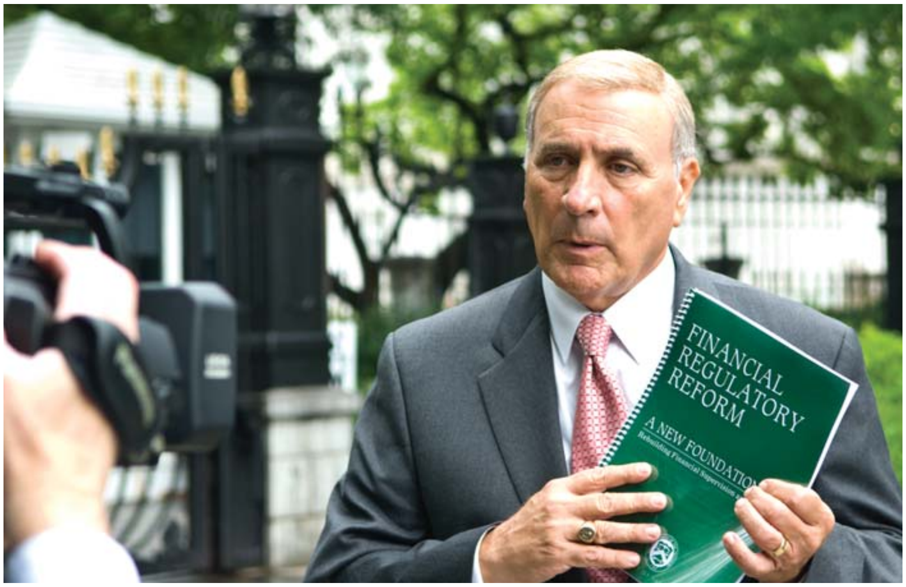
CUNA
Credit Union National Association

CREDIT UNION NewsWatch

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

JUNE 22, 2009



Immediately after attending the White House unveiling of a plan for a new financial regulatory regime, CUNA President/CEO Dan Mica reports to credit unions. The president in his briefing, Mica said, talked about "a problem all Americans want to see resolved," which is what lead up to the country's current financial crisis and how a recurrence can be prevented in the future. (CUNA Photo)

Reg Restructuring Debate is Launched

CUNA President/CEO Dan Mica said that while CUNA is "grateful" for the administration's decision to grant continued independence to the National Credit Union Administration (NCUA) under its plan for a financial regulatory revamp, CUNA will "take a very close look" at the details surrounding the proposal and will represent credit unions throughout the reform process.

Under the Obama plan revealed last Wednesday the NCUA will maintain its safety and soundness authority over credit unions. CUNA Senior Vice President of Legislative Affairs John Magill said the report's lack of recommendation for substantive changes in safety and soundness regulations for credit unions affirms that "credit unions were not the

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NCUA Implements Corporate Stabilization

The National Credit Union Administration (NCUA) voted to implement the temporary corporate credit union stabilization fund at its June 18 board meeting.

To implement the plan, NCUA officials will immediately borrow $1 billion of the $6 billion in funding offered by the U.S. Treasury. The NCUA will monitor the impact that the $1 billion in funds, which would be used to "secure the re-assignment" of the National Credit Union Share Insurance Fund's (NCUSIF) capital note at U.S. Central Federal Credit Union, will have on the corporate credit union system before taking more money. This so-called "re-assignment" would increase the NCUSIF's equity by $1 billion.

The NCUA will discuss its corporate credit union stabilization plan with credit unions at a June 24 webinar. CUNA will also stream the webinar live for attendees of its Americas Credit Union Conference & Expo, in Boston this week.

Under the plan, a percentage of past NCUSIF contributions will also be returned to credit unions and immediately reinvested into the NCUSIF deposit "on their behalf," the NCUA said.

Credit unions' one percent deposits in the NCUSIF will no longer be accounted for as impairments under the plan, and CUNA believes that, in spite of this change, credit unions will not be required to restate their previously reported

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Inside

>>Legislative Affairs

Interchange Fees Back in Spotlight

Though legislation that would limit some electronic payment system practices and allow merchants to negotiate credit card interchange fees with financial institutions has recently been re-introduced on Capitol Hill, CUNA has urged legislators to examine the results of a pending Government Accountability Office study on the interchange issue before they make their decision.

