



Rep. Barney Frank (D-Mass.), who is chairman of the House Financial Services Committee, addressed the Wednesday general session of the 2009 CUNA Governmental Affairs Conference. Frank said credit unions did not cause the financial crisis and therefore will not have additional restrictions as he and his committee continue to work on financial reform and regulatory restructuring. (CUNA photo)

## GAC Hill Speakers: CUs Part of the Solution

Credit union attendees of CUNA's 2009 Governmental Affairs Conference heard repeatedly from key lawmakers that Capitol Hill understands: Credit unions were not part of the problem that created the meltdown in the housing market and the turmoil in the general economy. But credit unions have been and will continue to be part of the solution to the country's problems.

That re-affirming message came from Democrats, such as Senate Banking Committee Chairman Christopher Dodd (Conn.), Joint Economic Committee Chairman Carolyn Maloney (N.Y.), and House Financial Services Committee Chairman Barney Frank (Mass.). It came from Republicans, such as House Minority Leader John Boehner

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## CUs Ready When MBL Cap Lifted

Sen. Charles Schumer's plan to eliminate the 12.25% member business lending (MBL) cap is good news for small businesses and good news for credit unions, declared CUNA Senior Vice President of Legislative Affairs John Magill last week.

Magill noted that small businesses are currently facing a terrible gap in credit availability, and the current statutory cap on MBLs severely hampers credit unions' ability to help small businesses facing tough economic times.

"Credit unions have stood ready to help small businesses, but many are chafing against the arbitrary statutory cap that exists under current law," he said.

In a Feb. 25 letter to President Barack Obama, CUNA noted the current cap on MBLs has only existed for the last 10 years. CUNA added that there is no economic or safety and soundness rationale to the cap. The letter explained that the restriction came about solely because of bank lobbyists' work to restrain credit unions.

"Sen. Schumer's plan to get rid of the cap will do a lot to help small businesses with no cost to taxpayers," Magill said. Schumer noted CUNA projections that credit unions could lend \$10 billion to small businesses in the first year after the cap is lifted.

Schumer, a Democrat from New York, said as he was unveiling his plan, "Credit unions also have a long track record of scrutinizing borrowers, and low delinquencies as a result. Because deposits have been on the rise as people move

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# >> Governmental Affairs



New CUNA Board Chairman Kris Mecham urged credit unions, including the 4,200 participants of the Governmental Affairs Conference (GAC) held in Washington Feb. 23-26, to join CUNA and the leagues in their advocacy work on Capitol Hill.

Mecham said credit unions must stress the stability of the credit union system in the midst of the current economic turmoil, and the fact that Congress can help the system make an even larger contribution.

"We do have a story to tell," he added. "We are the solution. We are not broken. We should stress that we want their support." Mecham said a perfect example was the current federal limit

on credit union member business lending (MBL), at a time when a capital crunch is one of the big causes of the current economic tensions.

"With a mere stroke of a pen, we have the ability to put millions of dollars into the economy," he added, referring CUNA's efforts to get a legislative change.

Since Mecham's address and the Capitol Hill visits launched by credit unions and the state leagues in conjunction with the GAC, Sen. Charles Schumer (D-N.Y.) announced he is drafting a bill to increase MBL authority to help the economy.

During his GAC address, Mecham stressed that credit unions' visits have a special influence on Congress because the politicians often react positively to grassroots lobbying efforts.

"Ask yourself during this meeting," Mecham told the conferees, "What have I done to promote advocacy. If we do that, we will be an important part of the overall solution." 🏠

**GAC Daily News**  
<http://cuna.org/newsnow/newsnow.html>



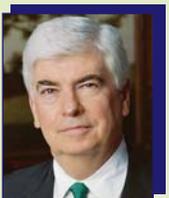
## Heard at the GAC



Barney Frank

*"If credit unions made all of the mortgage loans, then there would have been no subprime crisis, and therefore no economic crisis."*

—Rep. Barney Frank (D-Mass.), chairman, House Financial Services



Christopher Dodd

*"As we modernize the regulatory structure, there will be a seat at that table for America's credit unions... You serve all Americans... You've been successful... You have been conservative in the management of your financial affairs."*

