



NCUA Central Liquidity Facility President Owen Cole explains a proposed change in the way current loans outstanding are booked by corporate credit unions and U.S. Central. Cole made his presentation during the Jan. 22 monthly NCUA Board meeting in Alexandria, Va. (CUNA photo)

NCUA Wants to Ease Corporate CU Pressure

The NCUA during its monthly board meeting last week approved an action that will, in effect, change the way current outstanding loans from the Central Liquidity Facility (CLF) are booked by corporate credit unions, as well as by U.S. Central FCU.

The NCUA Board voted 2 to 1 to delegate to CLF President Owen Cole authority to sign an amendment to the Repayment, Security and Credit Reporting Agreement currently in place between U.S. Central and the CLF. Cole could also amend an Assignment Agreement between U.S. Central and the CLF.

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CUNA Opposes Current Bankruptcy Bills

CUNA informed House lawmakers last week that credit unions cannot support changes to the Bankruptcy Code that would give courts unlimited authority to modify any type of loan secured by a debtor's principal residence.

In fact, CUNA stated in a letter to leaders of the House Judiciary Committee, unless changes are made, CUNA would actively oppose such legislation.

The letter to the committee chairman, Rep. John Conyers (D-Mich.), and its ranking member, Rep. Lamar Smith (R-Texas), said that any amendment to the code must target certain types of loans and be limited in duration.

The committee conducted a hearing Thursday on bills currently under its consideration, H.R. 200, the Helping Families Save Their Homes in Bankruptcy Act of 2009, and H.R. 225, the Emergency Homeownership and Equity Protection Act.

Those bills do not contain the limitations sought by CUNA on behalf of credit unions.

"Therefore," CUNA President/CEO Dan Mica wrote to the panel leaders, "Credit unions cannot support these bills in their current form, and CUNA opposes any amendment to the bankruptcy law being included in the economic stimulus legislation."

Mica urged, "Adequate consideration needs to be given to the unintended consequences of amending the bankruptcy law and to the practical implementation issues associated

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Credit Card Bills Back on Hill Agenda

Sweeping credit card reforms are back in the sights of some federal lawmakers. Sen. Charles Schumer (D-N.Y.) has introduced such a bill in the Senate and Rep. Carolyn Maloney (D-N.Y.) has done so in the House.

Their actions mirror events of last year when lawmakers in both chambers of Congress sponsored bills that would have instituted a crack down on certain practices. The bills would have done such things as require credit card companies to give 45-days notice prior to an interest rate change and prohibit card companies from increasing rates on existing balances except under certain circumstances.

Since those bills were first introduced, the Federal Reserve Board has imposed stricter rules on credit cards.

However, similar action by the U.S. Congress would give those prohibitions the weight of law.

CUNA supports federal lawmakers' and regulators' intentions to end discriminatory, predatory, deceptive and abusive lending practices. However, CUNA also continues its work to ensure that unintended consequences do not restrict the range of products and services that credit card issuers currently offer, thereby cutting off credit to some and raising the price of credit for all. 🏠

CUNA on Credit Card Issues
cuna.org/gov_affairs/legislative/issues/download/credit_cards.pdf

CUs Greet Freshmen Lawmakers



New York and CUNA credit union representatives spent much of January greeting freshmen members of their congressional delegation in Washington, D.C. Topics on the table: The credit union difference, credit union access to TARP funds, lifting the member business loan cap, modernization of credit union's capital requirements, and the importance of maintaining a separate credit union regulator. During one visit, the group met with U.S. Rep. Daniel Maffei (D-N.Y.), who was appointed to the House Financial Services Committee. From left: Amy Kramer, Credit Union Association of New York; Rep. Maffei; Tom Gannon, CUNA; and Michael Lanotte, Credit Union Association of New York. (Credit Union Association of New York photo)

CUNA Opposes Current Bankruptcy Bills

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with any amendments to the code since the bankruptcy law has no implementing regulations to serve as guidance to the courts."