Rep. John Conyers, Jr. (D-Mich.) introduced H.R. 2695, "The Credit Card Fair Fee Act," earlier this month. This legislation would allow retailers to renegotiate interchange fees with financial institutions via an antitrust exemption.

While credit unions that are regulated by the National Credit Union Administration (NCUA) would be exempt from the terms of the bill, CUNA still opposes the legislation, saying that the changes proposed by the legislation would disrupt the consumer lending market. These potential changes would also harm consumers by limiting credit availability and creating higher fees for those that do qualify for lines of credit.

The legislation would also give merchants a strong competitive advantage over card-issuing credit unions in interchange negotiations, CUNA added in a letter sent to Congress.

Sen. Richard Durbin (D-Ill.) has also stepped into the fray, introducing a bill similar to Conyers' bill, S. 1212, "The Credit Card Fair Fee Act," in early June. If enacted, this bill could impose government limits on the rates set for credit and debit card processing.

Another bill, H.R. 2382, "The Credit Card Interchange Fees Act," would aim to limit unfair practices in electronic payment systems. However, CUNA said, this legislation could allow merchants to reject customers that are credit union members in favor of customers that use other forms of payment.

All three bills are awaiting committee action, and CUNA continues to monitor their progress.

Senate Judiciary APR Cap Bill Slows

The Senate Judiciary Committee keeps moving back a vote on a bill aimed at capping the annual percentage rate for loans of all kinds by amending the current bankruptcy code.

S. 257, the Consumer Credit Fairness Act, would alter current federal bankruptcy law by allowing consumers with "high cost" consumer credit card transactions to transition directly to Chapter 7 "fresh start" bankruptcy proceedings.

Although other matters have made this bill roll over week-to-week on the committee's voting calendar, it is still expected to come up for the panel's consideration.

Reg Restructuring Debate is Launched

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cause of, nor a contributor to, the financial crisis."

However, the administration's proposal may not be "the last word on regulatory restructuring," Magill said. Congress is expected to open debate on the regulatory reform proposal in the fall, and many congressional Democrats are aiming to complete their work on regulatory reforms by the end of this year.

Still, Magill said, the administration's intent that NCUA remain an independent regulator could not be clearer. The White House document states just that at least twice.

CUNA will also solicit input from its member institutions in the coming days, and will work to ensure that any of the resulting regulations are not duplicative.

Video: Mica on Reform
http://www.cuna.org/download/video/nn_061709.html

CUNA Testifies on SBA Challenges

House Small Business Committee Chairman Nydia Velazquez (D-N.Y.) greets CUNA witness Roger Heacock before he testifies June 10 for Velazquez's panel, which was examining the role of the Small Business Administration's financing programs in providing access to capital for small businesses. Heacock told House lawmakers that credit unions stand ready to do more to provide credit to small businesses but run into barriers, including a tight MBL cap, that can inhibit the development of small business lending programs. Heacock is president/CEO of Black Hills FCU, in South Dakota. (CUNA Photo)

NCUA Action Enhances Loan Mod Efforts

The National Credit Union Association (NCUA) will allow federal credit unions to modify second mortgage loans to match the terms of modified first mortgages after it unanimously voted last week to ease some restrictions on mortgage lending.

Under an interim final rule approved by the board, federal credit unions that take part in the U.S. Treasury's Making Home Affordable (MHA) program will be allowed to take part in that program's second lien program. As a result, credit unions will be allowed to change the terms of second mortgages to match the term of a modified first mortgage--even if that mortgage extends beyond 20 years. Previously, credit unions were prevented from taking part in the second lien program due to NCUA guidelines that imposed a 20-year maturity limit on second mortgage loans that were attached to a borrower's primary residence.

The NCUA currently allows credit unions to extend first mortgage loans to as long as 40 years.

NCUA Vice Chairman Rodney Hood spoke in support of the interim rule, saying that he gives his full backing to "anything that keeps people in their homes."

