



Community First CU President/CEO Catherine Tierney, shown here addressing the 2008 CUNA Governmental Affairs Conference, received a standing ovation from her peers at a Wisconsin CU League's annual legislative conference when she talked about the decision to sue the Internal Revenue Service. Her credit union's action was inspired by its mission statement: *Do the Right Thing*, she said. (CUNA Photo)

Corporate Stabilization Plan Advances

Cash-strapped corporate credit unions could soon see relief if legislation aimed at ensuring the long-term stability of credit unions by recapitalizing the credit union deposit insurance system becomes law.

H.R. 2351, the Credit Union Share Insurance Stabilization Act, was introduced by credit union supporter Rep. Paul Kanjorski (D-Pa.) on May 13. The bill, which Kanjorski hailed as a "viable, effective, and appropriate response" to many problems faced by credit unions, would create a temporary corporate credit union stabilization fund. The bill would also permit the National Credit Union Administration (NCUA) to borrow as much as \$6 billion in funding, and up to \$30 billion in funds in an emergency situation, from the U.S. Treasury.

Credit unions could also spread the cost of National Credit Union Share Insurance Fund replenishment over an eight-year period when the insurance funds fall below a certain level. Currently, credit unions are paying into the NCUSIF in the form of assessments that are collected as one lump sum. Kanjorski's bill mirrors portions of S. 896,

>>  See page 7

>>  See page 2

Wisconsin UBIT Decision Backs CUs

In a huge victory for credit unions, a panel of eight jurors decided in favor of Community First CU in its challenge against the federal government over the Internal Revenue Service's (IRS) interpretation of unrelated business income tax (UBIT) as it relates to three insurance products.

CUNA has closely monitored the progress of Community First's UBIT lawsuit and was there for the decision.

"This is a great outcome for state-chartered credit unions," said CUNA General Counsel Eric Richard.

The Appleton, Wisc.-based Community First was seeking a refund of \$54,000 in taxes paid on guaranteed asset protection products and credit life/credit disability insurance. The credit union filed suit in 2008 after the IRS determined that these products fell outside of Community First's central mission.

Inside

2 | Credit Card Update

What's new in the Senate

3 | Banks Get A Lesson

Senator says, 'Be like CUs'

6 | Regulation Z

Fed tightens mortgage disclosure rules

7 | Foreclosure Prevention

New details on administration program



>> Legislative Affairs

What's New on Senate Credit Card Bill

The Senate continued its discussion of the Credit Cardholders' Bill of Rights Act during the week ended May 15, with further debate on the bill presumably set for the following week.

Sen. Chris Dodd (D-Conn.) had estimated that debates, amendments and a vote on the bill itself could be completed by May 15. Sen. Majority Leader Harry Reid (D-Nev.) also tried to move the bill along, but his motion to limit debate on the bill failed.

President Barack Obama has asked

Congress to present their bill to him by Memorial Day.

The bill would prevent lenders from making arbitrary changes to the interest rates or terms associated with a card that holds an existing balance, and would require lenders to maintain any lower, so-called "teaser" rates for six months.

Lenders would also be prevented from increasing the annual percentage rate on a credit card for the first year that the account is open and would not

be permitted to change the payment conditions of an existing credit account.

CUNA has urged the Senate to help control compliance costs by patterning their anti credit card abuse legislation on existing federal requirements.

The bill would not take any immediate action on interchange fees, instead commissioning a Government Accountability Office study of interchange fees. CUNA has opposed any changes to current interchange fee regulations. 

Corporate Stabilization Plan Advances

▶ From page 1

the Helping Families Save Their Homes Act, which passed the Senate by an 86 vote margin earlier this month.

The bill also enjoys strong bipartisan support, with Reps. From both sides of the aisle joining Kanjorski in introducing the legislation. The Credit Union National Association and NCUA have also given their full support to this bill.

CUNA, the NCUA, and other credit union industry representatives will also discuss corporate credit union stabilization at a May 20 House Financial Services subcommittee hearing.