—Sen. Christopher Dodd (D-Conn.), chairman, Senate Banking



Michael Fryze

*"You come to Washington the most capitalized and sound financial institutions. You are not the problem—you are the solution... There are no easy choices... We must stay calm, brace ourselves and take necessary action when called upon."*

—NCUA Chairman Michael Fryze



Paul Kanjorski

*"We've got a very sick patient on the floor (the U.S. economy)... We need to save the patient... If we put all our energies forward, and make the right decisions, we will do it... Don't leave Washington in doubt."*

—Rep. Paul Kanjorski (D-Pa.)



Rodney Hood.

*"You have a voice, and I want to hear it... We have to be bold. Hope is not a strategy, and failure is not an option... Impress on those you talk to (in Congress) the importance of using the CLF (Central Liquidity Facility) not just for liquidity, but also for capital... Remember, there are 90 million members counting on us."*

—NCUA Vice-Chairman Rodney Hood.



Gigi Hyland

*"Tell us how you use the corporate credit unions. Do you use them? How do they fit into your strategic plan?... I will devote my energy to reviewing every viable option... I will read every single comment letter that comes in..."*

—NCUA Board Member Gigi Hyland



Tom Dorety, exiting CUNA chairman, and Dan Mica, CUNA president/CEO, encouraged credit unions to come together and help provide a solution to the nation's economic crisis. They spoke during the opening annual general meeting of the CUNA Governmental Affairs Conference.

Credit unions may have different ideas about how they can help members and communities weather a troubled economy, but they can and should be a part of the solution to the country's problems, Dorety said. "We need to do this together," Dorety said.

As president/CEO of Suncoast Schools FCU in Tampa, Fla., Dorety said he understands well the economic strains credit unions are facing. Florida became an epicenter of the housing crisis, and Dorety said his credit union has had to make tough decisions.

"Other credit unions are doing the same," he said. "It's not fun." And while credit unions are making tough decisions to ensure a successful future, members do not want them to cut back. "They need for us to be here for them," Dorety said.

Mica's message was to remember credit unions' strength and the need to work together in tough economic times: "Our future is bright, but clouded just now by very real problems." Mica added that "under the surface of bleakness" credit unions are "a shining light."

Credit union membership is up, as are saving and lending volumes. "Now more than ever, members love (credit unions), and are looking to us." 🏠

## CUNA's 2009 Executive Committee

Kris Mecham, president/CEO of Deseret First FCU in Salt Lake City, was named chairman of the CUNA board of directors. He succeeds exiting chairman Tom Dorety, president/CEO Suncoast Schools FCU, Tampa, Fla.

CUNA also elected new officers to join Mecham on the CUNA Executive Committee. The officers are:

Vice chair: Harriet May, president/CEO, GECU, El Paso, Tex.;

Treasurer: Pat Wesenberg, president, Central City CU, Stevens Point, Wis.;

Secretary: Mike Mercer, president, Georgia Credit Union Affiliates; and

At-Large: Dennis Pierce, CEO, CommunityAmerica CU, Lenexa, Kan.

Learn more about the CUNA Board of Directors using the online link below.

 **CUNA Board**  
[http://cuna.org/cuna/cuna\\_board\\_pub.html](http://cuna.org/cuna/cuna_board_pub.html)

*"We are so supportive of everything you are doing with Homes for Our Troops... If everyone acts the way a credit union acts, we will heal those in need."*

—Lee Woodruff, wife of Bob Woodruff of ABC News who was severely injured when reporting from Iraq



Lee Woodruff

*"(Mortgage cramdown legislation) would lead to lower liquidity in a time when we need more liquidity... it does not make sense, and will make it more difficult for you to provide members with credit."*

—House Minority Leader John Boehner (R-Ohio)



John Boehner

*"You are part of the solution in the financial crisis our country is facing... I am part of your voice in Congress, and I am proud to be with you. I really applaud you for all you do. Thank you for what you do everyday."*

—Rep. Carolyn Maloney (D-N.Y.), chairman, Joint Economic Committee



Carolyn Maloney

*"(Mortgage cramdown legislation).. sends a message that it's okay to walk away from contractual agreements. Should we allow breach of contract, there would be adverse consequences in the availability of loans... We need to make sure credit unions are not punished for others' mistakes."*

—Rep. Ed Royce (R-Calif.)



