



Credit Union National Association

# CREDIT UNION NewsWatch

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

JANUARY 12, 2009



During Jan. 6 swearing-in ceremonies for the 111th Congress, CUNA lobbyists greet a jubilant credit union friend: Former U.S. representative and newly sworn-in U.S. Sen. Mark Udall (D-Colo.). Udall was a five-term congressman and co-sponsor of the Credit Union Regulatory Improvements Act (CURIA). From left: CUNA lobbyist Michele Johnson, Sen. Udall, and CUNA lobbyist Phil Drager. (CUNA photo)

## Congress Gets Busy on Broad Financial Issues

The early days of the 111th Congress are all but assured to be spent wrestling with the same huge issues that seized the country's attention through much of 2008. There is still much work to do to grapple with the many layers of the country's economic problems.

Congress returned to session on Jan. 6.

Lawmakers in both the House and Senate are expected to fire up their efforts to hammer out more economic stabilization measures once President-elect Barack Obama is installed as president on >> [See page 2](#)

### CUNA Priorities: 9-plus-1 in '09

The operating imperative for CUNA in 2009 will be to be nimble and agile in dealing with opportunities and threats as they develop for credit unions.

Protecting the federal credit union tax exemption and preserving an independent federal credit union regulator and insurance fund, as well as the dual chartering system, are top among CUNA's issues for the year.

Also on the 2009 CUNA priority list:

- ▶ Expand ability of credit unions to provide business loans to members (and position credit unions as ready and willing to help the nation's economic recovery);
- ▶ Obtain more flexibility for credit unions in accumulating capital, in support of safety and soundness and continued growth of the movement;
- ▶ Emphasize credit unions' role as the solution to the financial crisis (not the source of the problems);
- ▶ Restore the ability of single common bond credit unions and community chartered credit unions to add underserved areas to their fields of membership (FOM);
- ▶ Ensure appropriate credit union access to "economic relief" programs;
- ▶ Ease the regulatory and compliance burdens on credit unions; and
- ▶ Sustain credit union access to products/services that best serve their members.

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# >> Legislative Affairs

## Frank: No CLF Cap



Barney Frank

House Financial Services Committee Chairman Barney Frank (D-Mass.) said recently in a letter to the to the head of the Federal Reserve Board that he is concerned that credit unions particularly are being hurt by the U.S. Treasury Department's decision not to use its relief funds to buy troubled assets.

He called the Treasury's decision "misguided" and charged that the department's refusal to use Troubled Asset Relief Program (TARP) funds to buy underwater assets may cause credit unions to lose a chance "to make progress in diminishing the number of foreclosures."

"Therefore," Frank said in his letter to Fed Chairman Ben Bernanke, "I was pleased that you supported the National Credit Union Administration's ability to use the Central Liquidity Facility (CLF) for its new initiatives to provide liquidity into the credit unions system, specifically into the corporate credit unions."

Last fall, Congress lifted the CLF cap to give the NCUA the ability to provide more liquidity for credit unions. The Federal Credit Union Act allows the CLF to lend up to 12 times its unimpaired capital and surplus. Currently, that means the CLF has something more than \$41 billion to lend.

Frank's letter noted NCUA's CU HARP, designed to assist homeowners who are facing mortgage delinquency, default or foreclosure, and CU SIP, intended to provide additional liquidity to the corporate credit union system.

Frank said he would appreciate the Fed chairman's continued support for maintaining the removal of a statutory cap on the CLF's borrowing authority, as well as Bernanke's "continued flexibility" to respond to similar future proposals "when they serve the national best interest."

## CUNA: Loosen MBL Restrictions

Just prior to an important Democratic policy meeting in the U.S. House, CUNA sent letters to key lawmakers encouraging them to consider elimination of the cap on member business lending (MBL) by credit unions.