 **CUNA Information on Corporate CUs**
http://cuna.org/initiatives/ncua_corp_action.html

CUNA Supports UIGEA Delay

CUNA supports a delay in the implementation of rules aimed at policing illegal gambling, and called upon Congress to enact a proposed moratorium as soon as possible.

In a May 12 letter written to Rep. Barney Frank (D-Mass.), CUNA said that the regulations proposed by the Unlawful Internet Gambling Enforcement Act (UIGEA) represent "unreasonable policing requirements" that would be "difficult, if not impossible, for financial institutions to meet" and would "divert credit unions from their intended purpose of providing financial services to their members."

H.R. 2266, introduced by Rep. Barney Frank (D-Mass.) on May 6, would prevent the Secretary of the Treasury and the Federal Reserve from taking any action to make UIGEA rules final until December 2010. Currently set to go into effect on Dec. 1, 2009.

Frank also introduced legislation that would legalize Internet gambling by allowing licensed and federally regulated online gambling operators to accept wagers and bets from U.S. citizens. 

▶ The Daily Starting Point

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>> Special Report

CUs Get the Nod on Capitol Hill

Sen. Tom Harkin (D-Iowa) said that banks could “take a lesson” from credit unions: They have provided a “viable, good service” to millions of Americans and maintained their soundness while functioning under regulator-mandated restrictions on the interest rates they can charge credit card holders.

Speaking on May 13, Harkin’s appreciative remarks about credit unions came as he discussed his support of the overall goal of H.R. 627, the Credit Cardholders’ Bill of Rights Act. How-

ever, he added, that legislation fails to address the larger problem of “usurious” interest rates.

An amendment that would have imposed a 15% interest rate cap for credit cards was defeated late Wednesday afternoon. However, Sen. Chris Dodd (D-Conn.) said that the concept of an interest rate cap for credit cards should still be considered by the Senate.



Tom Harkin

Credit unions, as was noted, already have a rate cap. The Federal Credit Union Act imposes a 15% ceiling for all loans and lines of credit advances that are serviced by federal credit unions. The National Credit Union Administration may adjust this rate to as high as 21%. The current maximum rate will remain at 18% until September 10, the next scheduled time for NCUA to consider the appropriate rate ceiling. 🏠

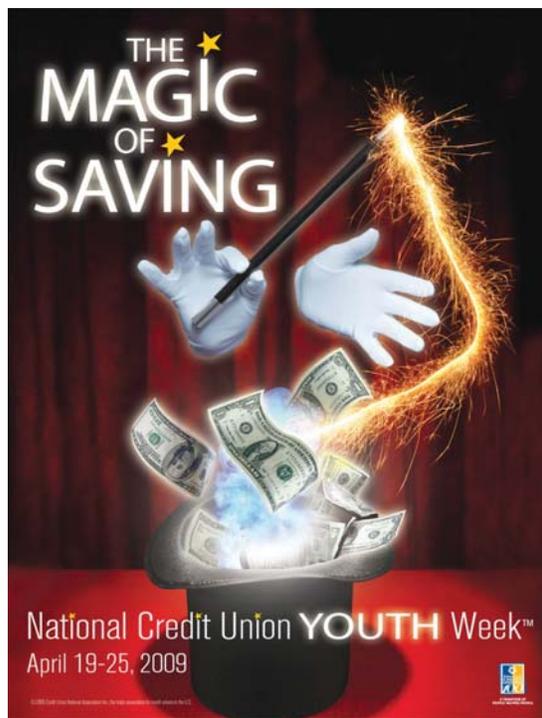
Youth Savings Week Results Double

Nearly 400 credit unions took in \$26 million in total deposits from 139,669 young members during the 2009 National Youth Saving Challenge, which took place April 19-25.

The \$26 million total, which more than doubled last year’s results of \$12 million, showed that young members “believe in the future,” Dan Mica, CUNA president/CEO said. “This phenomenal vote of youthful optimism could not have come at a better time,” he added.

