



National Credit Union Administration Vice Chairman Rodney Hood talks to consumers about the safety of their share accounts at credit unions and the important role government-backed share insurance plays. As a featured guest on CUNA's consumer-oriented Home & Family Finance Radio, Hood told listeners how an improved, risked-based capital requirement would benefit the system's National Credit Union Share Insurance Fund. (CUNA photo)

CUSO Plan Raises Hopes, Concerns

CUNA President/CEO Dan Mica thanked the National Credit Union Administration (NCUA) for its plan to expand services for CUSOs, but expressed concerns about a provision that would extend federal regulators access to the books and records of CUSOs.

Under the provision proposed at last week's open meeting, the NCUA would allow federal regulators access to the books and records of federally insured state credit union CUSOs, and allow state regulators to inspect the books and records of a federal credit union's CUSO if a state chartered credit union also participates in that CUSO.

CUNA supports the overall intent of the CUSO proposal >> [▶ See page 6](#)

CUNA Keeps Spotlight on Treasury 'Blueprint'

CUNA continued to keep the spotlight on credit union concerns regarding the U.S. Treasury Department's "Blueprint for a Modernized Financial Regulatory Structure." CUNA emphasizes that provisions of the Treasury's long-term plan are perilous for credit unions and consumers alike.

CUNA President/CEO Dan Mica last week sent a letter to President George W. Bush noting that the Treasury's plan seeks a presidential order to expand a Presidential Working Group (PWG) on financial markets policy to include all federal banking regulators, while excluding the National Credit Union Administration (NCUA).

"While we feel it is important that all financial institutions, including credit unions, be represented on the PWG, it is particularly significant now as the administration and other key policymakers seek ways to deal with the current economic concerns," Mica said.

The CUNA leader reiterated that CUNA and credit unions were "stunned and dismayed by the long-term recommendations of the report, which would effectively eliminate credit unions and NCUA."

"Throughout both your administrations, credit unions have been very grateful for your >>

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>> Legislative Affairs

MBL Opportunities May be Mined from Stimulus Bill

New tax breaks for small business included in the recently enacted economic stimulus package could provide opportunities for credit unions interested in providing member business lending, CUNA is advising credit unions.

The law raises the amount small businesses can deduct for new equipment to encourage such expenditures. It also liberalizes depreciation rules. The purpose of the legislation is to give a boost to the nation's ailing economy.

CUNA urges credit unions to check out the new law for new lending opportunities, but stresses that credit unions should consult first with tax advisors.

The statute is known formally as the Economic Stimulus Act of 2008 (H.R. 5140), and was signed into law on February 13 (PL 110-185). The sections dealing with small business tax concessions are described in "Section 179 expensing," and in a second provision, entitled "bonus depreciation." 🏠

▶ CUNA Mounts Effort Against HSA Burden

CUNA has warned credit unions that the Taxpayer Assistance and Simplification Act of 2008, passed earlier this month by the House Ways and Means Committee, could threaten credit union participation in Health Savings Accounts (HSAs).

The bulk of that measure is not cause for concern for credit unions, but CUNA has identified a provision that would be very detrimental to HSAs and would likely drive many credit unions out of the market. The bill would require an account provider to take on the role of verifying that each distribution is used for a qualified medical expense.

The costs and burdens associated with this policing role would drive most credit unions and banks out of the HSA business. It would push those accounts to plan administrators who are accustomed to substantiation for the services that they provide, like Flexible Spending Accounts (FSAs) and Health Reimbursement Accounts (HRAs).

CUNA cautions that the effect would be detrimental to consumers because it would likely restrict the general availability of HSAs. Another problem CUNA identified with the provision is that it would place credit unions in an awkward position with a member/owner whose expenditures may come into question.

CUNA will continue its efforts to oppose the HSA provision as the bill makes its way to the House floor for a vote. There currently is no similar bill introduced in the Senate.

