



'No Debate, Little Guy in '08!'

Throng of people encounter credit union activists standing up for the "Little Guy" on Capitol Hill's House side during a February morning. (CUNA photo)

Urging Capitol Hill pedestrians to "Look out for the Little Guy in '08," credit union activists reintroduced the Little Guy to congressional staffers during a "standout" on Feb. 7.

Waving signs and holding placards amid a colorful background of "Little Guy in '08" balloons, the 30 credit union representatives distributed about 3,000 buttons to passers-by. The buttons featured the Little Guy, the slogan "Little Guy in '08" and the Little Guy's website—

www.lookoutforthelittleguy.org. Buttons also were distributed to nearly all House and Senate offices.

According to CUNA Communica-

tions Vice President Patrick Keefe, the purpose of the event was three-fold:

- ▶ Direct congressional staffers and others to the "lookoutforthelittleguy.org" website;
- ▶ Reintroduce them to the "Little Guy" in 2008; and
- ▶ Remind them that credit unions serve the "Little Guy."

"Political campaigns use 'stand outs' to demonstrate support for a particular candidate or cause by gathering a group of supporters equipped with signs to distribute literature or buttons or other campaign paraphernalia," Keefe said. "We felt congressional >> ▶ See page 6

CUNA, NAFCU Quash Unbalanced Relief Effort

A broad-but-lopsided regulatory relief package was dropped by the Senate Banking Committee last week after CUNA and the National Association of FCUs (NAFCU) said they could not support the language.

In a rare joint letter, sent to Senate Banking Committee Chairman Christopher Dodd (D-Conn.), CUNA and NAFCU said they could not back an amendment as drafted because it would not provide balanced regulatory relief for all financial services providers.

For instance, the package proposed to increase the business lending limit and auto lending investment limit for thrifts, but failed to address the credit union member business lending ceiling or modification of the credit union prompt corrective action (PCA) system to a risk-based approach.

The CU Regulatory Improvements Act (CURIA, H.R. 1537), with 142 official supporters in the House, proposes to increase the member business lending cap to 20%, up from the current 12.25%, and also to modify PCA to a risk-based system.

In sending the letter, CUNA President/CEO Dan Mica said credit unions applaud and thank Sen. Mike Crapo (R-Idaho), the amendment's chief author, for his leadership on the over-

>> ▶ See page 2

Inside

2 | 31 Years of CRA Steps Into Spotlight

CUNA monitors hearing and opposes CRA for credit unions.

3 | SBA Notes CUs' Five-Year Participation

Nearly 400 credit unions now participate in 7(a) program.

6 | IRS Requires New E-Filing for Some

Affects mainly small, state-chartered credit unions.

7 | The Front Burner

The top news of interest to credit unions during January.



>> Legislative Affairs

31 Years of CRA Steps Into the Spotlight

The House Financial Services Committee last week kicked off a broad study of the 31-year-old Community Reinvestment Act (CRA) in the first of what is intended to be a series of hearings. As expected, the fact that credit unions do not fall under CRA requirements was noted during the hearing.

The general picture that developed during three panels of witnesses was that CRA—enacted in 1977 to stop banks from denying credit to consumers and small businesses in low-in-

come areas--has worked to encourage better bank lending practices. CUNA argues that applying CRA to credit unions makes no sense because their very structure dictates that the people from whom they accept deposits are the same as those to whom they supply credit.

Also, CUNA analysis has shown that as more credit unions have community fields-of-membership, credit union performance in lending to low- and moderate-income (LMI) borrowers becomes

superior to other lenders.

Chairman Barney Frank (D-Mass.) has said he would like to introduce legislation that could expand the reach of CRA and tighten its enforcement provisions, although he has acknowledged it might not happen this year.

CUNA will monitor the situation as it unwinds and will oppose CRA for credit unions at every opportunity. 🏠

 **Legislative Issues: A-Z**
www.cuna.org/gov_affairs

Reps. Frank, Maloney Seek Support for Card Reforms

Rep. Barney Frank (D-Mass.), who chairs the House Financial Services Committee, and Rep. Carolyn Maloney (D-N.Y.), who heads that panel's financial institutions subcommittee, have asked fellow House members for support for credit card reforms.

In a "Dear Colleague" letter, Frank and Maloney said they will introduce comprehensive legislation meant to address major abuses, while fostering fair competition and "the values of the free market."