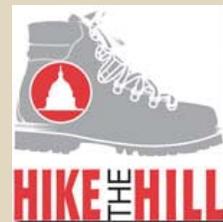
This year’s results averaged out to \$190 deposited per child, up from the \$87 per child that was deposited during 2004’s inaugural National Youth Saving Challenge.

“There is good news coming out of this economic mess we’re in, and it’s that youth are learning to save at their credit unions,” Lin Standke, CUNA’s manager of youth programs said.



Rep. Ruben Hinojosa (D-Texas) also praised credit unions for their youth outreach work in a recent statement.

Next year’s Youth Week will be April 18-24. 🏠



May (upcoming events)

NE (May 19-21)
NC (May 20-21)

June

MI (June 3-4)
GA (June 9-10)
AR (June 10)
TX (June 25)

July

WA (July 8-9)

September

NY (Sept. 8-9)
AZ (Sept. 9)
NC (Sept. 9-10)
PA (Sept. 15-16)
ME (Sept. 16)
WV (Sept. 17)
WI (Sept. 22-23)
GA (Sept. 22-24)
OR (Sept. 22-24)
IL (Sept. 23)
MN (Sept. 23)
ID (Sept. 24)
CO/WY (Sept. 28)

October

MD/DC (Oct 15)
MA/NH/RI (Oct 21-22)

This schedule is subject to change.

REVOLUTION



JUNE ²¹/₂₄ 2009
BOSTON MA



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FEAR IS NOT REVOLUTIONARY

IN THE HARD ECONOMIC TIMES OF THE 1930S, THE BANKS RETREATED. ED FILENE ADVANCED. HE CONTRIBUTED \$1 MILLION TO THE CREDIT UNION MOVEMENT, SPARKING THE REVOLUTION THAT HELPED SPUR OUR NATION'S RECOVERY.

WANT TO THRIVE IN TODAY'S ECONOMY? A natural reaction is to run for cover — unless you're keynoter Guy Kawasaki. He leaps forward, questioning conventional wisdom and encouraging fresh thinking. It's this trail-blazing spirit that makes his **RULES FOR REVOLUTIONARIES** such a fascinating and timely presentation.

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HOT TOPICS JUST ADDED!

THIS MAY BE ONE OF THE MOST DIFFICULT YEARS MOST OF US WILL EVER HAVE TO FACE IN A LIFETIME OF CREDIT UNION INVOLVEMENT. TO KEEP YOU AND YOUR BOARD UPDATED ON THE CHANGING LEGISLATIVE AND REGULATORY LANDSCAPE IN WASHINGTON, ADDITIONAL SESSIONS HAVE JUST BEEN ADDED TO THE CONFERENCE LINEUP.



CRITICAL ISSUES UPDATE AND Q&A WITH DAN MICA

The issues seem to change almost daily and the information needed to be proactive is in a constant state of change. Get the most current information straight from CUNA CEO Dan Mica.

COME TO BOSTON to engage in crucial discussions and develop a disciplined approach to the challenges ahead. Other new pressing-issues sessions will include:

- **NET WORTH MANAGEMENT IN THE NEW CREDIT UNION ENVIRONMENT**
Many credit unions are feeling net worth pressures. What are the issues in developing a net worth restoration plan?
- **LENDING BEST PRACTICES DURING TOUGH ECONOMIC TIMES**
This February, the Obama Administration first announced details of the Making Home Affordable Refinance and Modification Program. You’ll hear from a panel of lending experts on the benefits and how to’s of participating in the program. Discuss best practices for negotiating loan modifications.
- **KEY EXAMINATION ISSUES FOR CREDIT UNIONS**
What could be the hot-button issues for your credit union’s next examination? You’ll get the latest updates and learn how examiners will address issues related to the NCUA Corporate Stabilization Program.
- **LEGISLATIVE, REGULATORY, AND TARP UPDATE**
Learn what the Treasury Department’s Troubled Asset Relief Program has done for the banks and how it impacts credit unions. We will also address issues such as spreading out credit unions’ costs associated with the corporate credit union system, bankruptcy, regulatory restructuring, and interchange fee income.



