



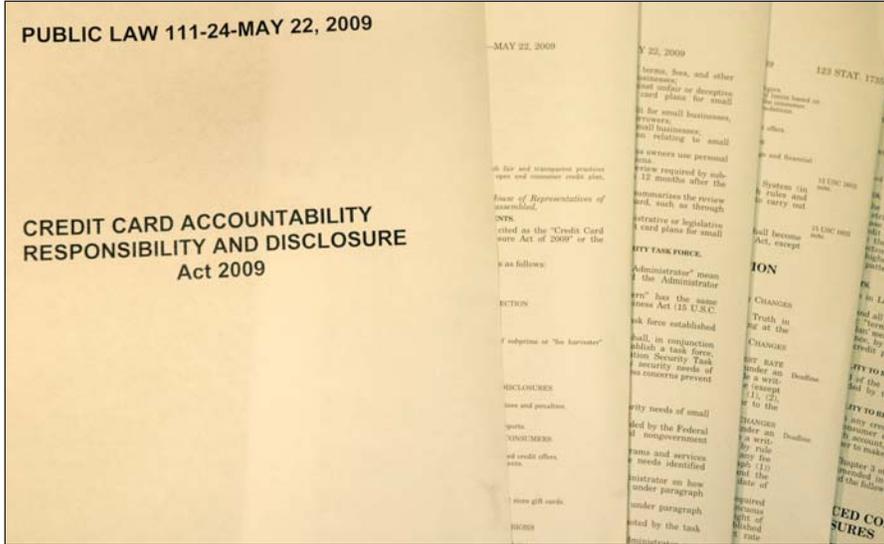
Credit Union National Association

# CREDIT UNION NewsWatch



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

AUGUST 24, 2009



CUNA has urged the National Credit Union Administration to instruct agency examination staff to be flexible as credit unions struggle to comply with aspects of the new Credit Card Accountability Responsibility and Disclosure (CARD) Act, which went into affect Aug. 20. (CUNA Photo)

## CUs Can Start Online Posting Sept. 1

The required transition to full online reporting to the National Credit Union Administration (NCUA) isn't until October, but credit unions can start entering their information on the agency's secure, web-based system starting Sept. 1.

Earlier this year, the NCUA amended its rules on reporting procedures and record retention. Starting with third-quarter 2009, federally insured credit unions are required to submit call report data and other important information electronically.

Additionally, the rule requires those credit unions to report changes in senior officials resulting from election or appointment, and clarifies the requirements on when credit unions must file reports with NCUA online.

While the new rule replaces the 5300 call report for natural-person credit unions this year, in 2010 it does the same for the 5310 call report for corporate credit unions. Small credit unions without Internet access may submit paper call reports in lieu of using the online system. The NCUA will enter their call report information into the online system for them.

On Sept. 2, the agency is hosting a second in a series of webcasts to help credit unions with the reporting transition. Use the link for more information.

**NCUA Webcast**  
<http://tinyurl.com/lxjcg>

**CUNA Rule Summary**  
[http://www.cuna.org/reg\\_advocacy/member/ncua\\_board/ncua\\_boardsumm.html](http://www.cuna.org/reg_advocacy/member/ncua_board/ncua_boardsumm.html)

## CARD Act Compliance Realities

While compliance with Section 106 of the Credit Card Accountability, Responsibility and Disclosure (CARD) Act will be a challenge for credit unions, CUNA is working to address these issues legislatively and, in the median, is preparing credit unions for the statutory changes.

Section 106 of the CARD Act specifically prohibits creditors from claiming a payment is late unless the creditor adopts reasonable procedures to ensure that periodic statements are delivered to consumers no later than 21 days before the payment due date.

CUNA has appealed to the Federal Reserve and Congress by aggressively seeking relief for credit unions. The National Credit Union Administration has also advocated for credit unions by asking Fed chairman Ben Bernanke to "give every consideration to the significant costs and operational difficulty many credit unions will experience as they work to come into compliance" with the interim final rule.

However, the Fed last week said that while credit

>> See page 3

Inside

### 2 | Reg Reform Debate

After Labor Day, CFPA may be first on the agenda

### 3 | New NCUA Chair

Matz to be sworn in for six years

### 6 | Special Report

NewsWatch interviews with Hyland, Hood

### 7 | An Anniversary

75 years of CU pioneering



# >> Governmental Affairs

## Post Labor Day, Reform Debate Returns

The proposed Consumer Financial Protection Agency (CFPA) looks to be first of the financial regulatory reforms scheduled for discussion when the Congress returns to Washington in early September.