Rep. John Conyers

Among its concerns, CUNA said a lender that made a mortgage loan using good underwriting standards should not bear the risk of a decline in the house's value.

CUNA also warned that imprudent legislative action could encourage financially fit borrowers to stop mortgage payments, triggering

foreclosure, simply because they no longer want to make large mortgage payments on houses which have dropped notably in value.

The letter noted that CUNA has worked for more than a year with Hill staff to design a bankruptcy amendment that would allow courts to amend only certain mortgage loan agreements secured by the debtor's principal residence.



Rep. Lamar Smith

Specifically, the authority would apply to loans determined to be "subprime," with large re-sets of interest rates; loans with negative amortization; or loans that a court reasonably determines were fraudulent or abusive when made with no reasonable underwriting standards and expectation the

borrower could actually repay the loan.

For any loan falling within this category, CUNA said in the letter, a bankruptcy court should have the authority to:

- ▶ Cancel prepayment penalties;
- ▶ Lower the interest rate to the current conventional fixed market rate;
- ▶ Extend the maturity of the loan; and
- ▶ Adjust the principal balance to no lower than the current market value of the house if, when the house is eventually sold by the debtor, the debtor would not only have to repay the remaining loan balance established by the plan, but also have to turn over to the original first and junior lien holders any net proceeds up to the original mortgage balances, even after discharge, also known as recapture.

CUs and Bankruptcy Reform
cuna.org/gov_affairs/legislative/issues/2008



>> Regulatory Affairs

FASB Impairment Guidance Better, Not Perfect

Credit unions have new guidance from the Financial Accounting Standards Board (FASB) to help navigate the challenging task of determining impairment of certain debt securities. Historically, there have been two similar models for determining when a security is other-than-temporarily-impaired (OTTI), but they included some key differences.

FASB's new guidance aims to make things a little easier. One of its primary objectives in instituting changes was to increase consistency between those differing models, an objective supported by the CUNA.

CUNA's review of the changes shows they shift the determination of impairment from market participants' assessment of cash flows to management's assessment. That is a significant change, backed by CUNA and many in light of the current dislocated market.

While the guidance modifies the method for determining when securities are OTTI, credit unions should note that unchanged is a subsequent requirement that such securities are then to be written down to their fair value.

In essence, FASB EITF 99-20-1 notes that OTTI determination requires analysis and judgment based on all available relevant information. The FSP is effective for interim and annual reporting periods ending after Dec. 15, 2008, and are to be applied prospectively.

While an improvement, CUNA maintains the guidance does not afford complete relief from the problems related to applying fair value standards to securities that are not intended to be sold. CUNA will continue working to improve the application of fair value standards to credit union assets.  **FASB EITF 99-20-1**
www.fasb.org/pdf/fsp_eitf99-20-1.pdf

▶ Seeking CU Comment...

These issues are open for comment by the general public. Credit unions are asked to submit a copy of their comments to CUNA:

▶ **Proposed Revisions to Regulation Z Mortgage Loan Disclosures**

Agency: Federal Reserve
Due date: Jan. 29

▶ **Proposed Revisions to Regulation E for Overdraft Protection Plans**

Agency: Federal Reserve
Due date: Feb. 25

 **Comment Calls**
cuna.org/reg_advocacy



NCUA Board Member Gigi Hyland during last week's monthly meeting questions an agency proposal that would change the way current loans outstanding from the Central Liquidity Facility are booked by corporate credit unions. Hyland voted against the proposal, which passed 2-1. (CUNA photo)

NCUA Wants to Ease Corporate CU Pressure

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The action was designed to execute a change in the way current loans outstanding from the CLF are booked by corporates and by U.S. Central by allowing both U.S. Central and participating corporates to assign the loans, without recourse, to the CLF.