The letters were sent to Reps. George Miller (D-Calif.) and Rosa DeLauro (D-Conn), who chair the House Democratic Steering and Policy Committee. That panel conducted a Jan. 7 hearing on economic stimulus legislation.

In its letter CUNA noted that removing the 12.25% of assets cap on MBL authority for credit unions could help offset a "troubling trend" of declining commercial credit availability at banks.

"Banks are pulling back at a time when the small business owner needs them the most," wrote CUNA President/CEO Dan Mica. He added that if the cap on MBLs was lifted, credit unions could lend up to an additional \$10 billion to the nation's businesses in the first 12 months of being granted the authority—"economic stimulus that does not cost the taxpayers a dime." 🏠

## Congress Gets Busy on Financial Issues

▶ From page 1

Jan. 20. And, as a result of the economic turmoil launched by the subprime mortgage lending crisis, the Treasury's plan to restructure the country's financial services regulatory scheme is likely to get closer scrutiny as Congress parses what went wrong in financial regulations, and when and where.

In fact, on its first day back in session, the House Financial Services Committee conducted a full committee hearing entitled, "Assessing the Madoff Ponzi and the Need for Regulatory Reform."

The hearing was intended to zero in on the alleged \$50 billion investment fraud engineered by Bernard Madoff. However, Rep. Barney Frank (D-Mass.), who heads the panel, said in a release that the hearing would help to guide the work of the Financial Services Committee "in the 111th Congress in undertaking the most substantial rewrite of the laws governing the U.S. financial markets since the Great Depression."

There also will be congressional investigations into the U.S. Treasury Department's use of the \$700 billion it was allotted by Congress last year to shore up the economy through such programs as the Troubled Asset Relief Program (TARP). One such session will occur this week as the House Financial Services Committee conducts a Jan. 13 hearing on the use of TARP funds granted under last year's Emergency Economic Stabilization Act (EESA). More such investigative sessions are likely.

Also in response to problems in the mortgage market, bills to let judges modify—or "cramdown"—mortgage terms in bankruptcy proceedings were quickly introduced in both the House and Senate. It is expected that lawmakers will try to get the measure attached to the much-anticipated, second economic stimulus package. 🏠



During swearing-in ceremonies on Capitol Hill for the 111th Congress, CUNA lobbyists Phil Drager (from left) and Michele Johnson greet U.S. Sen. Susan Collins (R-Maine), who was elected to her third Senate term. In the 110th Congress, Collins was a co-sponsor of the Senate version of the Credit Union Regulatory Improvements Act. (CUNA photo)



# >> Regulatory Affairs

## NCUA Initiates Enhanced Supervisory Effort

The NCUA last week activated its National Examination Team (NET), an effort meant to respond to current market difficulties facing credit unions.

The NET was announced in October as part of the NCUA's budget process and is in response to difficulties caused by declining home values, high mortgage delinquency rates, high foreclosure rates, high unemployment rates, and concentrations of real estate loans that have affected credit unions to varying degrees.

The agency has also indicated it will utilize a 12-month exam schedule for federal credit unions, beginning this year, and encourage state regulators to follow suit.

The NET is comprised of a director, five problem case officers and the equivalent of one loss-risk analysis officer. In addition, regional subject matter examiners will be detailed to NET on an as needed basis.

The team will supervise assigned credit unions until problems are resolved, either returning the credit union to regional



supervision or activating merger, conservatorship or closure, according to the NCUA announcement. Additionally, the agency said, the NET will be responsible for examining and supervising approximately ten credit unions, mainly large and more complex institutions.

A side benefit of the program, though not unintended, is that the NET also represents an opportunity to expose NCUA examiners to a broad range of credit unions and varying levels of risk, thereby augmenting the NCUA's succession planning objectives.