They said the bill would:

- ▶ Offer cardholders the right to cancel their card when faced with a rate increase while paying off their existing balance at the rate they agreed to when they borrowed it;
- ▶ Bar issuers from applying rate increases retroactively, to existing balances, for reasons unrelated to whether cardholders have paid their bills on time;
- ▶ Ban collection of interest on amounts already paid;
- ▶ Require issuers to allocate a cardholder's payment between their balances, where cardholders have balances at different rates;
- ▶ Stop issuers from using "prime rate," "fixed rate" and similar terms in a deceptive way by setting a single definition of such terms;
- ▶ Require that payments made before 5 p.m. on the due date be considered on time and be credited that day;
- ▶ Require that for cards whose total fixed fees over a year exceed 25% of the credit limit, all fees for the year be paid up front, before the card is issued.

The letter said that Frank and Maloney plan to move forward promptly with legislative hearings and markups this spring. 🏠

▶ CUNA, NAFCU Quash Unbalanced Relief Effort

▶ From page 1

all issue of regulatory relief for financial institutions, especially credit unions.

"However, regulatory relief among financial institutions must be in equilibrium in order for all to have the same opportunities to thrive," Mica said.

The CUNA-NAFCU letter also pointed out: "Credit unions are well suited to help during these difficult economic times when credit is becoming scarce. We believe that providing balanced and meaningful even-handed regulatory relief to all financial institutions would provide significant economic stimulus at no cost to taxpayers. We urge you to support such efforts."

Sen. Crapo had been expected to introduce his financial institutions regulatory relief provisions as an amendment to an industrial loan company bill voted on by the Senate Banking Committee on Feb. 13. The ILC bill passed 11-10 without the amendment.

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 **CURIA, H.R. 1537**
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>> Regulatory Affairs

SBA Notes CUs' Five-Year 7(a) Participation

Five years ago this month, the U.S. Small Business Administration (SBA) expanded its guaranteed loan program to all credit unions, regardless of charter. Today, almost 400 credit unions participate in the SBA 7(a) program.

Credit unions' increased participation was among the topics CUNA President/CEO Dan Mica and SBA Administrator Steve Preston discussed Feb. 12 at the agency's headquarters in Washington, D.C.

Credit unions accounted for about 1% of such lending in 2007. Preston applauded credit unions' growing participation in SBA lending and said his agency remains focused on providing more capital to help small businesses grow.

Mica praised the SBA for improved paperwork processes, but said the agency should continue efforts at speeding applications, a point Preston acknowledged and pledged to address.

Mica and Preston discussed how the current cap on member business lending (MBL) under the Federal Credit Union Act is an impediment to credit unions interested in setting up such lend-



CUNA President/CEO Dan Mica (left) and SBA Administrator Steve Preston on Feb. 12 discuss credit union participation in SBA lending. (CUNA photo)

ing programs. The cost associated with establishing and administering an MBL program is difficult to offset when the cap on loan volume is so low. And without an MBL service, obviously a credit union cannot participate in SBA programs.

"CUNA looks forward to working closer than ever with the SBA to help credit unions meet the lending needs of small businesses in their communities, which in turn can help strengthen the economy," Mica told Preston. ☝

'Vishing' Attacks are on the Rise

The NCUA has warned credit unions that "vishing" attacks are on the rise. These scams use telephone systems to net confidential identification information.

As with "phishing" which uses electronic contacts, vishing crooks claim to be with legitimate financial institutions or other entities. Then they ask consumers to "verify" or "re-submit" personal information, such as account and credit card numbers, Social Security Numbers, passwords, and personal identification numbers.

In a recent fraud alert, the NCUA explained that Voice over Internet Protocol (VoIP) technology allows for caller ID spoofing and therefore exploits the public's trust in landline telephone services. The agency also noted that vishing is attractive to criminals because VoIP service is fairly inexpensive, especially for long distance, making it cheap to make fake calls.

The NCUA advised that, for their protections, consumers should be "highly suspicious" when receiving messages—via telephone, email, or otherwise—directing them to call and provide personal, confidential, and/or account related information.

Late last month, the agency sounded the alarm about a new scam in which fraudulent wire transfers have been performed on home equity lines of credit (HELOC) at several financial institutions, including credit unions. ☝



▶ CUs Warned: Card Hackers Coming After Info

CUNA Mutual Group (CMG) and VISA, Inc. have issued security alerts against information hackers.

CMG has warned that financial institutions' e-business systems are being targeted by hackers seeking credit cardholder information.

Based on information provided by VISA, CMG recommends credit unions use a network-based intrusion detection system and a host-based intrusion detection system.

They should avoid an improperly segmented network environment and poorly configured firewalls. Credit unions should also determine whether they have experienced a structured query language (SQL) injection.

VISA also issued a second alert regarding SQL injection. The company recently detected SQL attack methods targeted against websites and Web applications that were not properly designed or resided on unpatched systems.

The latest SQL injection attacks pose serious additional risks to cardholder data stored or transmitted with systems and networks connected to the affected environment, the company said.