By removing the loans from the books of U.S. Central and participating corporates, the new agreement will alleviate pressure on corporate balance sheets created by holding these assets, according to an NCUA staff document.

The new approach, the document noted, will change the way loans are administered in the future as well.

"(A)lthough (U.S. Central) will retain its role as master servicer and the relevant corporate will continue to service the loan, loans will be booked exclusively as an asset of the CLF.

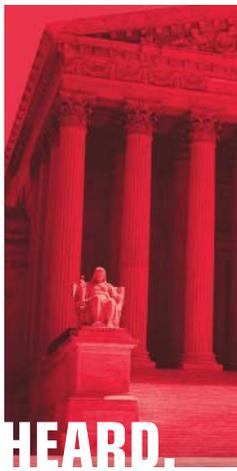
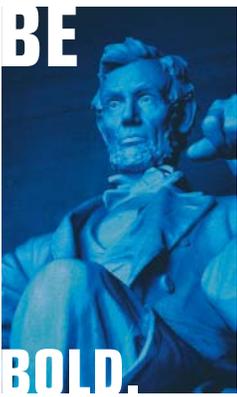
"In connection with this change, the corporate servicing the loan will agree in an ancillary agreement with USC (to which CLF is not a party) to subordinate any claims it may have to collateral also pledged to secure the CLF indebtedness," the NCUA noted.

Board Member Gigi Hyland cast the dissenting vote. She said she was "not convinced" that the CLF should assume the full the risk of default on these loans.

Hyland said that the CLF would lose the corporates' and U.S. Central's "guarantee" on these loans because they would be transferred without recourse, and she stated that she believes that "a guarantee is important" given the current financial crisis.

Hyland also expressed concern that this program would not help natural person credit unions that are experiencing lower capital levels and possible sanctions under prompt corrective action because they have expanded their balance sheets by participating in the CU SIP and CU HARP programs. 

 **Regulatory Advocacy**
cuna.org/reg_advocacy



The CUNA GAC: Be There and Make a Difference

It's Time to Register!

Top 10 reasons you need to be at the 2009 GAC:

1. ■ Make a strong impact on the new Congress with Capitol Hill visits and help direct change.
2. ■ Ensure lawmakers understand the credit union difference to protect our exempt status.
3. ■ Emphasize credit unions' role as the solution to the financial crisis (not the source of the problems).
4. ■ Make our voices heard for an independent credit union system, capital reform, and member business lending.
5. ■ Proactively advance legislation that provides credit unions with the flexibility to grow.
6. ■ Take advantage of extraordinary networking opportunities with friends and colleagues.
7. ■ Hear from Washington's most influential policy makers.
8. ■ Gain first-hand insight into the federal regulatory agenda from NCUA board members and senior staff.
9. ■ Celebrate the 75th anniversary of CUNA and the Federal Credit Union Act.
10. ■ Celebrate the 100th anniversary of credit unions.



Be Bold. Be Heard. Be There.

February 22-26, 2009



Register at gac.cuna.org

E-mail: gacinfo@cuna.coop

800-356-9655 ext. 5700

Keynote Highlights



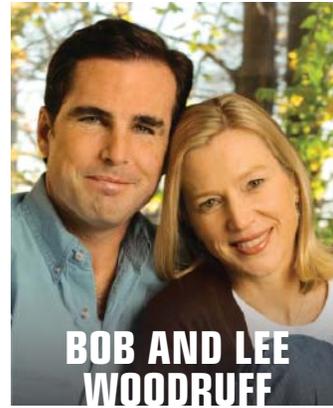
TUCKER CARLSON

MSNBC senior correspondent



PAUL BEGALA

CNN political analyst



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Bob Woodruff: ABC News anchor/
reporter and author

Lee Woodruff: Author, freelance
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host of NBC's *Today Show*,
and best-selling author

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Barney Frank

Chairman, House Financial Services Committee

Paul Kanjorski

Senior member, House Financial Services Committee

Carolyn Maloney

Senior member, House Financial Services Committee

John Boehner

House Minority Leader

Spencer Bachus

Ranking minority member, House Financial Services Committee

Maxine Waters

Senior member, House Financial Services Committee

... More to come!