NCUA Chairman Michael Fryzel, in launching the new trouble-shooting team, said, "The knowledge, skill, and experience of NET members will enable them to quickly identify complex problems, recommend appropriate corrective actions and thereby improve the overall quality of NCUA supervision during a very volatile period for all financial institutions, including credit unions." 🏠

📰 **Latest Credit Union News**  
[cuna.org/newsnow](http://cuna.org/newsnow)

## Agency Reallocates Regional Supervisory Resources

The NCUA has reassigned the supervision and examination of Alaska and Nevada credit unions.

Credit unions in Alaska and Nevada are currently assigned to NCUA's Region V, based in Tempe, Arizona. The Region V office now supervises credit unions based in a dozen western states, and some of those areas are experiencing some of the highest foreclosure rates in the country.

The NCUA said the reassignment of two of those states to other regional offices allows the agency to reallocate its supervisory resources and adjust for workload imbalances.

The change was effective Jan. 1.

Under the new supervision scheme, Nevada credit unions are reassigned to the Region I office in Albany, N.Y., and Alaska credit unions are reassigned to the Region II office in Alexandria, Va.

The NCUA said affected credit unions have been notified of call report processing and district examiner assignment changes.

When asked if credit unions should expect further reassignments this year, an agency spokesman responded, "We will continue to closely monitor supervisory requirements and make decisions on an as-needed-basis. We are not making any projections at this time." 🏠

📰 **NCUA organizational chart**  
[ncua.gov/AboutNCUA/org/OrgChart.htm](http://ncua.gov/AboutNCUA/org/OrgChart.htm)

## ▶ CU Exec Named to Fed Advisory Group

Credit union executive Randy Smith was named last week by the Federal Reserve Board to a two-year term on the agency's Thrift Institutions Advisory Council (TIAC).

Smith is president/CEO of Randolph-Brooks FCU in Live Oak, Texas. He is one of six new members named to TIAC, which is comprised of 12 individuals from savings and loan associations, savings banks, and credit unions.

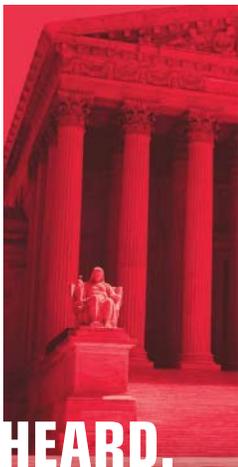
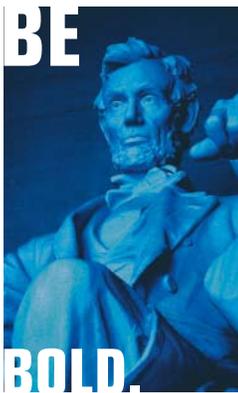
Smith is a recent trustee of the Credit Union Legislative Action Counsel, CUNA's political action committee. He served on the CUNA Governmental Affairs Committee from 2000 to 2004, and was part of the National Credit Union Roundtable Advisory Council from 2006 to 2007. He was named to the CUNA Mutual Group board of directors last June.

Smith will be the second credit union representative on the advisory board, joining former CUNA Board Member Christopher Jillson, whose TIAC term ends Dec. 31, 2009.

Jillson is president/CEO of Sandia Laboratory FCU, Albuquerque, N.M. and a former CUNA board member.

CUNA Board Member Harriet May, president/CEO of GECU of El Paso, Texas, just ended her two-year term on the panel on Dec. 31.

TIAC was established by the Fed Board in 1980. It meets three times each year with the Board of Governors to discuss developments relating to thrift institutions, the housing industry, mortgage finance, and regulatory issues.



# Your Attendance at the GAC is Critical



**Change** – it's the new watchword in Washington, and it's coming. This is the year to ensure credit unions are heard. The GAC is our opportunity to make a strong impact with the key decision makers in Congress. The GAC always draws the biggest names from Capitol Hill, and this year is no exception.

**Daniel A. Mica**  
President & CEO, Credit Union National Association

## Keynote Highlights



**Paul Begala** CNN political analyst  
**Tucker Carlson** MSNBC senior correspondent

### Unique Perspectives From Inside the Beltway

**Paul Begala** and **Tucker Carlson** will share their diverse political insights, with a face-off that will offer an entertaining and informative look at the new Congress and White House.