Ed Royce

*"Credit unions face challenges, but you remain strong financially. If banks followed your strategies, we would not be facing this credit crisis... (Mortgage cramdown legislation).. is bad policy. It should not become law... You are the pulse of the communities( you serve). We need to hear from you... No taxation of credit unions!"*

—Rep. Dave Camp (R-Mich.), ranking minority member, House Ways and Means.



Dave Camp

*"I'm looking forward to building relationships with Kansas credit unions, and all of you."*

—Rep. Lynn Jenkins (R-Kan.)



Lynn Jenkins

*"We're going to do everything we can to increase your ability to extend credit so you can continue to do what you have been doing (serving members)."*

—Rep. Eric Cantor (R-Va.), House Minority Whip



Eric Cantor



CUNA

# TRAINING GUIDE 2009

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*implement*

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## Board & Volunteer

### CUNA Strategic Planning Institute

June 19-21, 2009 – Boston, MA

Tuition: \$1,095

### CUNA Supervisory Committee & Internal Audit Conference

December 6-9, 2009 – Las Vegas, NV

Tuition: \$895

### CUNA Volunteer Certification School

May 17-22, 2009 – St. Pete Beach, FL

Tuition: \$1,695

### CUNA Volunteer Institute

January 10-14, 2009 – Cancun, Mexico

September 26-30, 2009 – Koloa, HI

January 16-20, 2010 – Nuevo Vallarta, Mexico

Tuition: \$1,395

## Compliance

### CUNA Bank Secrecy Act Conference

November 1-4, 2009 – San Francisco, CA

(Also available as an eSchool starting May 5, 2009.)

Tuition: \$895

### CUNA Compliance Fundamentals Seminar

April 25-26, 2009 – St. Pete Beach, FL

September 26-27, 2009 – San Diego, CA

(Also available as an eSchool starting March 5, 2009.)

Tuition: \$500

### CUNA Regulatory Compliance Schools

#### Introduction

April 26-May 1, 2009 – St. Pete Beach, FL

September 27-October 2, 2009 – San Diego, CA

(Also available as an eSchool starting May 6, 2009.)

Tuition: \$1,295

#### Update

April 26-30, 2009 – St. Pete Beach, FL

September 27-October 1, 2009 – San Diego, CA

(Also available as an eSchool starting October 28, 2009.)

Tuition: \$1,195

## Finance & Economics

### CUNA CFO Council Conference & Roundtable

May 17-20, 2009 – Las Vegas, NV

### CUNA CU Finance for Non-Financial Managers & Volunteers School

April 26-29, 2009 – St. Pete Beach, FL

(Also available as an eSchool starting September 9, 2009.)

Tuition: \$1,195

### CUNA Economics & Investments Conference

August 2-5, 2009 – San Diego, CA

Tuition: \$1,095

### CUNA Financial Management Schools

#### Part I

August 16-21, 2009 – Boston, MA

(Also available as an eSchool starting January 27, 2009.)

Tuition: \$1,595

#### Part II

August 16-20, 2009 – Boston, MA

(Also available as an eSchool starting September 15, 2009.)