Some sources expect the House to begin September by holding markup sessions and, ultimately, a vote on the CFPA. CUNA has expressed willingness to work with legislators to ensure that the needs of credit unions are met by the CFPA legislation. However, many in the financial services industry have publicly opposed the CFPA, which would seek to protect consumers through various rulemaking, oversight, and enforcement tools.

Other potential changes to financial regulations could include executive compensation limits. Congress could also address member business lending restrictions, interchange

fees, and a number of other items that are of interest to credit unions.

Rep. Barney Frank (D-Mass.) has targeted October as a deadline to move regulatory reform legislation to the Senate, with President Barack Obama signing the completed legislation by the end of 2009. Frank does not believe that pending debate on health care and environmental legislation would hinder the progress of financial regulatory reform.

CUNA has recently discussed the path toward regulatory reform with Treasury Secretary Timothy Geithner, with Geithner saying that he looks forward to working with credit unions to address some of the perceived deficiencies in the financial regulatory structure. Geithner also showed an “intense interest” in the credit union-specific issues of member business lending and alternative capital. ☒

### ▶ House Exec Comp Bill Exempts Some CUs

While one of the final actions taken by the House Financial Services Committee prior to its summer break was voting on H.R. 3629, the Corporate and Financial Institution Compensation Fairness Act, credit unions can be heartened to know that the majority of them will be exempt from the bill’s provisions by an amendment added before the bill’s passage.

This amendment, offered by Rep. Jeb Hensarling (R-Texas), would exempt credit unions and other financial institutions with under \$1 billion in total assets from sections of the bill that would curb some incentive-based compensation structures.

While the bill would require financial institutions to disclose compensation structures that include incentive-based elements, the NCUA already has compensation regulations in place that are designed to prevent many risky compensation structures.

Praising Hensarling’s amendment as a “responsible compromise,” Rep. Joe Baca (D-Calif.) did not offer an amendment specifically exempting credit unions. The bill is expected to be considered by the full House once they have returned from their summer district work period, and CUNA will continue to work with legislators to secure a specific exemption for credit unions.

## Lawmakers Hear Real-World Interchange Impact

Prince George’s Community FCU CEO Cynthia Prestandrea, speaking to Congressional “blue dog” hill staffers on CUNA’s behalf, recently detailed the real-world benefits that interchange fees have had on her \$100-million-in-assets, Maryland-based credit union.

According to Prestandrea, the income that interchange fees provide, which represents 21% of her credit union’s total income, is central to the “survival” of her credit union. The interchange fees provided by retailers whenever a Prince George’s County FCU member makes a purchase help her credit union handle routine business expenses, she added.

Eliminating or significantly reducing interchange fees, as discussed in some recent proposed legislation, “would have a significant im-

pact” on her credit union’s ability to offer members a debit card attached to their checking account, hindering her ability to compete with larger financial institutions and essentially rendering her credit union obsolete, Prestandrea said.

Altering the structure of interchange fees could also harm the economy at large by reducing access to credit and increasing costs, an Electronic Payment Coalition representative added.



Prince George’s Community FCU CEO Cynthia Prestandrea (shown here with attorney Mike McEneny of the Electronic Payments Coalition) makes her case for continuing to allow the free market to set interchange fees. She told “Blue Dog” Democrats that interchange fees provide 21% of the income to Prestandrea’s credit union, which holds \$100 million in assets. (CUNA Photo)



# >> Regulatory Affairs

## CUNA Says UBIT Opinion 'Erroneous'

CUNA responded to a recent Internal Revenue Service (IRS) Technical Advice Memorandum which found that unrelated business income tax (UBIT) should be assessed on some income derived by state-chartered credit unions, saying that this decision was “clearly erroneous on multiple levels.”

Commenting on the UBIT opinion, CUNA General Counsel Eric Richard said that the decision “fails to recognize

the cooperative, interdependent nature of the credit union system as reflected in shared branching and management of one credit union by another.”