**Steve Forbes**  
Chairman and CEO of Forbes Inc. and editor in chief of *Forbes* magazine

### America's Economic Outlook and Opportunities

An influential pro-growth advocate and lauded economic commentator, **Steve Forbes** is one of the most highly respected businessmen of our time.



**Al Roker**  
America's most loved weatherman, host of NBC's *Today Show*, and best-selling author

### Let a Smile Be Your Umbrella

To close the GAC on a lighter note, **Al Roker** brings to the podium the same charisma and sense of humor that have propelled him to number one in America's hearts.



**Be Bold. Be Heard. Be There.**

Mark your calendars for the 2009 GAC.  
February 22-26, 2009



Register at [gac.cuna.org](http://gac.cuna.org)

[gacinfo@cuna.coop](mailto:gacinfo@cuna.coop)

800-356-9655 ext. 5700

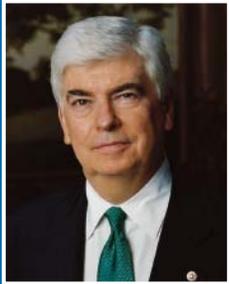


## GAC Kick-Off Sunday Event

### 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*

# Capital Hill Guest Speakers...More to come!



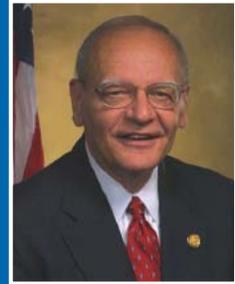
**Chris Dodd**

Chairman  
Senate Banking Committee



**Barney Frank**

Chairman  
House Financial Services Committee



**Paul Kanjorski**

Senior member  
House Financial Services Committee



**Carolyn Maloney**

Senior member  
House Financial Services Committee

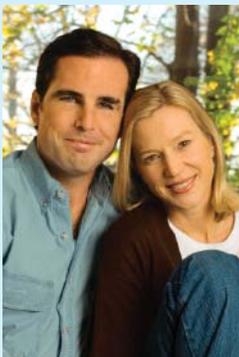


**Maxine Waters**

Senior member  
House Financial Services Committee



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### Bob Woodruff

ABC News anchor/reporter and author

### Lee Woodruff

Author, freelance writer, and contributing editor, ABC's *Good Morning America*

#### In An Instant

As an anchor and reporter for ABC News, **Bob Woodruff** is a respected, informed correspondent making popular waves in American broadcasting. In January of 2006, while reporting on U.S. and Iraqi security forces, Woodruff was seriously injured by a roadside bomb that struck his vehicle near Taji, Iraq. In an instant, his life was altered forever. Bob and his wife **Lee** will share stories from his moving and inspirational best-selling memoir *In An Instant*.



# >> Political Affairs

## Freshmen Named to House Financial Services

Two new House members whose elections were supported by CUNA and the candidates' state leagues were named last week to the House Financial Services Committee membership.



Lynn Jenkins

Freshman Congresswoman Lynn Jenkins (R) of Kansas will join the committee. A former Kansas State Treasurer and a long-time credit union advocate, Jenkins' bid for the House seat was supported by both CUNA and the Kansas CU Association, with the Credit Union Legislative Action

Council (CULAC) spending more than \$203,000 in campaign contributions and Independent Expenditures on her behalf, according to Trey Hawkins, CUNA political director.



Erik Paulsen

Also named to the committee was Rep. Erik Paulsen (R) of Minnesota. During his 2008 election race, the Minnesota CU Network decided to break new ground and for the first time chose to endorse a candidate.

The league backed Paulsen and even provided grassroots support in the form of

campaign volunteers. Paulsen's strongest opponent was a candidate who had considered a plan to remove the credit union tax exemption to fund small business health insurance benefits. CULAC also supported the ultimate victor with \$10,000.