Tuition: \$1,595

## HR & Training

### CUNA Experience Learning Live!

October 25-28, 2009 – Nashville, TN

Tuition: \$895

### CUNA HR/TD Council Summit

April 6-9, 2009 – Las Vegas, NV

### CUNA Human Resource Management Schools

#### Part I or II

September 14-17, 2009 – Nashville, TN

Tuition: \$1,295 per part

## Lending & Collections

### CUNA Business Lending & Services Conference

December 7-9, 2009 – St. Pete Beach, FL

Tuition: \$895

### CUNA Business Lending Certification Institutes

#### Fundamentals

July 20-24, 2009 – Madison, WI

Tuition: \$1,795

#### Credit Analysis

July 20-24, 2009 – Madison, WI

Tuition: \$1,795

#### Advanced Credit Analysis

July 20-24, 2009 – Madison, WI

Tuition: \$1,795

#### Management Strategies

July 20-24, 2009 – Madison, WI

Tuition: \$1,795

### CUNA Certified Financial Counselor Schools

#### Part I

March 29-April 2, 2009 – San Diego, CA

December 6-10, 2009 – St. Pete Beach, FL

Tuition: \$1,295

#### Part II

December 6-10, 2009 – St. Pete Beach, FL

Tuition: \$1,295

#### Advanced

March 29-April 2, 2009 – San Diego, CA

Tuition: \$1,295

- Find out more and register early to save at [training.cuna.org](http://training.cuna.org). Tuitions are early-bird rates. Dates, locations, and tuitions are subject to change.



## Lending & Collections Continued

### CUNA Collections & Bankruptcy Schools

#### Introduction

March 8-13, 2009 – Tampa, FL  
October 4-9, 2009 – Las Vegas, NV  
Tuition: \$1,295

#### Advanced

October 4-8, 2009 – Las Vegas, NV  
Tuition: \$1,195

### CUNA Consumer Lending Schools

#### Foundations or Advanced

*(Foundations also available as an eSchool starting November 4, 2009.)*

May 4-7, 2009 – Tempe, AZ  
Tuition: \$1,295 per part

### CUNA Lending Council Conference

November 1-4, 2009 – San Diego, CA

### CUNA Residential Mortgage Lending School

March 2-5, 2009 – St. Pete Beach, FL

*(Also available as an eSchool starting October 19, 2009.)*

Tuition: \$1,295

## Management & Leadership

### CUNA Branch Management Institutes

#### Foundations or Strategies

April 20-22, 2009 – St. Pete Beach, FL  
October 19-21, 2009 – Fort Worth, TX  
Tuition: \$1,295 per part

### CUNA Leadership Development Institute

September 14-17, 2009 – Tempe, AZ  
Tuition: \$1,595

### CUNA Management Essentials for Supervisors

#### Introduction or Advanced

May 31-June 4, 2009 – Las Vegas, NV  
November 1-5, 2009 – San Diego, CA  
Tuition: \$1,295 per part

### CUNA Management School

July 12-24, 2009 – Madison, WI  
Tuition: \$2,299

### CUNA World-Class Customer Service Executive Institute

October 5-8, 2009 – Phoenix, AZ  
Tuition: \$1,595

## Marketing & Business Development

### CUNA Business Development Schools

#### Part I

April 27-30, 2009 – San Francisco, CA  
October 19-22, 2009 – Fort Worth, TX  
Tuition: \$1,295

#### Part II

October 19-22, 2009 – Fort Worth, TX  
Tuition: \$1,295

### CUNA Marketing & Business Development Council Conference

March 11-14, 2009 – San Diego, CA

### CUNA Marketing Management Schools

#### Part I, II or III

June 1-4, 2009 – Las Vegas, NV  
Tuition: \$1,295 per part

## Operations, Sales & Service

### CUNA Operations, Sales & Service Council Conference

September 27-30, 2009 – San Diego, CA

### CUNA Sales & Service Culture Institute

March 30-April 1, 2009 – Charlotte, NC  
Tuition: \$1,195

## Security & Technology

### CUNA Disaster Preparedness & Recovery Conference

August 17-19, 2009 – Boston, MA  
Tuition: \$895

### CUNA Robbery & Fear Seminar

April 20, 2009 – St. Pete Beach, FL  
Tuition: \$395

### CUNA Security & Fraud Institutes

#### Introduction

April 19-23, 2009 – St. Pete Beach, FL  
Tuition: \$1,295

#### Advanced

September 13-17, 2009 – San Diego, CA  
Tuition: \$1,195

### CUNA Security Certification Institute: Facilities & Fraud

September 13-17, 2009 – San Diego, CA  
Tuition: \$1,495

### CUNA Technology Council Summit

August 5-8, 2009 – San Francisco, CA

## signature events



CUNA GOVERNMENTAL AFFAIRS CONFERENCE

### CUNA Governmental Affairs Conference

February 22-26, 2009 – Washington, D.C.  
Tuition: \$895 (\$450 for CUs under \$35 million)

CUNA Governmental Affairs Conference is a unique, advocacy-focused event for all credit union leaders. The greater the turnout, the greater your political impact on Capitol Hill.