This UBIT memorandum, which states that income attained from shared-branching arrangements, credit union management services, CUSOs, and finance management services should be subject to the tax, is the first to be issued by the IRS since 2007.

Wis.-based Community First CU and Colo.'s Bellco CU have filed suit against the IRS over its UBIT policies, and both credit unions are seeking refunds from the IRS. A jury earlier this year ruled in Community First CU's favor.

CUNA's UBIT Steering Committee is holding ongoing discussions to determine how to proceed with its UBIT strategy. 🏠

## CARD Act Compliance Realities

▶ From page 1

unions will be allowed to be technically “inconsistent” with the 21-day requirement under the CARD Act for a “short period of time,” the Fed did not think it “appropriate for the Board to deviate from the clear and unambiguous statutory requirements” contained in the interim rule. The Fed also indicated that it does not have the leeway needed to provide further relief for credit unions.

CUNA has sent comment letters asking the Fed to clearly define the aforementioned “short period of time,” and has also advised credit unions to document all steps taken, including any interactions with data processors, forms suppliers, and attorneys, as they build their program to comply with the 21-day requirement.

While the compliance date or some other aspects of the CARD Act cannot be changed until Congress returns from its summer district work period, CUNA in the meantime has asked the NCUA to instruct examination staff to be flexible as credit unions struggle to comply with aspects of the CARD Act, saying that credit unions that are making good faith efforts to comply should not be subject to any enforcement sanctions. 🏠

## Matz Starts Six-Year Term

Deborah Matz on Monday will begin her six-year term as chairman of the National Credit Union Administration (NCUA) board following her swearing in by NCUA General Counsel Robert Fenner.

Matz, who will join the NCUA board for the second time in her career, was unanimously confirmed by both the Senate Banking Committee and the full Senate following her nomination by President Barack Obama. Matz's previous term on the board extended from 2002 until 2005.

Matz noted she will work to revamp some aspects of the NCUA's rules governing corporate credit unions while also working to stabilize the corporate credit union system, and will work with credit union organizations, volunteers, and staff during her tenure to ensure that the “vital” role that credit unions play in American life is “not only preserved, but enhanced” going forward. 🏠



Deborah Matz is shown here with her husband Marshall in the Senate Banking Committee room just before her confirmation hearing in July. (CUNA Photo)

## Stay Current With CUNA's Online Daily

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## Keynote sessions

### Positively Contagious Leadership: The Green Lantern Effect

*Kirk Weisler, Chief Morale Officer at Team Dynamics*

Use your green lantern to save the world of work! Kirk Weisler will reveal the single greatest behavior that a leader can engage in to inspire growth, engagement, and a spirit of ownership! You'll learn how to inspire, not require, the results you desire and increase your effectiveness by being positively contagious.

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*Steve Chandler, author of Shift Your Mind*

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- **Building a Balanced Scorecard for Organizational Performance**  
*George Towle, Partner, The Rochdale Group*

#### GENERAL SESSIONS

- **Economic Update and Impact on CUs**  
*Bill Hampel, Chief Economist, CUNA*
- **NCUA Update**  
*Gigi Hyland, NCUA Board Member*
- **Legislative/Regulatory Update**  
*CUNA's Legislative and Regulatory Staff*

#### BREAKOUT SESSION HIGHLIGHTS

- Gen Y ROI: Credit Union Strategies That Work
- If It's Important to Your Community and Members, It Should Be Important to You!
- Financial Literacy as a Growth Initiative
- Handling Problem Loans in This Economy
- On the Radar: Credit Unions 2010
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# >> Special Report

## Hyland Spotlights Diversity in CUNA Interview

Greater diversity is a pressing need within the credit union system, and National Credit Union Administration (NCUA) board member Gigi Hyland recently called on credit union directors to help ensure that their leadership at both the staff and the board level “truly reflects” the diversity of their field of membership.

Hyland said that the idea of reflecting membership composition is of particular importance to community credit unions, which have a slightly different business model and different goals from the majority of credit unions.

The NCUA and individual credit unions can also ensure the future sustainability of the credit union business model by fostering interest in credit unions among younger potential members, Hyland told CUNA’s NewsWatch in



*NCUA board member Gigi Hyland joined the agency in November 2005 and her term extends into 2011. (CUNA Photo)*

a recent interview. Continuing the credit union system’s emphasis on financial education will also increase the visibility

of credit unions and help potential members understand and manage their money, Hyland added.