Also newly named to the financial services panel Rep. Leonard Lance (R) of New Jersey and Rep. Bill Posey (R) of Florida.

The announcements came from the panel's ranking Republican, Rep. Spencer Bachus of Alabama. The Democrats will name their members at a later date.

**CUNA Political Affairs**  
[cuna.org/pol\\_affairs](http://cuna.org/pol_affairs)

## Mica: Obama's 'K Street' Change is Transparency

With Congress back in session, CUNA President/CEO Dan Mica's monthly "K Street Insiders" column resumes in *The Hill* newspaper. His first topic of the year, fittingly, is "change."

"Since the campaign, we have heard

his recent meeting representing CUNA before President-elect Obama's transition team made it apparent that change has already come to lobbying efforts.

Obama's team said it wanted to post to the Internet the documents CUNA and other's presented to transition officials so that others can see what was presented.

"Some on K Street may bristle at this new emphasis on transparency. I, for one, feel it is welcome and overdue.

"It is about time that we have a level

playing field, so that consumers and advocacy organizations can truly understand the facts—or, sadly, the distortion of facts—that are being presented to the administration," Mica wrote.

According to Mica, the organizations that face a difficult future are

those claiming falsely to represent wide interests, while really representing a narrow few.

"These are the same lobbying organizations that use questionable, in fact sketchy, data to make their distorted points. The public will now be able to see how they conduct a campaign of down-right misinformation," Mica assessed.

Read Mica's entire column online.

**"Change is here: Produce your documents"**  
[tinyurl.com/thehillmicajan](http://tinyurl.com/thehillmicajan)



so much about 'change,'" Mica wrote, referring to the contest leading up to the 2008 federal election, which resulted in the election of Barack Obama as 44th president.

What 'change' means in practice, Mica wrote, is to be determined. But, he added,



Watch video and learn more online

[www.cuna.org/power](http://www.cuna.org/power)



# >> Notes Bearing Interest

## ▶ The Front Burner

The most viewed news stories on [cuna.org](http://cuna.org) during December 2008 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](http://www.cuna.org/newsnow/top10).

**10 Wall St. Journal: Look into CUs to improve credit rating**  
Consumers can find several opportunities to rebuild the wealth they lost this past year due to failing banks, plunging home prices and the turbulent market. One way is to protect credit ratings. If consumers can't improve their rating, they should look into credit unions. So says *The Wall Street Journal* in its Sunday issue.

**9 CUNA unveils comprehensive due diligence guide**  
CUNA unveiled its comprehensive guide to help credit unions successfully negotiate the important and difficult territory of third-party vendor relationships.

**8 Feds update ID Theft brochure**  
The NCUA, along with the federal bank and thrift regulatory agencies, announced publication of a revised identity theft brochure to assist consumers in preventing and resolving identity theft.

**7 Compliance: How long is too long for holidays?**  
Around the winter holidays each year, one of the most frequently asked questions of CUNA's compliance folks: Is there any federal regulation limiting the number of consecutive days a federal credit union can remain closed?

**6 FinCEN broadens CTR exemptions**  
The Financial Crimes Enforcement Network (FinCEN) has simplified its rules for depository institutions to exempt eligible members or customers from currency transaction reporting as required under the Bank Secrecy Act (BSA).

**5 Fed action continues CU multi-featured open-end lending**  
Changes adopted by the Federal Reserve Board to its Regulation Z will permit credit unions to continue offering multi-featured open-end lending, such as under Loanliner.

**4 CUNA's Mica meets with Obama transition team**  
U.S. President-elect Barack Obama's Transition Team turned its attention to credit unions Wednesday when transition representatives met with CUNA President/CEO Dan Mica and senior staff in Washington.