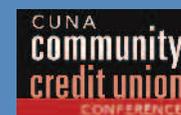
POWERED BY CUNA

### America's Credit Union Conference & Expo

June 21-24, 2009 – Boston, MA  
Tuition: \$895 (\$450 for CUs under \$35 million)

America's Credit Union Conference & Expo is the nation's premier educational conference for executives, staff, and directors.

For more information, visit [acuc.cuna.org](http://acuc.cuna.org)



### CUNA Community Credit Union Conference

October 21-24, 2009 – Las Vegas, NV  
Tuition: \$895

A must-attend event whether your credit union is considering a community charter or has had one for years. Each year credit unions are recognized with the Community Credit Union of the Year Award which honors community credit unions that exemplify the principles of the credit union movement.



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## CUNA Works for Improvements in NCUA's Corporate CU Program

We know credit unions continue to have many questions about the impact of NCUA's Corporate Credit Union Stabilization Program (NCCUSP). This Special Report updates information about NCCUSP, focusing on CUNA's ongoing efforts to lessen credit unions' costs, and on the work of CUNA's Corporate CU Task Force, chaired by Terry West, president/CEO of VyStar Credit Union.

### NCUA'S actions

In January, the NCUA announced that the National Credit Union Share Insurance Fund (NCUSIF) was guaranteeing the uninsured shares (balances over \$250,000) of all 28 corporate credit unions through the end of February. Starting this month through the end of 2010, corporate credit unions must sign a supervisory agreement to retain the guarantee. All but four corporate credit unions have signed the agreement. The agency has also provided \$1 billion in capital to U.S. Central. The assets of corporate credit unions total about \$80 billion, and they have about \$7 billion in capital.

According to NCUA, about 80% of the securities held in the corporate credit union system are highly rated but a limited number of corporates hold asset-backed securities of about \$64 billion that were downgraded. Due largely to accounting rules, the affected corporates were reporting approximately \$18 billion in unrealized losses on these securities in November. As a result, NCUA was concerned that its failure to act could have caused even greater cascading losses to natural person credit unions.

Most agree NCUA needed to assist the corporate credit unions and that it had few options based on its legal authority. Yet, CUNA believes that NCUA did not thoroughly consider alternatives

to the funding of the NCCUSP before it was announced and that it underestimated how credit unions would react once they were aware of the impact on them.

### What will these actions cost CUs?

The \$3.7 billion projected cost of the share guarantees for the corporates and the capital injection for U.S. Central will reduce the equity ratio of the NCUSIF from 1.27% to 0.49%. By law, the NCUSIF equity level must be at least 1.2%, and NCUA wants the ratio to be at 1.3% to help fund any additional losses this year, including for natural person credit unions.

To pay for this, NCUA announced that all federally insured credit unions should expect this year to write-off and replenish up to 51% of their current 1% NCUSIF deposit and pay a premium of .30% of insured shares. These costs will result in credit unions' returns on assets being reduced significantly – by an estimated 62 basis points on average — with a number of credit unions having negative ROA and some CUs having to face prompt corrective action (PCA) sanctions solely due to the insurance hits. We understand that the billing from NCUA for the estimated insurance costs will be sent to federally insured credit unions shortly.

However, the final costs to credit unions of funding the NCCUSP are not totally known as this point. The \$1 billion capital for U.S. Central is a known quantity, but the liability for the share guarantees, which NCUA initially set at \$3.7 billion, may have to be adjusted. To help determine the costs more precisely, NCUA has contracted with PIMCO to analyze the value of the securities at corporate credit unions. That report is expected very shortly, and CUNA has

requested a summary of the report's findings, analyses, and assumptions.