The rule will be effective 30 days following its announcement in the Federal Register, and the NCUA said it may revise the final version of the rule if changes are requested via public comments.

The board also voted to allow federal credit unions to exclude investments in the Credit Union System Investment Program (CU SIP) and Credit Union Homeowners Affordability Relief Program (CU HARP) from their total assets, effective Jan. 10, 2010.

NCUA Documents
http://www.ncua.gov/

Seeking CU Comment....

These issues are open for public comment. Credit unions are asked to submit a copy of their comment to CUNA.

NCUA

AGENCY DUE DATE	PROPOSAL	CUNA DUE DATE
30 days after publication in the Federal Register	Proposed SAFE Act Rules for Registration of Mortgage Lenders	July 20, 2009
60 days after publication in the Federal Register	Proposed Changes to the FACT Act Rules and Guidelines on the Accuracy of Credit Information	July 20, 2009

Federal Trade Commission

AGENCY DUE DATE	PROPOSAL	CUNA DUE DATE
July 30, 2009	FTC Advance Notice of Proposed Rulemaking - Mortgage Acts and Practices	July 15, 2009
60 days after publication in the Federal Register	Proposed Changes to the FACT Act Rules and Guidelines on the Accuracy of Credit Information	July 20, 2009

Federal Housing Finance Agency

AGENCY DUE DATE	PROPOSAL	CUNA DUE DATE
July 14, 2009	Proposed Revisions to Federal Home Loan Bank Membership to Include Non-Federally Insured CDFI Credit Unions	July 6, 2009

NCUA Implements Corporate Stabilization

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financial results. Instead, they may record gains in the second quarter that are equal to the impairment charges they recorded in the first quarter, allowing them to reflect no impairment charges on their year-to-date income statements.

The stabilization fund will also allow the NCUA to reduce its share insurance premium to an estimated 15 basis points, down from an earlier prediction of 30 basis points. However, the NCUA said, the final amount of the premium, which will be assessed in September, will be linked to insured share growth and insurance losses at natural person credit unions.

CUNA President/CEO Dan Mica commended the board, saying that this action is "precisely what was needed to inaugurate the use of the Temporary Corporate Credit Union Stabilization Fund."

CUNA Resource: Corporate Stabilization Plan
http://cuna.org/newsnow/keyword_headlines.php?keyword=42

How can I emphasize the credit union difference?

- *How do I keep up with compliance issues?*
- *How do I keep my board in-the-know?*
- *Where can I access peer resources?*
- *What can I do to increase membership?*

Sometimes you just have more questions than answers. CUNA accepts the challenge of providing expert advice, on-target products and services, and practical answers to help solve the most common – and unique – problems facing credit unions today.