It recommends such actions as assessing partners and engaging a third-party security assessment.



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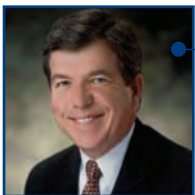
REP. SPENCER BACHUS

R-AL, House Financial Services Committee's Senior Republican



SEN. MAX BAUCUS

D-MT, Senate Finance Committee Chairman



REP. ROY BLUNT

R-MO, House Minority Whip



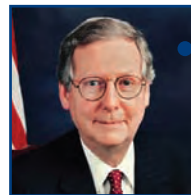
REP. BARNEY FRANK

D-MA, House Financial Services Committee Chairman



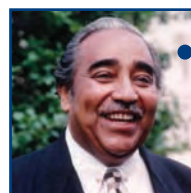
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R-KY, Senate Minority Leader



REP. CHARLES RANGEL

D-NY, House Ways and Means Committee Chairman



REP. ED ROYCE

R-CA, Co-Author Credit Union Regulatory Improvements Act (CURIA)

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>> Political Affairs

'No Debate, Little Guy in '08!'

▶ From page 1

staff, in this historic political year when they are paying close attention to the elections, would be drawn to an election event look and feel when reintroduced to the Little Guy for the year.”

The credit union representatives positioned themselves at locations close to the commuter entry points on the House and Senate sides of Capitol Hill. Commuters were offered buttons while the credit union representatives waved the signs and placards and chanted support for the Little Guy.

Among the slogans recited during the “standout”:

- ▶ “There’s no debate, Little Guy in ‘08!”
- ▶ “Show the Little Guy some big love in ‘08.”
- ▶ “Careful! Don’t step on the Little Guy.”
- ▶ “You cannot deny the Little Guy!”
- ▶ “How ‘bout some big props for the Little Guy.”



On Capitol Hill’s Senate side, the rising sun and a smiling Little Guy warms commuters against the morning’s winter chill. (CUNA photo)

“Once again in 2008, we will be using alternative means that typified our campaign in ‘07 for sending the message that Congress should ‘look out for the Little Guy’ by supporting credit unions and their issues,” Keefe said. “Look for other events and activities in months to come.”

▶ **Little Guy website for Capitol Hill audience**
www.lookoutforthelittleguy.org

IRS Requires New E-Filing for Some

A new Internal Revenue Service (IRS) filing requirement kicks in this year for small state-chartered credit unions that have not been obliged to file IRS Form 990s or 990-EZs.

Small credit unions with “gross receipts” of \$25,000 or less are now required to electronically file Form 990-N or an e-Postcard.

According to CUNA, gross receipts are defined as the total amounts an organization receives from all sources during its annual accounting period, without subtracting any costs or expenses.

Credit unions that fall under the new requirement to file an e-Postcard should have received notification from the IRS. Failure to file a required e-Postcard for three consecutive years will result in the loss of tax-exempt status.

The form is due by the 15th day of the fifth month after the close of the organization’s tax period. There are a few exceptions from the requirement, such as credit unions that are included in a group 990 return.

▶ **Compliance**
www.cuna.org/compliance

Compliance Challenge

Q1: Select all correct answers:

With the passage of the “Mortgage Forgiveness and Debt Relief Act” at the end of the 2007, credit unions must complete Form 1099-C on:



- A. Home loans in foreclosure.
- B. Home loans where they work out with the borrower a loan modification where less debt will be repaid by the borrower than under the original contract.
- C. Loans involving homes where the debtor has declared bankruptcy.
- D. Any cancelled debt over \$600.

Use the link below to check your answer in the February Compliance Challenge.

▶ **Compliance Challenge**
www.cuna.org/compliance/member/comp_challenge/02_08_challenge.html



>> Notes Bearing Interest

▶ The Front Burner

The most viewed news stories on *cuna.org* during January 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.

10 CUs advised on 2008 top exams issues

Third-party vendor relationships and strategic planning were the topics of a Tuesday NCUA webinar on key credit union examination issues for 2008, moderated by board member Gigi Hyland.

9 'Mortgage Forgiveness' is now law

The Mortgage Forgiveness Debt Relief Act of 2007 became Public Law number 110-142 with the stroke of President George W. Bush's pen just before Congress adjourned for 2007.

8 Compliance: CTRs and joint account withdrawals

A credit union member withdraws \$15,000 in cash from the joint account he shares with his wife. In completing a currency transaction report (CTR), must the credit union list only the individual who made the withdrawal or all of the owners on the account?

7 Advice—live—coming on NCUA examination issues

The NCUA will offer a webinar this month on key examination issues for 2008 that will focus particularly on evaluations of third-party relationships and strategic planning.