>> Regulatory Affairs

Fed Tightens Mortgage Disclosure Rules

Earlier this month, the Federal Reserve Board implemented provisions of the Mortgage Disclosure Improvement Act (MDIA) by making changes to its Regulation Z mortgage disclosure requirements.

The MDIA enforcement rules require lenders to provide full loan cost estimates to potential homebuyers before the lender can accept any form of payment from the borrower. The one exception is that credit-check charges would be allowed.

The regulation now also imposes a week-long waiting period between the cost estimate and the closing of the mortgage. It obliges lenders to provide new disclosures, including a revised annual percentage rate, if an existing interest rate significantly changes between the time the first estimate is given and the closing date. Borrowers may also change the timing of the loan disclosures or the closing of the loan, in the event of a so-called "financial emergency."

During a public comment period, CUNA said the timing restrictions on creditors should be relaxed if the changed APR results in an interest rate reduction. CUNA also asked the Fed to replace the two definitions of "business day" that were in the proposed rule with a single definition, consistent across all provisions of Reg Z. CUNA is examining the final rule to ensure that these and other concerns were addressed. 🏠

Compliance Challenge

Q Do credit unions have any reporting requirements under the Bank Service Company Act?



A The Bank Service Company Act (12 USC 1867) requires a federally insured bank to notify its federal regulator, in writing, of contracts or relationships with third parties that provide certain services to the institution. The act is not applicable to credit unions. The law's reference to "appropriate Federal banking agency" only covers the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corp., the Office of Thrift Supervision, and the Federal Reserve Board. The National Credit Union Administration (NCUA) is mentioned in the definition of "depository institution." However, the term only appears under the section that prohibits banks from engaging in "unreasonable discrimination of services to any depository institution." This does not mean that federal credit unions have any reporting requirements under the Act (e.g., reporting credit union service organizations to NCUA).

For more on this and other compliance topics, visit the *May Compliance Challenge*.



Compliance Challenge

http://cuna.org/compliance/member/comp_challenge/comp_challenge.html

Bank Service Company Act (12 USC 1867)

<http://tinyurl.com/psxmlg>

CUNA's e-Guide: Credit Union Service Organizations

http://www.cuna.org/compliance/member/eguide/eguide_cuso.html

▶ 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
June 9, 2009	Unfair or Deceptive Acts or Practices Rules	May 22, 2009
May 26, 2009	Truth in Savings Act Proposal for Overdraft Plans and Electronic Disclosures	May 15, 2009
May 26, 2009	Proposed Rule: Credit Union Reporting	May 15, 2009
Federal Reserve Board		
AGENCY DUE DATE	PROPOSAL	CUNA DUE DATE
June 9, 2009	Reg Z Open-end Credit Rules	May 22, 2009
May 26, 2009	Proposed Disclosures for Private Student Loans	May 15, 2009
Federal Trade Commission		
AGENCY DUE DATE	PROPOSAL	CUNA DUE DATE
June 5, 2009	Proposed Rule on Disclosures for Non-Federally Insured Institutions	May 26, 2009



CUNA at Select White House Meeting

CUNA President/CEO Dan Mica last week attended a White House meeting with a group of about 10 financial industry CEOs addressing financial regulatory reform issues.



Dan Mica,
President/CEO

Mica said the meeting resulted in productive discussion and a good exchange of ideas. “We appreciated being invited, as part of a select group, as the representative of the credit union industry.” A number of senior administra-

tion officials were there, including U.S. Treasury Secretary Timothy Geithner, to meet with key players in the financial services industry on such topics as: additional oversight of nonreporting entities; enhanced disclosure and consumer protections; and a need for global communication and coordination.