🏠 **CUNA Resource on HSAs**
www.cuna.org/reg_advocacy/member/hot_topic/hsa.html

Bill Would Stop UIGEA Rules



CUNA board member Harriet May, CEO of GECU, El Paso, Texas, testifies before the House Financial Services Committee on the compliance burden for credit unions that would be associated with the Unlawful Internet Gambling Enforcement Act. She urged the committee to halt current efforts to implement the law. (Bob Knudsen photo)

Slightly more than a week after CUNA testified that the compliance burdens of the Unlawful Internet Gambling Enforcement Act (UIGEA) of 2006 could swamp credit unions and urged the current plan to implement the law be dropped, Reps. Barney Frank (D-Mass.) and Ron Paul (R-Texas) introduced a bill to halt implementation efforts.

That legislation, H.R. 5767, would

forbid the U.S. Treasury Department and the Federal Reserve Board from proposing, prescribing, or implementing any regulation that requires the financial services industry to identify and block internet gambling transactions. Those bodies are jointly charged under UIGEA with putting rules in place.

In announcing their bill, Frank and Paul said they believe the bill promotes a "pernicious trend" of forcing financial institutions and other private businesses to act as law enforcement officers.

The bill writers also criticized UIGEA as an infringement of two freedoms "important to many Americans: the ability to do with their money as they see fit, and the freedom from government interference with the Internet." Frank is chairman of the House Financial Services Committee and Paul is a senior Republican member. 🏠

🏠 **CUNA e-Guide on Internet Gambling**
www.cuna.org/compliance/member/eguide/eguide_internetgambling.html

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>> Special Report

CUNA, CUs Pitch in to Build "Homes For Our Troops"

An April groundbreaking ceremony marked the launch of a new Denver-area home for a wounded veteran of the Iraq war, part of the "Homes for Our Troops" initiative and a project of the Democratic National Convention Committee (DNCC) in Denver.

CUNA and state credit union representatives are participating in two upcoming events to benefit war veterans; the DNCC effort and a similar one sponsored by the Republican National Convention (RNC) in St. Paul, Minn., where the RNC will convene in September.

The plan is to provide specially adapted homes for two severely wounded members of the American armed forces and their families under the auspices of the non-partisan non-profit group, Homes for Our Troops.

Earlier this month, credit unions, the National Journal, DNCC convention officials and Homes for Our Troops representatives participated in a groundbreaking ceremony to springboard the first project into action. That home will be presented to wounded Iraq war veteran SSG Travis Strong around the 2008 Democratic National Convention.

Also this month, Minnesota credit unions will team up with Homes for Our Troops and the RNC to begin construction on a home in St. Paul for Sgt. Marcus Kuboy, 30, who was injured in an explosion while patrolling the outskirts of Fallujah. That groundbreaking is scheduled for April 28. ■

Homes For Our Troops
<http://www.homesforourtroops.org/site/PageServer?pagename=conventions08>



CUNA Senior Vice President of Political Affairs Richard Gose encourages the children of SSG Travis Strong, son Sean with shovel and daughter Brianna listening, as they participate in the groundbreaking ceremony for their new Denver-area home arranged by Homes for Our Troops, a non-profit organization committed to building specially adapted homes across the United States for severely wounded American troops. Strong, seated in the wheelchair, and his wife Misty, to his left, and children are joined by President/CEO John Dill of the Colorado CU League (far right). CUNA, area credit unions, and other partners, are participating in "leave behind" efforts to benefit wounded veterans connected with both the Democratic and Republican National Conventions this year.

CUNA Keeps Spotlight on Treasury 'Blueprint'

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support of their tax-exempt status, and we urge you to continue recognizing their role, as well as that of NCUA, in helping to offer financial alternatives. We urge you to include NCUA on the PWG," Mica concluded.

In a separate letter to Treasury Secretary Henry Paulson, Mica said the department's regulatory reform ideas show a "complete misunderstanding and misrepresentation of our mission, purpose and function."

Mica said that close review of the Treasury's 'blueprint' put into question Paulson's assurance that it is not his intent to put credit unions out of business.