**3 Self Help CU CEO Eakes injured in attack**  
Martin Eakes, the CEO of Self-Help CU and the Center for Responsible Lending, was robbed and severely beaten by four men in a parking garage as he left his Durham, N.C., office Nov 24.

**2 NCUA bans five unfair card practices**  
The NCUA Thursday approved a final rule that would ban some of the worst unfair and deceptive credit card practices and said its rule is substantively identical to that adopted by federal bank and thrift regulators.

**1 NCUA reviews Huron failure causes**  
In a study to determine reasons behind the 2007 failure of Huron River Area CU of Ann Arbor, Mich., the National NCUA's Office of Inspector General (OIG) found blame could be laid at the feet of credit union management, as well as state and federal regulators.

## Staatz, Dzuris Elected to CUNA Board

Rod Staatz, president/CEO of State Employees CU of Maryland, Linthicum, Md., and Pete Dzuris, CEO of Northland Area FCU, Oscoda, Mich., were elected to the CUNA Board of Directors.

Staatz will represent District 2, Class C credit unions. His opponent was Ron Collier, CEO of Indiana Members CU, Indianapolis.

Dzuris will represent District 4, Class B credit unions. He ran against Bohdan Watral, president/CEO of Selfreliance Ukrainian American FCU, Chicago.

 **CUNA Board and Governance**  
[cuna.org/cuna](http://cuna.org/cuna)

## CUNA Committees Forming

Nominations are now being accepted for 2009 CUNA committees. Nominations can be submitted through your CUNA Board representative, league president or on-line using the link below.

 **CUNA committee nomination**  
[cuna.org/cuna/input\\_request.html](http://cuna.org/cuna/input_request.html)

## ▶ 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 Interagency Appraisal and Evaluation Guidelines

Agency: NCUA  
Due date: Jan.20

 **Comment Calls**  
[cuna.org/reg\\_advocacy](http://cuna.org/reg_advocacy)



# >> Special Report

## Judge Delays Trial Start in Colorado UBIT Case

A federal judge has delayed the trial date of a Colorado credit union's lawsuit against the Internal Revenue Service over the tax agency's application of "unrelated business income tax" (UBIT).

The change in the trial date, according to CUNA General Counsel Eric Richard, is likely not indicative of the judge's attitude toward the case.

"We have no reason to believe that the judge's action says anything about how this case is likely to turn out. Courts often reschedule trials just to manage their overall workload," said Richard. "We anticipate the credit union party to the case will seek a prompt trial date at the appropriate time."

The trial date for the case, Bellco CU (of Greenwood Village, Colo.) vs. the United States (IRS), had originally been set for Aug. 31, 2009. On Dec. 22, however, U.S. District Court Judge Christine M. Arguello ordered that the date was "vated." She did not set a new trial date.

According to CUNA's Richard, the judge made the ruling without a request from either the credit union or government sides in the case. In the order, Arguello did not give reasons

for her action, although she did indicate she would set a new date sometime after a status conference between the two sides in the action set for June 19.

The credit union filed the lawsuit in May to challenge the tax agency's UBIT policies toward credit unions. The complaint seeks a refund of \$199,000, based on UBIT taxes paid for 2000, 2001 and 2003.

Visit CUNA's website for resources related to UBIT. 

 **CUNA UBIT resources**  
[cuna.org/compliance/member/eguide](http://cuna.org/compliance/member/eguide)

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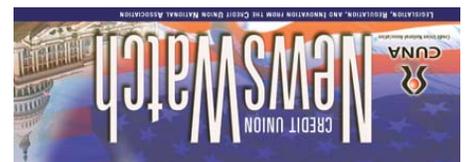


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Contact: David Klavitter, vice president, editorial communication  
Phone: (202) 508-6767 • Fax: (202) 638-7716 • [newswatch@cuna.coop](mailto:newswatch@cuna.coop)  
Address Changes:  
CUNA E&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045  
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FIRST CLASS TIME SENSITIVE MATERIAL

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