Hyland told NewsWatch that while she welcomes NCUA Chairman Deborah Matz’s return to the board, she cannot anticipate what types of changes will be advocated by Matz. While Matz, who will be sworn in later today, was nominated by President Barack Obama, Hyland does not anticipate that a political shift at the top of the NCUA will result in changes to the way the NCUA regulates credit unions. While she could not say what form the NCUA’s pending rule changes for corporates would take on, she reminded that public commentary will be critical to any corporate governance changes made by the NCUA. The agency has received approximately 500 comments on corporate restructuring. 🏠

## ▶ Hood Shares Highlights of NCUA Tenure

Reflecting on his time with the National Credit Union Administration (NCUA), exiting agency Vice Chairman Rodney Hood urged credit unions via a NewsWatch interview to build on the positive momentum gained by recent increases in new share accounts and share deposits to increase market share for their institutions and to “continue to tell their story, to market their products, and to serve their members.”

Hood said that while credit unions are experiencing some turbulence due to the ongoing financial market difficulties, the fact that they were well positioned leading up to the current economic situation is helping them sustain themselves through tough times. As news spreads of failures in other financial institutions,



*Rodney Hood, who also joined the board in November 2005 and whose term ended April 2009, remained as NCUA vice chairman until a new board member could be brought on. That new member, Deborah Matz, is scheduled to be sworn in Aug. 24. (CUNA Photo)*

credit union shares and membership rolls are increasing as people opt to join a credit union, Hood added.

While he admitted that there is still “a lot to be done” regarding the need for diversity within the credit union system, Hood said that the NCUA can address this subject by “leading by example.”

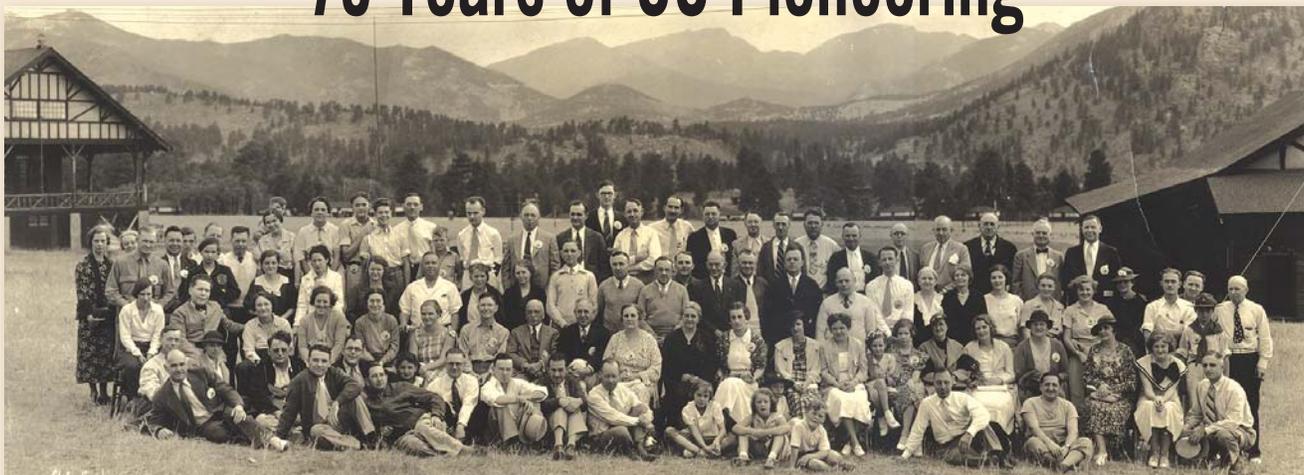
Switching to his own achievements during his time with the NCUA, Hood hailed the success of the Blueprint 2020 program, which works with universities to create marketing, accounting, and other opportunities for interested college interns.

Hood said that the NCUA’s own intern programs have improved as a result of the program, which is a “wonderful way of injecting talent” into the credit union system and helps provide a succession plan for credit unions by bringing young people into the credit union movement as employees or, at a minimum, as members.