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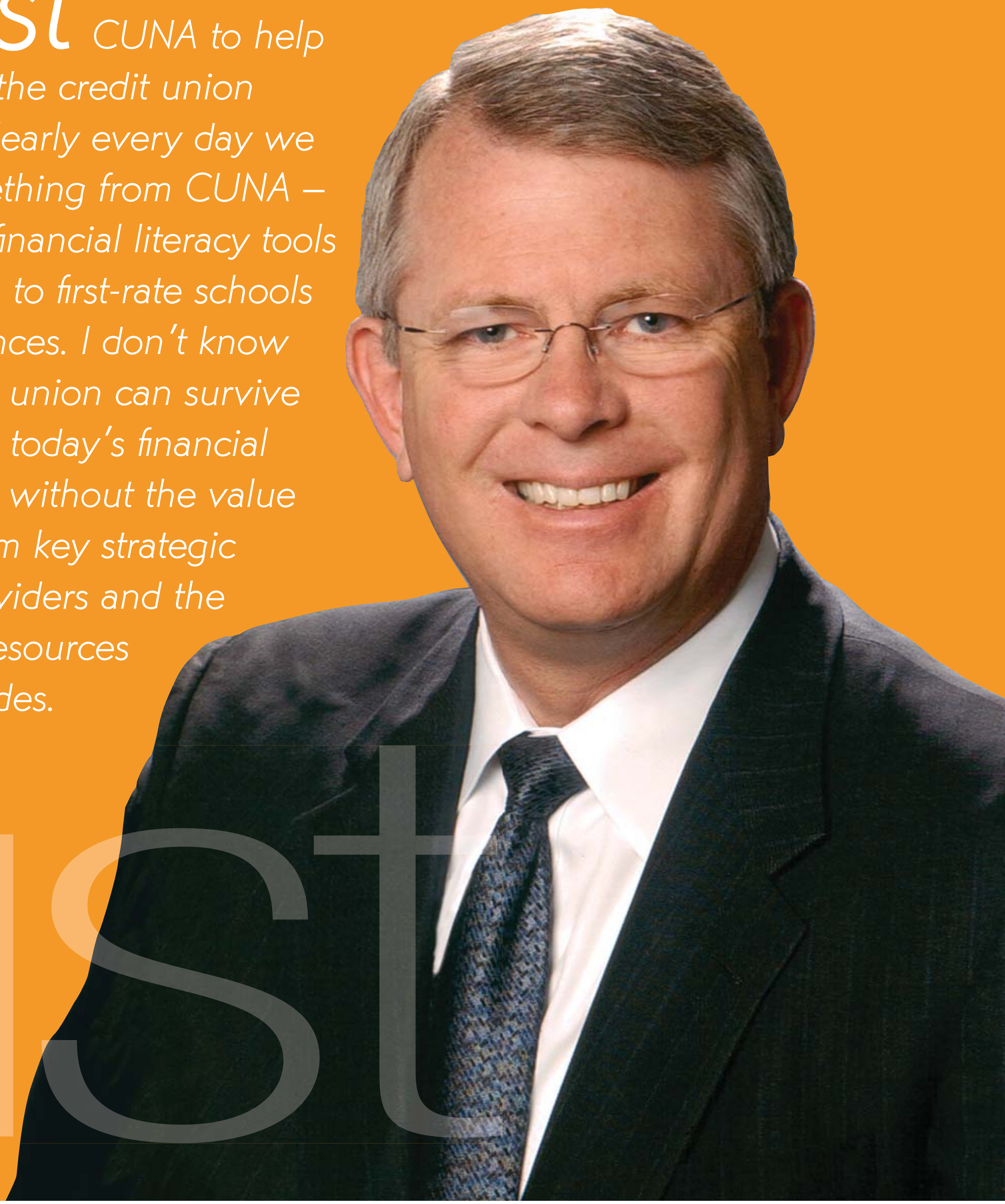
trust your world to CUNA

For more than 75 years, CUNA has helped to build a credit union movement that serves over 80 million members around the world.

And we built it all on trust.

I trust CUNA to help us highlight the credit union difference. Nearly every day we rely on something from CUNA – from online financial literacy tools and research to first-rate schools and conferences. I don't know how a credit union can survive and thrive in today's financial environment without the value provided from key strategic business providers and the top-quality resources CUNA provides.

Rod Staatz
President/CEO
SECU Credit Union



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>>Regulatory Affairs

Alternative Capital Under NCUA Scrutiny

Though there are no plans to introduce legislation that would allow credit unions to develop forms of alternative capital, National Credit Union Administration (NCUA) board member Gigi Hyland said recently that the NCUA is studying the concept of allowing credit unions to pursue supplemental capital.

Speaking at the NCUA's symposium highlighting the 75th anniversary of the 1934 Federal Credit Union Act, Hyland said that the NCUA studies are meant to help the board develop an official position on the alternative capital issue. The NCUA is also preparing for potential discussions of alternative capital with members of Congress.

Also, while his comments did not reflect the NCUA's position on the issue, NCUA Deputy Executive Director Larry Fazio said he had mixed feelings toward the use of alternative capital. Any movement toward allowing alternative capital should only be made after intense deliberation, he suggested.

According to Fazio, larger credit unions would likely be the biggest beneficiaries of such a move, and, internationally, the raising of alternative capital has produced inconsistent results for credit unions.

However, Deposit Insurance Corp. of Ontario President/CEO Andy Poprawa said that Canadian credit unions have been able to maintain their institutional safety and remain consistent with the core principles of the credit union movement while reaping the financial benefits created by raising supplemental capital through shares.