Mary Dunn  
CUNA Deputy General Counsel

### Help spread out costs to federally insured CUs

Recognizing NCUA can't eliminate the costs to credit unions completely because it has no control over the corporates' losses, CUNA and the leagues immediately began developing alternatives to spread out credit unions' costs, assisted by our CUNA Corporate CU Task Force. Approaches include legislation to extend the \$41 billion appropriation for the Central Liquidity Facility (CLF), operated by NCUA to provide short-term loans for liquidity purposes to natural person credit unions.

The appropriation is included in the omnibus federal government funding bill winding its way through Congress. And legislation that allows the NCUSIF to spread out credit unions' insurance payments and have greater borrowing authority, up to \$6 billion, from the U. S. Treasury, are in a "cramdown" bill passed by the House and expected to be considered by the Senate in the next several weeks.

Senate Banking Chairman Chris Dodd (D-Conn.) has announced he wants to help the FDIC spread out banks' insurance costs; we are working to include credit unions in that effort, and NCUA also sent a letter to him. CUNA is also working with NAFCU to develop legislation that would allow the CLF to provide liquidity and capital directly to corporate credit unions.

However, these approaches will take time to achieve and implement. So, we are also seeking a guarantee from Trea-

sure to back-up the NCUSIF for amounts over \$500 million and up to \$10 billion or more, if necessary to cover the deposit guarantees and avoid depleting credit union capital. TARP assistance could also assist certain individual credit unions.

We are also advocating improvements to NCUA's CU System Investment Program (CUSIP), designed to help corporates maintain liquidity, which allows natural person credit unions to obtain collateralized loans from the CLF to make deposits into a corporate, with a 25 basis point spread. And, we are pursuing more accurate accounting treatment for asset-backed securities and urging NCUA to work with the FDIC and the Financial Accounting Standards Board to be able to spread out the costs, even without new legislation, as the FDIC has done. NCUA in the last several weeks has been trying to work with CUNA and others to find a way to spread out the costs of the NCCUSP.

### Why must CUs report the costs now?

NCUA booked its insurance expenses for the NCCUP in January. As a result, and if the agency isn't able to spread out credit unions' costs attributed to the losses caused by the corporates, most agree credit unions will have to recognize the insurance costs no later than this year as indicated by NCUA Accounting Bulletin 09-1.

An issue has arisen as to whether all or part of the costs should be recognized in 2008 or in 2009. We have been in contact with the American Institute of Certified Public Accountants, which is trying to develop guidance for accountants on this matter. To the extent AICPA is able to develop the guidance, we will ensure credit unions have that information.

In recognition that it is considering alternatives to mitigate costs, NCUA has revised the March 2009 Call Report (News Now, March 6) to allow credit unions to report their financial information with and without factoring in the insurance expenses. NCUA's letter with

the call reports advises that it indeed is considering alternatives to lessen credit union costs.

### Examiners' approach to ROA pressures

NCUA has sent Supervisory Letter 09-FCU-09 on the NCCUSP to its examiners and federal credit unions (News Now, March 2). The letter states that "examiners are encouraged to...not take exception to the reduction (in net worth) due to actions taken by the NCUA Board." The letter also notes that "examiners and regional office analysts are instructed to be flexible when reviewing credit union (net worth restoration) plans and to consider the impact of any action taken by the NCUA Board, especially if that action alone triggers mandatory prompt corrective action (PCA)." The letter encourages credit unions to support their corporate, reminding credit unions they must meet due diligence requirements in dealing with their corporate, as with other third party vendors.

### CUNA and the Leagues: Work continues

We know how important this matter is to the credit union system. CUNA will keep pushing NCUA for a better outcome and working to keep you informed of all developments. Meanwhile, CUNA's Corporate Credit Union Task Force is working on CUNA's comment letter to NCUA on corporate restructuring, which we will plan to make available in mid-March. Comments are due to NCUA April 6 and credit unions and leagues are urged to share their views with CUNA at [ncuacorp@cuna.com](mailto:ncuacorp@cuna.com). CUNA is also setting up a new website on the NCCUSP, which will be available shortly, and include much more information, such as points credit unions can make with their members about the impact of the NCCUSP. 🏠

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

## GAC Hill Speakers: CUs Part of the Solution

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(Ohio) and House Minority Whip Eric Cantor (Va.).