"Given the Treasury's lack of understanding about credit unions, it is no surprise that the 'Blueprint' would set in motion a plan that will result in their demise," Mica wrote.

"In the process, consumers would not be protected and an important alternative to for-profit banks would be eliminated from the financial marketplace in the name of efficiency."

► CUNA Questions Fed 'High-Priced'

CUNA recently sent a comment letter to the Federal Reserve Board regarding its proposal that would significantly change the Regulation Z mortgage loan rules. The changes are intended to establish new protections for consumers from unfair or deceptive home mortgage lending and advertising practices.

The proposal would establish a new category of "higher-priced mortgages," which would include those with annual percentage rates that exceed the yield on Treasury securities of comparable maturity by at least three percentage points for first-lien loans, or five percentage points for subordinate-lien loans.

For these loans, the Fed would require lenders to consider the borrower's ability to repay the loan, require verification of income and assets, impose limits on prepayment penalties, and require escrow accounts for taxes and insurance.

CUNA agrees that lenders should consider the borrower's ability to repay a loan but questioned the proposed threshold for "higher-priced" loans, arguing that under that standard the Fed could capture "significantly more loans" than intended.

"We also believe that the Treasury securities to be used should mirror the requirements under the Home Mortgage Disclosure Act," wrote CUNA Senior Assistant General Counsel Jeffrey Bloch.

CUNA also noted that escrow accounts are the "most appropriate means" in which to ensure that tax and insurance payments are made on a timely basis, and are "essential" for subprime loans.

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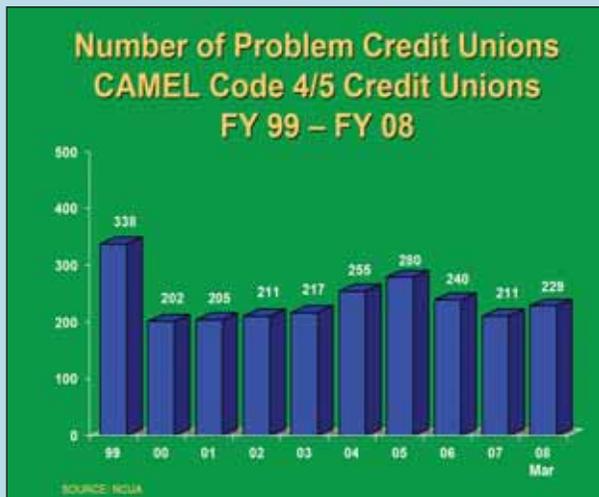
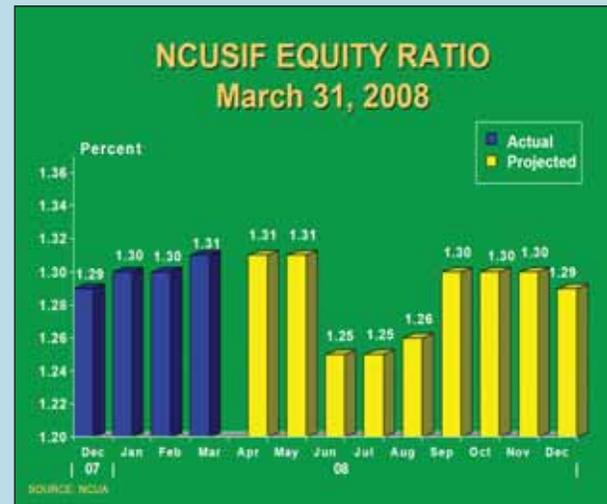
NCUSIF Projects Steady Equity Ratio

The National Credit Union Share Insurance Fund (NCUSIF) equity ratio is projected for the end of the year at 1.29% of insured shares, which is exactly where it began the year. That's not high enough to prompt a dividend payment, but is far above the level at which a premium would need to be charged.

The figures were contained in the National Credit Union Administration's (NCUA's) quarterly NCUSIF report released at its open board meeting last week. Also reported: For the first quarter of the year, the fund's net income of \$61.3 million is \$21.2 million ahead of budget.