CUNA supports expanding the sources of capital available to credit unions, saying that this expansion would support continued credit union growth. 🏛

FinCEN Should Allow SARs Latitude

CUNA, in a comment letter, encouraged the Financial Crimes Enforcement Network (FinCEN) to relax its Suspicious Activity Report (SAR) confidentiality rules to allow U.S.-based financial institutions to share SAR information with their foreign counterparts.

CUNA has said that relaxing the rules governing the sharing of SAR-related information would strengthen enterprise-wide Bank Secrecy Act compliance, would benefit credit unions serving the military, diplomatic groups, and international organizations, and would assist in the overall goal of detecting and reporting money laundering and terrorist financing within the institution on a global scale.

Any disclosure risks that may result from relaxing these rules would likely be equal to the risks posed by existing guidance that allows U.S.-based credit unions, banks, or foreign branches to share SAR information with related head offices or foreign-based controlling companies, CUNA added.

Under FinCEN's proposed interpretive guidance, financial institutions would be permitted to share SAR information with domestic affiliates, but would be restricted from sharing that same information with branches that are located outside of the United States.

SARs are used by government and law enforcement officials to detect and combat money laundering and terrorism financing. 🏛

FinCEN
http://www.fincen.gov/

CUNA Comment Letters
http://cuna.org/reg_advocacy/comment_letters/comment_letters09.html

FAQs Fill in 'Red Flags' Info Gap

The National Credit Union Administration (NCUA), in conjunction with the other federal financial institution regulators, culled through the many questions received about identity theft 'Red Flags' and address discrepancy rules and crafted a set of frequently asked questions (FAQs) to help financial institutions address compliance issues.

In releasing the guidance, the regulators noted that a number of the questions the agencies have received are already addressed in the supplemental information to the final rules. These FAQs elaborate on the supplemental information where additional clarification is necessary and also explain the staff's view of how select provisions of the rulemaking apply to situations that were not specifically addressed in the final rules or supplemental information.

The FAQs address the rules issued in 2007, which implement sections of the Fair and Accurate Credit Transactions Act (FACT Act). The rules require financial institutions and creditors to develop and implement written "Identity Theft Prevention Programs" and require issuers of credit cards and debit cards to assess the validity of notifications of changes of address. They also provide guidance for users of consumer reports regarding policies and procedures to employ when consumer reporting agencies send notices of address discrepancy.

The joint-agency FAQs document is broken into four overarching sections: General FAQs; Identity Theft Red Flags Rules and Guidance; Duties of Card Issuers Regarding Changes of Address; and, Duties of Users Regarding Address Discrepancies.

Red Flags FAQs
http://www.fdic.gov/news/news/press/2009/pr09088a.pdf

>>Notes Bearing Interest

The Front Burner

The most viewed news stories on cuna.org during May 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.

10 Sixty gang members nabbed in $500,000 scam vs. CU
More than 60 members and associates of the San Diego Lincoln Park Street Gang were arrested and charged with stealing $500,000 from a credit union by recruiting young credit union members to give up their account information so the account could receive counterfeit check deposits.

9 House panel to discuss corporate stabilization
A House Financial Services subcommittee discussed the NCUA's corporate credit union stabilization plan in a May 20 hearing.

8 Member pops question at annual meeting, CEO says yes
It was all business at E&A CU's annual meeting May 4, but the conclusion brought a surprise and some happy drama to the Port Huron, Mich.-based credit union's meeting.

7 Kanjorski offers corporate CU stabilization bill
Rep. Paul Kanjorski (D-Pa.), a longtime supporter of the credit union movement, introduced legislation to "recapitalize the credit union deposit insurance system to ensure the long-term stability of the credit union system."

6 CU stabilization, insurance fund mods clear Senate
The Senate voted 91-5 to approve S. 896, the Helping Families Save Their Homes Act, which includes provisions to create a temporary Corporate Credit Union Stabilization Fund and permit credit unions to spread the cost of National Credit Union Share Insurance Fund (NCUSIF) replenishment over a longer period of time.