As New York's Maloney put succinctly: "You were not part of the problem, but you have been part of the solution."

The federal lawmakers acknowledged, however, that credit unions are suffering from the consequences of others' "reckless" actions.

But the GAC audience was told, for instance by Sen. Dodd, that as the nation struggles with challenging economic times, credit unions' mission "has never been more essential." 🏠

## CUs Ready When MBL Cap Lifted

▶ From page 1

their savings from the stock market to savings accounts, they have cash on hand to loan to small businesses."



John Magill

More than one-quarter of the nation's 8,147 credit unions offer member business lending, CUNA figures indicate, and those loans grew by 18% last year to \$33 billion from \$28 billion in 2007. The average loan size is \$215,000.

"Many credit unions have made it clear they would lend even more money if they could," Magill said.

 **CUNA Letter to President Obama**  
[http://cuna.org/download/congress\\_letter\\_022509.pdf](http://cuna.org/download/congress_letter_022509.pdf)



# >> Regulatory Affairs

## NCUSIF's Preliminary Accounting Decisions

The National Credit Union Share Insurance Fund (NCUSIF) booked in January both expenses and income associated with the corporate credit union stabilization plan, according to the fund's most recent monthly report.

The National Credit Union Administration's (NCUA) insurance fund listed for accounting purposes a \$1 billion expense for "Loss on Investment—Corporate," related to its capital infusion into U.S. Central FCU. It also listed a \$3.7 billion "Insurance Loss Expense" to control the risk associated with NCUA's guarantee of "excess" corporate credit union share deposits. The information was made public at last month's open board meeting.

Although booked as an insurance fund loss, the investment has not been economically impaired. The agency

wrote it off because the money will not be available to pay potential future insurance losses until U.S. Central repays the NCUSIF's "capital note."

The \$3.7 billion related to the corporate share guarantee has similarly not been economically impaired, but has been added to the NCUSIF's reserve for insurance losses, which now stands at more than \$3.9 billion.

In a related move, NCUA also booked the NCUSIF's \$4.84 billion in "accrued recapitalization and premium income" in January--also for accounting purposes. The decision was made despite the fact NCUA has not collected the premium revenue from credit unions.

If NCUA does not adopt an alternative approach to funding the corporate stabilization program, or modifies its accounting decision, credit unions would

### REVENUE AND EXPENSE YEAR-TO-DATE JANUARY 31, 2009

(In Millions)

	Actual	Budgeted
<b>Gross Income:</b>		
Investment Income	\$ 16.4	\$ 16.4
Accrued Recapitalization and Premium Income	4,840.0	4,840.0
Other Income	0.1	0.1
<b>Less Expenses:</b>		
Operating Expense	5.8	8.2
Loss on Investment - Corporate	1,000.0	1,000.0
Insurance Loss Expense	3,700.0	3,720.0
<b>Net Income</b>	<b>\$ 150.7</b>	<b>\$ 128.3</b>

be forced to reflect on their March call reports all of their insurance costs for the corporate assistance, and the replenishment of the 1% deposit and the premium.

As a government agency, the NCUA has flexibility to deviate from Generally Accepted Accounting Principles (GAAP) in its financial reporting if approved by the Office of Management and Budget (OMB), and the Comptroller General.

CUNA has urged the agency to exercise this authority. ☹

**NCUSIF Report**  
<http://www.ncua.gov/NCUABoard/draftboardactions/Feb26/Item3aJan09NETREPORT.pdf>

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PEOPLE HELPING PEOPLE  
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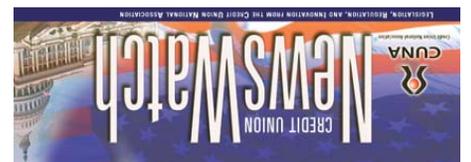


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