance Issues Audio Conference This Week

CUNA offers an all-new "Pressing Credit Union Compliance Issues" audio conference this week to address new "hot topics" in the compliance area. The conference is set for Wednesday, Oct. 7 from 1 p.m. to 2:30 p.m. CDT (or 2-3:30 p.m. EDT; 12 to 1:30 p.m. MDT; and 11 a.m.-12:30 p.m. PDT).

Cost is \$89 for the live audio conference, which also includes six months' access to the archive.

This audio conference is beneficial for credit union compliance professionals, league compliance professionals, management, directors/volunteers, or anyone interested in the topics. For more information, use the link.



### Audio Conference Info

[http://training.cuna.org/audio/T10079\\_fct.html](http://training.cuna.org/audio/T10079_fct.html)



National Credit Union Administration (NCUA) Chairman Deborah Matz and CUNA President/CEO Dan Mica have a conversation just before Matz launches her Washington-area Town Hall meeting last week. Among the insights Matz shared with the 180 attendees is that the agency is going back to a 12-month examination cycle because the 18-month cycle has not served the system well. (CUNA Photo)

## Premium Assessments Discussed at Matz's First Meeting



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its Temporary Corporate Credit Union Liquidity Guarantee Program and revised some aspects of the investment and earnings retention policies of the Central Liquidity Fund during the meeting. The CLF changes will permit the fund to support its own operations through retained earnings while "greatly enhancing" the CLF's ability to support natural person credit unions, CLF President J. Owen Cole said. 🏠



### NCUA Board Meeting Results

<http://tinyurl.com/y869la9>

### CUNA Regulatory Advocacy

[http://cuna.org/reg\\_advocacy/index.html](http://cuna.org/reg_advocacy/index.html)

# *How do I manage my credit union's financial challenges?*

## challenge

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James Gibson  
President/CEO  
Carter Federal Credit Union

## upcoming CUNA webinars

### Asset-Liability Management for Managers & Volunteers

October 14, 2009



### Portfolio Management Strategies

October 20, 2009



### Forecasting & Strategically Planning for Long-Term Growth

October 27, 2009



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October 28, 2009



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October 29, 2009

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# >> Governmental Affairs

## CUNA to Congress: Let CUs Thrive Under New Regs

In recent testimony on financial regulatory reform before the House Committee on Small Business, CUNA Chief Economist Bill Hampel urged legislators to ensure that any new consumer protection regulation is “consolidated and streamlined” to avoid an unneeded regulatory burden for “those that have been regulated and performed well, such as credit unions.”

Legislator and committee chair Rep. Nydia Velázquez (D-N.Y.) admitted that some of the proposed financial regulatory changes could substantially alter the business models of both community banks and credit unions, adding that the needs of small businesses must be considered as Congress responds to the financial crisis.

While credit unions themselves cannot solve all of the current economic problems, they can help small businesses through member business lending, and Hampel urged the representatives to “restore credit unions’ ability to serve the lending needs of their business-owning members” by “eliminating or expanding the limit on credit union member business lending.”

While CUNA generally supports the goals of the proposed Consumer Financial Protection Agency, Hampel said that threatening the National Credit Union Administration’s independence by bringing credit unions under the authority of a separate consumer protection examiner would “distract



CUNA Chief Economist Bill Hampel urges a House panel that consumer protection regulation should be consolidated and streamlined and not add to the regulatory burden of credit unions.(CUNA Photo)

credit unions from their mission and divert resources away from serving their members.”

Maintaining regulatory independence for the credit union system “extends beyond both philosophical and structural issues,” Hampel added. 🏠

## Reg Reform Debate Twists and Turns

Congressional work toward regulatory reform continues, with further hearings by the House Financial Services Committee scheduled for this week.

In late September, Committee Chairman Rep. Barney Frank (D-Mass.) circulated a discussion draft on the proposed Consumer Financial Protection Agency (CFPA). Frank’s legislation would eliminate requirements for so-called “plain vanilla” financial products and prevent the proposed CFPA from approving or changing the business plans of a financial institution under the agency’s oversight.

Frank’s changes would still allow the CFPA to require financial institutions to provide improved disclosures to their consumers, but would exempt non-financial businesses, including merchants, retailers, and other non-finance-related businesses from the terms of any rules produced by the CFPA.

CUNA has generally supported the goals of the CFPA while steadfastly advocating that the National Credit Union Administration remain the sole independent regulator of credit unions in all areas. Senate Banking Committee Chairman Christopher Dodd (D-Conn.) recently said that any plan that would combine financial institution regulation under a single regulator would

not apply to credit unions, reflecting similar statements by Frank and the Obama administration.

Frank has publicly stated that regulatory reform legislation could be completed by the end of this month, with a view toward signing it into law by the end of this year. 🏠

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# >> Notes Bearing Interest

## The Front Burner

The most viewed news stories on [cuna.org](http://cuna.org) during September 2009 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 Fed limits CARD Act minimum payment warnings to credit cards**  
Proposed amendments to Regulation Z released by the Federal Reserve would limit the required minimum payment warning disclosures outlined in the Credit Card Accountability, Responsibility and Disclosure (CARD) Act to credit card accounts.

**9 Schumer to back Senate overdraft bill**  
Sen. Charles Schumer (D-N.Y.) announced that he wants to see more consumer protections associated with overdraft protection plans and that he will back legislation targeting abusive practices.

**8 Government lets UBIT filing date pass**  
The government let its 60 days come and go and failed to file an appeal to a federal court judge's July decision that backed a favorable verdict for credit unions in an unrelated business income tax (UBIT) case.

**7 MACUA CEO resigns**  
Tony Richards, president/CEO of Mid-America Credit Union Association (MACUA), has resigned effective immediately.