CUNA Chief Economist Bill Hampel said the NCUA's projection of an unchanged equity ratio by the end of the year "is good news considering the stresses credit unions are facing from a major housing market correction and a recession."

The NCUSIF report also showed that while the number of problem credit unions, ranked at CAMEL Code 4/5, has increased by only 20 since year-end 2007, the amount of insured shares at those credit unions has jumped by \$3 billion.



were 229 CAMEL 4/5 credit unions as of the end of the first quarter. The percentage of CAMEL Code 4/5 shares-to-total-insured-shares hit 1.59% by March 31. That figure was 1.04% higher than three months earlier.

The NCUSIF quarterly report, presented to the board by NCUA Chief Financial Officer Mary Ann Woodson, also projected a 2008 net income of 1.59% million. For the past 10 years, that figure has ranged from a low in 2003 of \$28.9 million to a high in 2000 of \$204.2 million. 🏠

 **NCUA WEBSITE**
WWW.NCUA.GOV

NCUA Plan on CUSOs Record Inspection a Concern

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that would expand allowable services for CUSOs. The plan, issued for a 60-day comment period, would conform to broader powers granted to credit unions by the 2006 Financial Institutions Regulatory Relief Act.

The agency noted that the legislative history of the 2006 relief provisions indicates Congress intended to allow federal credit unions to sell to eligible members negotiable checks, money orders, and similar transfer instruments, including international and domestic electronic fund transfers.



"The Board believes enactment of that law warrants a parallel expansion in the CUSO rule," NCUA said, "since a federal credit union may elect to provide some or all of these types of services through the vehicle of a CUSO."

The proposal also would add credit card loan origination and payroll processing to the CUSO list. It would permit CUSOs to originate and hold credit card loans as a principal on their own behalf or on behalf of credit unions. NCUA pointed out that generally it has permitted CUSOs to engage in loan origination "where a degree of expertise is required to be successful." It cited as examples business, student and real estate lending.

"NCUA believes credit card origination also requires a degree of specialization and expertise to succeed, and the proposal will allow credit unions to collaborate and pool resources by working with a CUSO," the agency said.

CUNA commended the NCUA for its effort in proposing expanded authority for CUSOs, but added it will be scrutinizing the records-access provisions on access, along with its Governmental Affairs Committee subcommittees. 🏠

 **NCUA Website**
WWW.NCUA.GOV

RESPA Has No Role in Excessive Fees

The Eleventh Circuit Court of Appeals has ruled that the Real Estate Settlement Procedures Act's (RESPA's) Section 8 (b) does not govern excessive fees because it is not a price control provision.

According to CUNA Senior Regulatory Counsel Jeff Bloch, the court ruled that the relevant section bans fees "other than for services actually performed."



Jeff Bloch

The ruling was in *Friedman v. Market Street Mortgage Corp.* Plaintiffs in the case had accused the defendant lender of charging a fee that was excessive in relation to services actually rendered. Plaintiffs argued their position was supported by a statement of policy issued by the Department of Housing and Urban Development (HUD) in 2001.

But, Bloch says, the court rejected the plaintiff's argument and the HUD policy statement. It ruled that Section 8 (b) prohibits only charges for services that are not performed, and does not allow courts or others to divide permissible charges into what may be deemed reasonable and unreasonable.

The court cited previous cases, and the statutory language in RESPA, and said the law was clear and not ambiguous, and that it does not allow HUD to impose its own interpretation.

"The court also said the section was aimed at banning abusive practices, not as a means of creating broad price controls," Bloch notes. 🏠

Compliance Challenge

Q1: Is it true that NACHA has a new rule on international ACH payments? If so, when does it go into effect?

A. CUNA is reminding credit unions that NACHA wants all financial institutions to begin studying a new ACH international payments rule scheduled to become effective March 20 of next year.

The new rule will enable credit unions to easily identify all international payments flowing through the ACH network, and all parties involved in these transactions.