5 More accounting guidance sent to NCUA examiners
NCUA examiners received additional clarification regarding credit unions' flexibility in booking the National Credit Union Share Insurance Fund deposit impairment, according to NCUA.

4 Community First CU wins UBIT case
Community First CU won its challenge against the federal government over the Internal Revenue Service's interpretation of the unrelated-business income tax (UBIT) as it relates to three insurance products.

3 Matz to be nominated as NCUA chair
Debbie Matz is President Barack Obama's choice to become the new chair of the NCUA, the White House announced.

2 House, Senate pass corporate stabilization bill
The House and Senate on May 19 approved S. 896, the Helping Families Save Their Homes Act, which would extend $250,000 share and deposit insurance coverage and help credit unions manage the impact of the financial crisis on the credit union system through a corporate stabilization program.

1 President's pen turns corporate stabilization plan into law
In a ceremony held at the White House on May 20, President Barack Obama signed S. 896, the Helping Families Save Their Homes Act, into law.

CUNA Meets with Key Administration Officials

Leading up to last week's announcement by the Obama administration regarding details of its regulatory reform plan, CUNA representatives continued their series of meetings with key members of the executive team.

On June 11, CUNA met with Treasury Assistant Secretary for Financial Institutions Michael Barr to discuss credit union issues. Regulatory restructuring, corporate credit union stabilization issues, increased member business lending authority and access to secondary capital were among the topics CUNA President/CEO Dan Mica and staff raised with Barr.

At that pivotal time, Mica also stressed the importance of an independent regulatory agency for credit unions, with a workforce that is well-trained, professional and highly competent. He discussed a number of other issues, including avenues for additional capital for some credit unions in need.

Noting the Treasury Department can play a critical role in credit union legislation and regulation, Mica said after the meeting, "I was pleased that the assistant secretary wanted to hear about our concerns and wants to engage CUNA in an ongoing dialogue on significant issues impacting financial institutions and the credit union system."

Other Treasury officials at the meeting included new Deputy Assistant Secretary for Consumer Protection Eric Stein, and Mario Ugoletti, recently named as director of the Office of Financial Institutions.

The Treasury-CUNA meeting occurred just more than a week after Mica and other CUNA representatives met with Elizabeth Warren, who heads up the congressional panel that was created to oversee the Troubled Asset Relief Program.

>>Special Report

Do You 'Tweet?' Some CUs Say 'Yes'

Credit unions nationwide are using social media sites like Facebook and Twitter to connect with their communities and the members that they serve.

One such credit union is Denton, Texas-based DATCU, which has been using Twitter to promote three new accounts for members under 24 for the last 2 months.

DATCU is also planning to reach out to local college students and, more broadly, the surrounding community by providing twitter updates on community events.

Reaching out to membership via social marketing may be imperative for credit unions, according to some who do it. "Public-facing" organizations that have "not yet embraced the full complement of online marketing channels" may be "shrinking instead of growing," Laura Higgins, director of marketing at Greenwood Village, Colorado's Bellco CU says.

Credit unions that choose to use Twitter or Facebook for marketing purposes should try and use an authentic voice, and may want to avoid only using these tools to talk about specific financial products that they offer. Instead, as DATCU's Casey Braswell says, social media can serve as "a communication tool" between a credit union and its members.

Though there is some concern about the security of information on these sites, credit unions that have already employed these types of technologies, including Pennsylvania-based Parkview Community FCU, have reported no security issues. In fact, Parkview plans to expand use of MyMoney, an application that allows Facebook users to manage their credit union accounts through their online profiles.

Piedmont CU, Danville, Va., marketing director Dan Veasey says that many of the "issues" surrounding credit unions' use of social media stem from perception of risk rather than problems with the actual security of the applications themselves.

Overall, personality-based social media applications like Twitter and Facebook can help set the "credit union people with personalities" apart from the "stuffy banks," Michelle Kozak, Wisconsin's Pioneer CU's marketing specialist, says.

Twitter
http://twitter.com/

Facebook
http://www.facebook.com/

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Lisa McCue, Washington Editor
Phone: (202) 508-6766 • Fax: (202) 638-7716 • newswatch@cuna.coop

Address Changes:
CUNA E&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045

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