GAC Kick-Off Sunday Event

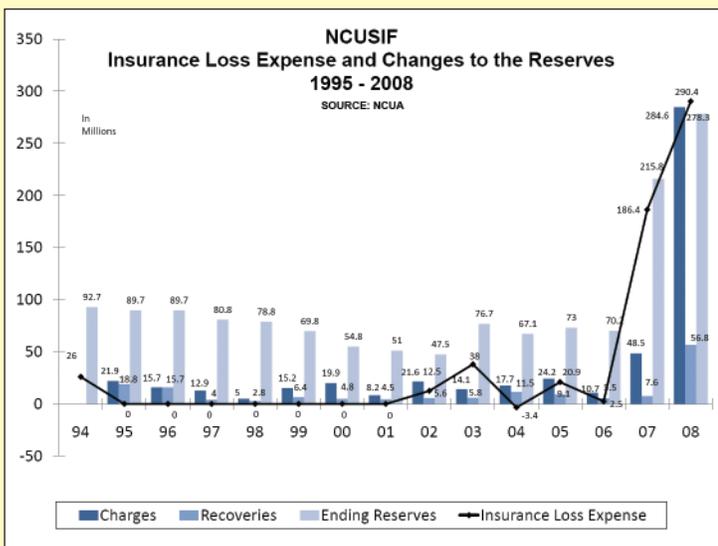
Gary Sinise & the Lt. Dan Band

The **Lt. Dan Band** was formed by actor/musician Gary Sinise and Chicago composer Kimo Williams. Sinise is best known for his role as Lt. Dan in *Forrest Gump* and for his starring role in the TV series *CSI: NY*. The band has completed six tours for the USO and performs regularly for troops stationed around the world. *Presented by CUNA Councils*

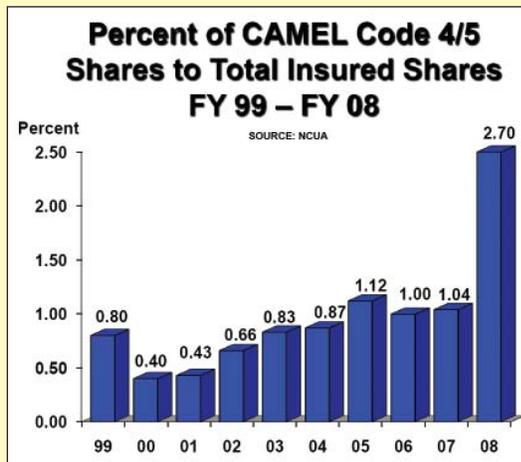
December NCUSIF Insurance Loss: \$113.4 Million

The National Credit Union Share Insurance Fund (NCUSIF) projected an insurance loss for December 2008 at \$113.4 million, according to its year-end report.

At the NCUA open board meeting Thursday, staff continued to project a 1.27% equity level for 2008. That figure precludes the possibility of an NCUSIF dividend to federally insured credit unions.



The NCUSIF also posted gross income of \$129.9 million in December 2008. Of that, \$106 million of the gross income was from the NCUSIF's sale of longer-term U.S. Treasury Department securities that appreciated in value.



Approximately \$97 million of the \$113.4 million insurance loss expense went to unallocated reserves in order to move the NCUSIF's insurance loss reserves from the minimum level required to its "midpoint," according to the NCUA.

Other details: NCUSIF reported there are currently 271 low-ranked CAMEL 4 and 5 credit unions, up 28% from 211 at the end of 2007. The total insurance loss expense for 2008 is estimated to be \$290.4 million.