**6 Dodd may introduce overdraft fee bill this week**  
Senate Banking Committee Chairman Chris Dodd (D-Conn.) soon could introduce a bill that would require financial institutions to seek permission before they can enroll their accountholders in an overdraft protection program.

**5 Former CU exec commits suicide during arrest**  
A former manager of a Georgia credit union committed suicide when local authorities tried to arrest her on charges of embezzlement.

**4 Matz's first meeting: 0.15% NCUSIF assessment, CLF changes**  
As anticipated, the National Credit Union Administration (NCUA) approved a 0.15% of insured shares assessment on federally insured credit unions. The action is intended to help the NCUA return the National Credit Union Share Insurance Fund's (NCUSIF) equity to 1.3% of June 30, 2009 shares and repay \$310 million in funds the stabilization fund has borrowed from the U.S. Treasury.

**3 U.S. Central 2008 financial statement released**  
When assessing the recently released December 2008 U.S. Central FCU financial statement, interested parties should remember that the reporting was completed under a since revised accounting standard that forced the corporate credit union to record a larger other than temporarily impairment (OTTI) charge than current accounting rules require, CUNA said upon the release of the statement.

**2 One dead, three arrested after CU robbery**  
Three robbery suspects were apprehended by police and one person was found dead, an apparent suicide, in the aftermath of a robbery of Grow Financial CU, in Tampa, Fla.

**1 NCUA bans 12 from financial institution work**  
Twelve former credit union employees have been banned by the National Credit Union Administration from participating in the business of any federally insured financial institution.

## Four Nominations in for CUNA Board

CUNA has received four nominations for its 2009-2010 board elections. All are current incumbents.

Nominees and their district categories are:

► Dennis E. Pierce, CommunityAmerica CU, Kansas City, Mo., District 4, Class C;

► John A. Graham, Kentucky Employees CU, Frankfort, Ky., District 2, Class A;

► Marla S. Marsh, Kansas Credit Union Association, Wichita, Kan., District 5, Class D; and

► Susan Steifel, Woodstone CU, Federal Way, Wash., District 6, Class A.

Deadline for nominations is Oct. 16. Nominations are being accepted in eight categories: District 1, Class C; District 2, Class A; District 3, Class B; District 4, Class C; District 5, Classes B and D; and District 6, Classes A and D. Voting will begin Oct. 23 and close on Dec. 18. 📄

📄 **Call for Nominations Letter**  
[http://www.cuna.org/download/09callfor nomination\\_letter.pdf](http://www.cuna.org/download/09callfor nomination_letter.pdf)

## CUNA Launches CEO Search

CUNA's search for a successor for departing President/CEO Dan Mica begins. A search committee recently launched its efforts by discussing selection of an executive search firm during the recent CUNA 75th anniversary celebration held in Estes Park, Colo.

Search Committee Chairman and CUNA Board Vice Chairman Harriet May says the committee is aiming to select a search firm in November and begin the formal search in December. May is president/CEO of GECU of El Paso, Texas.

The committee consists of a chairman and four representatives from each of the four classes of CUNA directors. Mica plans to leave CUNA in January 2011 after 13 years at the helm. 📄



# >> Notes Bearing Interest

## GEN Y is Tech Savvy, Hard to Please

Generation Y—sometimes called Echoboomers as the offspring of the Baby Boomer generation—are new to banking services, but they have high expectations. Credit unions wanting to attract members among this demographic group might be interested in new survey results outlining Generation Y traits. Take note—Gen Y is made up of about 75 million young adults.

A survey by Maritz Research indicated that Gen Y can be less patient, less tolerant and harder to please than their older counterparts. A separate report by consulting firm Deloitte said they also are:

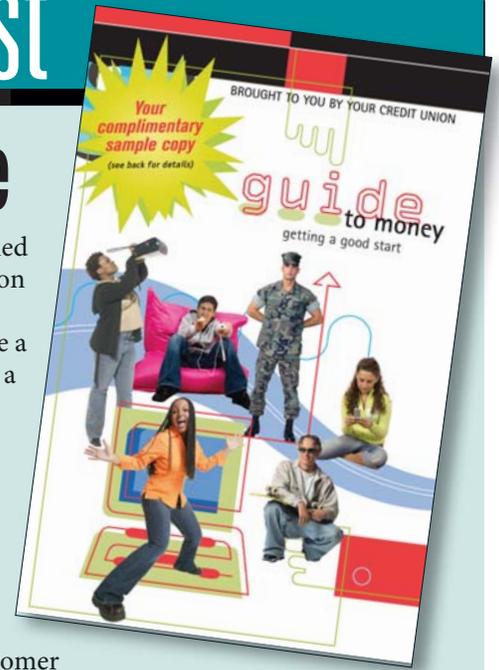
- ▶ Self-directed and resourceful in researching financial services, but seek recommendations from family and friends. They often are skeptical of traditional advertising;
- ▶ Motivated and concerned with receiving products and services at a competitive price; and
- ▶ Tech-savvy and view technology as an extension of themselves. They use smartphones, blogs, Facebook, Twitter, Second Life, YouTube and Flickr.

Fraud protection is important to Gen Y, Deloitte said.

They want to be notified of fraud immediately on their cell phones, and are most likely to leave a financial institution if a fraud occurs.

Maritz suggests three concepts when attracting Gen Y:

- ▶ Locational convenience to include online and mobile banking;
- ▶ Appropriate customer experience; and
- ▶ Products and services that give young people roots—such as providing incentives for online bill pay and debit rewards programs. 🏠



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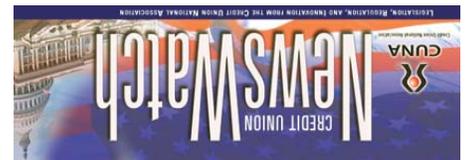


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