6 VISA stock accounting tips offered for CUs

Credit unions currently sorting through the complex accounting issues associated with treatment of VISA Class B stock may find value in an analysis being released today by CUNA's Accounting Task Force.

5 Hackers steal former CU's account data

Cyber criminals hacked into former credit union OmniAmerican Bank's records and stole account numbers, created new personal identification numbers (PINs), fabricated debit cards, then withdrew cash from ATMs in Eastern Europe, including Russia and the Ukraine, and Britain, Canada and New York.

4 Schenk: Fed's move means recession, more loan risk

The Federal Open Market Committee's unexpected 75-basis-point rate cut to 3.5% Tuesday means the economy is in or near a recession, and credit unions can expect more loans at a risky time, says a CUNA economist.

3 Hundreds of FI websites hit by admin error

A number of credit unions were among the 200 to 250 financial institutions impacted Tuesday by an administrative error that left their online banking sites inaccessible.

2 HELOC thefts grow—\$6.5+ million, 18 CUs

CUNA Mutual Group is warning credit unions that a sophisticated fraud scheme involving home equity line of credit loans (HELOCs) is spreading. So far, 18 credit unions have reported losses or fraud attempts totaling more than \$6.5 million.

1 Seventeen FIs targeted in high-dollar wiretapping scam

At least 17 financial institutions—including several credit unions in Washington State and elsewhere—have seen a sophisticated, high-dollar scam involving wiretapping to steal hundreds of thousands of dollars from home equity lines of credit.

Congress Notes CU Difference

Rep. Tom Price, a member of the House Financial Services Committee, called fellow House members' attention to the credit union difference last week.

The Georgia Republican sent a letter to all his colleagues asking them to note an attached *Wall Street Journal* article entitled "Credit Unions Offer Lifeline on Mortgages." In it, Price wrote, "The article points out that while some lenders have tightened underwriting standards given current market conditions...many credit unions remain well capitalized and in a position to help the consumer refinance."



Tom Price (R-Ga.)

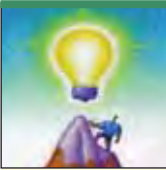
The article, which originated as a *Dow Jones News Service* column and was picked up by *WSJOnline*, said: "Big banks still smarting from multibillion-dollar subprime losses have tightened lending standards and are lending almost exclusively to those with top credit scores. Many individual who were eligible a year ago for a traditional mortgage can't get refinancing for their subprime loan.

"Credit unions to the rescue. Unlike big lenders, credit unions didn't suffer losses in recent months because they never made risky subprime loans."

The article quoted Allen Fishbein, director of housing and credit policy for the Consumer Federation of America, giving credit unions high marks. "Credit unions offer more personalized service" than banks, which "can make the difference between people getting approved and refinanced out of a loan," he said.

It also highlighted CUNA Chief Economist Bill Hampel's assessment that most credit unions have strong balance sheets and near-record capital levels, which allow them to make any type of loan despite the subprime crisis. 🏠

📄 "CUs Offer Lifeline on Mortgages"
<http://online.wsj.com/article/SB120287041058064291.html>



>> The Innovators

CUNA Partner Steers National Fin Lit Priorities

President George W. Bush's Advisory Council on Financial Literacy held its inaugural meeting Feb. 13 in Washington, D.C., with CUNA's financial education partner seated at the table.

During the first meeting, council members introduced themselves, proposed financial literacy initiatives and established subcommittees.

Ted Beck, CEO of the National Endowment for Financial Education (NEFE)—CUNA's eight-year partner in financial literacy efforts—serves on the panel. Cutler Dawson, president/CEO of Navy Federal CU in Merrifield, Va., also is a member.

Beck told the council that NEFE's

High School Financial Planning Program (HSFPP) has reached more than 800,000 high school students. He also noted NEFE's efforts to create a pilot program for college students. "Financial literacy is a continuous process," said Beck.

Under the partnership formed with NEFE in 2000, CUNA encourages credit unions to have their local schools offer HSFPP, which is a free financial education resource for high school students. The student guides carry the America's Credit Unions brand.

Bush's 19-member council's mission



CUNA Regulatory Attorney Luke Martone (left) and NEFE President/CEO Ted Beck in the Treasury's Cash Room before the inaugural meeting of the President's Advisory Council on Financial Literacy. CUNA and NEFE have a partnership for the High School Financial Planning Program. (CUNA photo)

is to focus exclusively on economic empowerment issues. 🏠

Resources for Youth and Young Adults
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Published 23 times per year by Credit Union National Association, Inc., 601 Pennsylvania Ave., NW, Suite B14g, Suite 600, Washington, DC 20004
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FEBRUARY 18, 2008

A news service of the Credit Union System, sponsored by your League, Credit Union National Association



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