Also representing the Obama administration were senior White House

“We appreciated being invited, as part of a select group, as the representative of the credit union industry.”

official Pat Parkinson, who is working with Geithner on regulatory reform, and Diana Farrell, a deputy director of the administration’s National Economic Council.

This was the second time this year CUNA was asked to deliver the credit union message on financial services topics, and also was a follow up to a meeting Mica had in December with the new administration’s Transition Team. 🏠

New Details of Making Home Affordable Program

The Obama administration announced new features of its Making Home Affordable (MHA) program, a foreclosure prevention plan launched two months ago. Treasury Secretary Timothy F. Geithner and Housing and Urban Development Secretary Shaun Donovan announced a new incentive for credit unions and other lenders to help borrowers even when a foreclosure must occur.

MHA is designed to give lenders incentives to modify the mortgage loan of a distressed borrower to make the terms affordable. A new feature would make lenders eligible for incentive even if a borrower ultimately loses the home.

“If a modification is not possible, we are also announcing steps to encourage the quick private sale or voluntary transfer of property, which will save homeowners money and protect their financial future,” Geithner said in a release. “These are critical steps in stemming the foreclosure crisis and stabilizing the housing market.”

The administration officials also announced a new plan detail that would protect lenders from some of the losses inflicted by falling home prices.

The Home Price Decline Protection Incentives will provide lenders additional incentives for modifications where home price declines have been most severe and lenders fear these declines may persist. The incentive is based on recent home price declines. 🏠

UBIT Decision Celebrated by CUs

▶ From page 1

The court decision sides with the credit union, which maintained that revenue from the insurance product sales is “substantially related” to the purposes and functions of the tax-exempt, state-chartered credit union.

“We hope this will lead the IRS to reconsider its entire position on UBIT for credit unions, but we are prepared for the next case in Denver,” Richard said. A trial is expected later this year in a similar case, filed by Bellco CU of Greenwood, Colo. last May, also involving insurance products.

The Wisconsin CU League supported the effort and league President/CEO Brett Thompson testified on behalf of the credit union.

CUNA has told the IRS that tax policy that undermines credit unions’ ability to lend conflicts with efforts to free up credit markets and “can contribute to pro-recessionary credit shortages.” 🏠



>> Notes Bearing Interest

No CRA for All CUs, Federation Says

For anyone interested in pursuing the idea of applying Community Reinvestment Act (CRA) reporting requirements to credit unions, the leader of the National Federation of Community Development Credit Unions said he has a better idea.

Executive Director Clifford Rosenthal pointed out last week that credit unions last year, despite the unprecedented crisis that rocked the financial system, “actually increased their mortgage lending and auto lending, while banks (freeze) out millions of Americans.”

Inspired to take on the topic of CRA and credit unions by a blog post’s question of how the federation can support CRA in general but not for credit

unions, Rosenthal stated, “If the goal is to achieve a kind of parity or symmetry between banks and credit unions, I would suggest a far better solution would be to make banks more like credit unions.”

Such parity, he explained, would entail a system where all banks were not-for-profit, transparent, locally controlled, directly accountable to those they serve, steered by democratically elected boards, limited in the compensation of senior management, focused on providing small, unsecured credit on affordable terms, and lending 70% or more of their assets back to their customers.

“These are the basic characteristics of

credit unions in the United States,” he added.

Proposed legislation, introduced by Rep. Eddie Bernice Johnson (D-Texas), to expand the reach of CRA specifically exempts low-income designated credit unions, such as community development credit unions, from coming under CRA.

In a recent position paper, the Federation noted that fact and underscored that the exemption is appropriate for all credit unions because of financial cooperatives’ fundamental differences from other mortgage lenders. The group backs CRA for mortgage banks, securities firms, insurance companies, and other entities. 🏠

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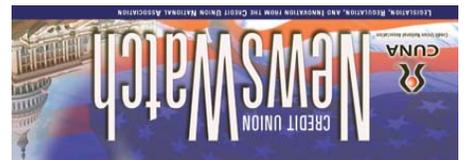
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