Full NCUSIF Report from NCUA
<http://tinyurl.com/cpgrog>

IRS: Reporting for Minimum Distributions

Credit unions and other financial institutions will want to bone up on new Internal Revenue Service (IRS) Notice 2009-9, which provides guidance on reporting required minimum distributions (RMD) for 2009.

Under a 2008 law, most IRA owners and beneficiaries who would have been required to take an RMD for 2009 are not required to take a distribution.

Financial institutions are required to report RMDs to the IRS and the IRA owner. Notice 2009-9 provides instructions for reporting these on Form 5498 and under the RMD reporting requirements of Notice 2002-27.

The guidance is quite flexible and indicates, among other things, financial institutions that issue 2008 Forms 5498, IRA Contribution Information, should not put a check in Box 11. (Box 11 indicates to the taxpayer that an RMD is required in 2009.)

If the financial institution issues a 2008 Form 5498 with the box checked, the IRS will not consider the statement incorrect—provided the financial institution notifies the IRA owner by March 31, 2009, that no RMD is required for 2009.

IRS Bulletin
www.irs.gov/irb/2009-02_IRB/ar12.html

Delay on RESPA 'Required Use' Rule

The U.S. Department of Housing and Urban Development (HUD) has pushed back the effective date of its revised definition of "required use" under the Real Estate Settlement Procedures Act (RESPA).

The definition was set to go into effect Jan. 16, but a final rule changed the date to April 16.

RESPA currently allows businesses to make referrals to their affiliates that provide loan services, as long as the consumer is not required to use the service.

The new rule clarifies that referrals can include incentives, as well as disincentives. The provisions are not intended to eliminate the use of legitimate consumer discounts if they are not tied to the use of a specific settlement provider.

An example of improper use of an incentive could be a discount to a borrower when an affiliate is used for a certain service if the affiliate charges more than other competitors or if the discount is offset by higher costs elsewhere.

However, providing a package of services in which the total price is less than the sum of the prices of the individual services will be permitted, assuming the use of the package is optional and that the lower price is not offset by higher costs elsewhere.

RESPA RULE
<http://edocket.access.gpo.gov/2009/E9-852.htm>



>> Notes Bearing Interest

Political Newspaper Notes CUNA Outlook

CUNA Chief Economist Bill Hampel was quoted in *Politico* newspaper last week about the economic challenges President Barack Obama will face in his term.

Obama has won Senate approval to release the second half of the \$700 billion Troubled Assets Relief Program, the article noted.

“It really doesn’t matter what they spend it on. They just need to spend it so someone gets income,” Hampel told *Politico*. “It would be nice if they spent it on useful things, but that doesn’t really matter. They just need to start spending money quickly.”

Hampel also commented on the market’s turnaround.

“The good news is that three years from now, it is almost inconceivable that the economy won’t look a whole lot better than it looks now,” he said.

Access the complete story online. 

 **“Obama faces uphill economic battle”**
www.politico.com/news/stories/0109/17646.html



CUNA Chief Economist Bill Hampel

CUNA Urges New Players’ Attention to CUs

CUNA moved quickly after the Presidential inauguration on Jan. 20—and on the cusp of Senate confirmation hearings—to urge key lawmakers to remember credit unions when considering the pressing issues confronting the new administration and Congress.

CUNA President/CEO Dan Mica sent letters to the leadership of the Senate Banking Committee and the Senate Finance Committee, panels that will be considering nominees for positions at the Securities and Exchange Commission, the Federal Reserve Board, and the Council of Economic Advisors, among others.

The CUNA letters endorsed the Obama administration’s choice and acknowledged that each face “unprecedented challenges.”

“While the U.S. Treasury is the agency charged with implementing the Emergency Economic Stabilization Act (EESA), these nominees will have an important voice in key decisions regarding the use of TARP funds to mitigate the economic crisis,” wrote Mica.