It will require that IAT payments include specific data elements, now mandatory for wire transfers under the Bank Secrecy Act's "Travel Rule."

NACHA urges all institutions to familiarize themselves with the new rule and begin assessing its impact on operations well in advance of the mandatory compliance date next fall, the CUNA compliance team is pointing out.

Detailed information on the new rule is available on the NACHA website.



Compliance Challenge

www.cuna.org/compliance/member/comp_challenge/comp_challenge.html

NACHA Website

www.nacha.org/IAT_Industry_Information/

▶ CUs Alerted on Cell Phone Scam

A new fraud alert from the National Credit Union Administration warned of scams that involve unsolicited text messages sent to cell phones.

In the message, the scammer urges the recipient to call a number provided for information about account discrepancies. The phony message goes on to seek the individual's account information and pin numbers.

"Cell phone users should be (wary) of unsolicited text messages. Such messages should be deleted and all deleted text messages should be removed, if possible, as the perpetrators have been known to use Spyware in conjunction with their text message solicitation," the alert warns.

As credit unions know, personal identity theft continues to be a growing problem, and it isn't expected to subside any time soon.

The San Diego-based Identity Theft Resource Center reported a fourfold increase in lost or stolen personal information in 2007, with more than 79 million records reported compromised in the U.S. through Dec. 18 of that year.

Earlier this year, the NCUA warned credit unions that "vishing" attacks are on the rise—scams that use telephone systems to garner confidential identification information.

As with "phishing," which uses electronic contacts, in vishing attacks crooks claim to be with legitimate financial institutions or other entities and ask consumers to "verify" personal information.

CUNA ID Theft Resources
www.cuna.org/initiatives/idtheft.html

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>> Notes Bearing Interest

Study Says High School Seniors' Financial Literacy Has Dropped

A survey conducted recently by the Jump\$tart Coalition for Personal Financial Literacy, an organization that promotes financial competence for students, revealed that high school seniors' knowledge of finance has dropped the past two years.

On average, the survey showed that the students answered correctly less than half (48.3%) of questions about personal finance and economics. The nationwide survey is conducted every two years by Jump\$tart and this year's scores were the worst out of the six surveys conducted so far. Two years ago just over half, or 52.4%, of the questions were answered correctly by the students.

While disappointing, Jim Hanson, CUNA vice president of personal finance,

said the results are "not entirely a surprise because financial education is required coursework in only a handful of states." He added that credit union financial education efforts make a difference, "but it is difficult to measure the successes we've had."

Hanson said credit unions in all areas of the country can point to their efforts in schools and through organizations like the NEFE (National Endowment for Financial Education) High School Financial Planning Program, knowing they reached a half million young people.

"We know from pilot studies conducted for CUNA's Googolplex products that financial education works, but the effort has to be consistent, sustainable, relevant,

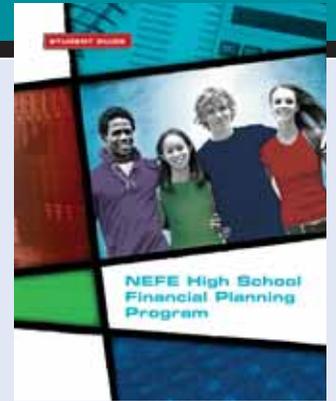
and experiential.

"People learn by doing. They also learn when the subject matter is relevant to

them—most high school kids aren't thinking about investments," Hanson said.

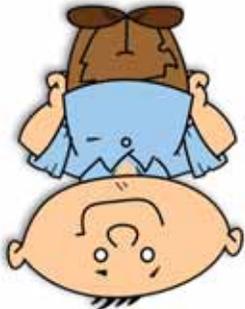
In fact, college students surveyed by Jump\$tart fared better than their high school counterparts. 📈

CUNA Youth Initiatives
<http://www.cuna.org/initiatives/youth/hsfpp.html>



The NEFE High School Financial Planning Program (HSFPP) is a fully developed curriculum that credit union people can take into schools at no charge.

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