# >> Notes Bearing Interest

## 75 Years of CU Pioneering



These pioneers of the U.S. credit union movement met at Estes Park, Colo., Aug. 8 -10, 1934 to form a national association--today's Credit Union National Association. Its constitution and bylaws were signed on Aug. 10. (Photos provided by CUNA)

This month marks the 75th anniversary of the founding of CUNA. It was Aug. 10, 1934, when CUNA's Constitution and Bylaws were signed in Estes Park, Colo., less than two months after the Federal Credit Union Act was enacted and 25 years after the nation's first credit union was established.

On the anniversary, CUNA President/CEO Dan Mica invited people to picture this historical scene: "Seventy-five years ago, an extraordinary group of credit union pioneers held a 'meeting of the minds' in Estes Park, Colo., about a national association that would enhance the movement throughout the land and help it become self-reliant."



Among the credit union pioneers pulling together to form the Credit Union National Association (CUNA) were from left: Edward A. Filene; Roy Bergengren, the first managing director of CUNA; and Claude Orchard, credit union organizer who became the director of the first federal credit union regulatory agency. They are shown at Estes Park, where CUNA was founded on Aug. 10, 1934.

That convocation ultimately brought together 52 delegates from 21 states and the District of Columbia. They exchanged views in a "constitutional convention," of sorts, and over four full days the delegates debated—sometimes heatedly—in the fresh mountain air.

Mica noted that historians wrote years later: "Most of those present felt a deep sense of satisfaction at having at last developed the organizational framework for an association which hopefully would advance the credit union movement to new heights of usefulness and service."

"Today, it is an honor for all of us at CUNA to continue the work set out by those leaders three-quarters of a century ago. Our focus is completely on advancing this great movement to new heights--through leadership, advocacy and services," Mica said.

Next month, the CUNA board of directors will meet in Estes Park as a tribute to CUNA's founders and the 75 years of credit union progress since that first meeting. 🏠

**CUNA History Highlights**  
<http://www.cuna.org/100years/download/history-highlights.pdf>



Just a month and a half before the founding of the Credit Union National Association credit unions' first grassroots action resulted in President Franklin D. Roosevelt signing, on June 26, 1934, the Federal Credit Union Act.



In 1950, President Harry S. Truman laid the cornerstone of the Filene House in Madison, Wis., which became the headquarters of the Credit Union National Association and the international credit union movement. Four years earlier, Truman had signed amendments to the Federal Credit Union Act that transferred the regulation of credit unions to the Federal Security Agency.



# >> CUs In The News

## CUNA Resource on CU Payday Loans

CUNA offers resources for leagues and credit unions on credit union payday loan alternatives. The resource is particularly valuable in light of a recent *USA TODAY* article critical of some credit unions' payday loan alternatives.

The article—which cited only the loans of a single credit union in Nevada—alleged that some CU payday loan alternatives are “not a good deal” and that some are only marginally cheaper than traditional payday loans.

However, as CUNA President/CEO Dan Mica points out, credit union alternative payday loans are designed to help members break their “payday loan habit” by helping them pay off the loan.

Lois Kitsch, national program director for REAL Solutions, a program of the National Credit Union Foundation

(NCUF), was interviewed for the article and countered the negative claim. Many credit unions offering the alternative loans encourage savings and allow up to 90 days to repay the loan, instead of the traditional 14-30 days, she told the newspaper.

It is interesting to note that *USA Today* readers clogged the newspaper's comment blog with a variety of opinions on the article, many favorable to credit unions. While no one professed to like their bank's products, several said they preferred their credit unions'. “I've been with credit unions for almost 30 years. A bank will NEVER get my business,” said one commenter. 🏠

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## Mica is Named a Top Exec



*CUNA President/CEO Dan Mica was named among the 40 top association CEOs in CEO Update's first-ever list of influential executives. CEO Update is a Washington, D.C.-based bi-weekly that reports on association and non-profit executive careers and people. The publication compiled its list from associations that serve all sectors of the economy, including the American Medical Association and the U.S. Chamber of Commerce. It said of Mica, he has dedicated the last 13 years to “promoting the interests” of credit unions, and “protecting them from the banks that, he says, are out to destroy them.” (CUNA Photo)*

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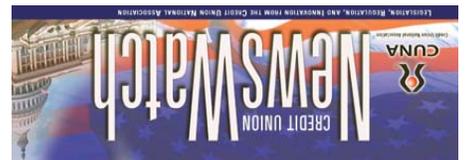
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