Mica reminded lawmakers that while EESA clearly includes credit unions among the institutions that should be eligible for TARP assistance, there has been no serious consideration at Treasury of credit unions’ needs for TARP relief.

In general, Mica assured, credit unions are doing well and working hard to make funds for loans available to individuals and member businesses, to the extent statutory limitations permit. However, there are credit unions that have been seriously hurt by the impact of the problems in their markets. 

 **Immediate Credit Union News**
cuna.org/newsnow

CUs Can Be Direct Deposit ‘Ambassadors’

CUNA is a national partner of the U.S. Treasury Department’s drive to promote direct deposit through the Go Direct campaign. Now credit unions and other depository institutions can become Community Ambassadors in an effort to promote direct deposit among senior citizens, veterans, people with disabilities and other who receive federal benefits.

Institutions that fulfill the Community Ambassador requirements for active participation during the January 2009 to June 2009 program period will receive a letter of recognition and certificate from the Treasury’s Go Direct campaign.

Requirements include such actions as coaching tellers to tell members about the benefits of direct deposit of government checks, circulating statement messages, and displaying Web banners.

CUNA backs direct deposit because it can be a safer, faster, “greener,” and cost-saving way to handle federal benefits checks.

Go Direct also administers a “Go Direct Champions” program to recognize all participant financial institutions that exceed the national average, in their size category, for signing up federal benefits recipients for direct deposit. 



 **Go Direct website**
www.godirect.org/



>> Political Affairs

Project Zip Code: Grassroots at 67 Million Strong

As CUNA President/CEO Dan Mica wrote in his first “K Street Insiders” column of the new year, a change has already come to lobbying efforts under the new Obama administration. Even before taking the oath of office on Jan. 20 to become the country’s 44th president, Obama, through his transition team, placed a new emphasis on transparency, said the CUNA leader.

Mica, a regular contributor to *The Hill* newspaper’s “Insider” column, said, “Some on K Street may bristle at this new emphasis on transparency. I, for one, feel it is welcome and overdue.”

According to Mica, the organizations that face a difficult future are those claiming falsely to represent wide interests, while really representing a narrow few.

Enter CUNA’s Project Zip Code (PZP), which supports credit union political efforts by identifying members by congressional districts.

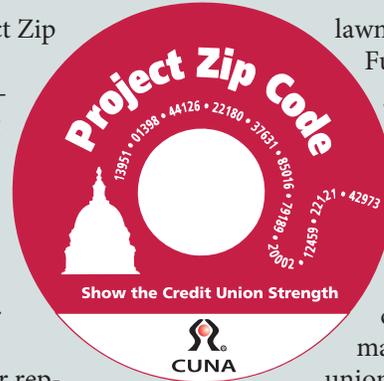
Currently, more than 67 million credit union members have been matched with their congressional districts through PZP—a number representing nearly 75% of the total 90 million members nationwide.

“Being able to cite how many credit union members live in a particular congressional district or state is a very influential tool when credit union representatives want to make their cases to

lawmakers,” explains Elizabeth Furey, CUNA’s director of grassroots.

“The Project Zip Code information can help you get your foot in the door, and backs up your message by defining the number of voters who could be affected by a lawmaker’s position on credit union issues,” she added.

PZP is just one of a number of initiatives offered by CUNA to facilitate political involvement by credit unions. CUNA recently released Version 9.0 of the software program. The improvements make the software even easier to use. 🏠



CUNA Project Zip Code
cuna.org/pol_affairs/zip_code.html

A TRADITION OF PEOPLE HELPING PEOPLE
Celebrate 100 Years of CU History
cuna.org/100years



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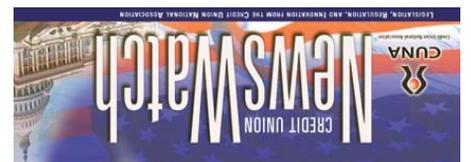


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FIRST CLASS TIME SENSITIVE MATERIAL

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