

House Financial Services Committee Chairman Barney Frank (D-Mass.) speaks July 20 during the American Association of Credit Union Leagues' Summer Meeting in Boston. (CUNA photo)

Frank: CUs Are Playing Offense

It's clear credit unions are not playing defensively on Capitol Hill, as evidenced by the continued progress on the CU Regulatory Improvements Act (CURIA, H.R. 1537), according to House Financial Services Committee Chairman Barney Frank (D-Mass.).

He spoke July 20 during the American Association of Credit Union Leagues' (AACUL) Summer Meeting in Boston.

Credit unions join REALTORS and insurance agents as the three most influential financial service groups in Washington, Frank noted. "That's be-

cause each group has the power of common citizens living in every congressional district," he said.

Frank told the group he was confident the House could pass most of CURIA's provisions, but said the Senate's evolving approach to anything considered controversial could prove more challenging.

"It used to be the filibuster was something reserved for major issues, but now it's become routine," he explained. "Now 60 votes are needed to pass anything. It's easier to tie >> See Page 2

Fair Lending is an NCUA Priority

Within the context of a hearing on fair lending practices, the NCUA told federal lawmakers last week that data indicates credit unions are "actively meeting the need for mortgage products among credit union applicants for mortgage credit."

NCUA Director of Examination and Insurance David Marquis also testified that that fair lending practices are a priority at the agency, backed up by an arsenal of tools to measure and enforce credit union compliance with anti-discrimination rules.

He said the agency evaluates each credit union's compliance through a combination of a comprehensive examination process, analysis of Home Mortgage Disclosure Act (HMDA) data, and review of member complaints.

The NCUA has 25 examiners devoted to fair lending examination, according to Marquis, and if a member complains about possible discrimination, the agency encourages the federal credit union first to try to resolve the problem itself through an investigation by its supervisory committee.

Marquis, and the banking and thrift regulatory agencies, testified before the House Financial Services subcommittee on oversight and investigations. The hearing was entitled "Rooting Out Discrimination in Mortgage Lending: Using HMDA as a Tool for Fair Lending Enforcement."

The subcommittee also heard testimony from consumer >> See page 6

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Washington Post notes growing Capitol Hill advocacy trend.



FOM Bill Shows Support for Change

There is growing support in Congress for a legislative fix to confusing statutory language on field of membership rules. The fix would allow federal credit unions of all charter types to add service to underserved areas.

A bill recently introduced by Rep. José Serrano (D-N.Y.) is evidence of the broadening support, said Dean Sagar, CUNA vice president of legislative affairs. The Affordable Financial Services Enhancement Act (H.R. 3113) would strike a reference to multiple common bond credit unions in the Federal CU Act.

That reference has allowed banking interests to argue that Congress intended Sec. 109 of the law to apply only to those credit unions.

“The real intent was to assure that multiple group credit unions would have the ability to serve underserved areas on the same basis as single common bond and community credit unions,” Sagar said.

The NCUA was forced by an American Bankers Association lawsuit two years ago to change its field of membership rules so that only multiple-group credit unions could adopt underserved areas.

The agency, CUNA, the state leagues, and credit unions have been seeking a legislative fix to the field of membership confusion ever since. It is included as a provision of the CU Regulatory Improvements Act (H.R. 1537). That bill takes a broader approach to the problem than the Serrano bill and includes expanding the number of underserved areas that credit unions can serve. 🏠



U.S. Rep. José Serrano (D-N.Y.)

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Frank: CUs Are Playing Offense

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things up in the Senate.”

Frank reiterated his support for credit union provisions in the CUNA-backed CURIA, which now has 118 co-sponsors. CUNA lobbyists still expect a hearing this fall.

On other topics, Frank was pleased to point out credit unions played absolutely no part in the recent subprime mortgage problem currently under scrutiny by Congress.

“The subprime problem came from cowboys making loans, who were subject to no rules,” he said, and added he would be moving legislation to broaden regulation to such entities.

On data security, Frank emphasized in the fall he hopes to introduce legislation necessary to ensure the costs of a security breach is borne by the entity that caused the breach.

“We want to put the incentive on sound security practices where it should be,” he said. 🏠

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

▶ August Recess CURIA Drive Urged

Credit unions have a golden opportunity to drive up support for the 2007 CU Regulatory Improvements Act (CURIA, H.R. 1537) while federal lawmakers are on their home turf during a month-long August district work period.



John Magill

“This is why your representatives and senators schedule these sessions—to go to their home districts and to hear what is on their constituents’ minds,” said John Magill, CUNA senior vice president of legislative affairs.

“In a sense, they are primed and ready to hear about the credit union difference and why this important bill will help credit unions better serve the 89 million Americans who are their member/owners.”

Magill reminded credit unions that CURIA has more momentum in the 110th Congress than ever before, noting 119 official backers to date. He urged credit unions to make their visits count by remembering:

- ▶ Mention the number of credit union members in the representative’s state or district—and that there are 89 million members nationwide;
- ▶ Be prepared. For instance, know on what committees the representative serves and how much tenure he or she has; and
- ▶ Be concise. Highlight points of interest about credit unions and about CURIA, and urge co-sponsorship.

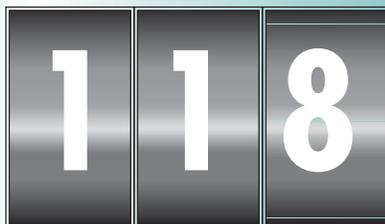
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AS OF 7/27/07

CURIA: Questions & Answers

Part I



Sandy Lingerfelt
Clinchfield FCU
Erwin, Tenn.
\$55 million in
assets

The last major changes to the Federal CU Act occurred in 1998, with the passage of the CU Membership Access Act (H.R. 1151). The past nine years have provided an opportunity for credit unions to identify unnecessary and outdated provisions and recommend common sense improvements. Congress, during its last three sessions, has introduced The CU Regulatory Improvements Act—known by its acronym, CURIA. This year's bill number is H.R. 1537.

Of particular interest for credit unions is raising the cap on member business lending, implementing a risk-based capital approach and expanding services to underserved areas. This series will take a closer look at what CURIA means to credit union executives, lawmakers and lobbyists.

Visit CUNA's website for additional details about the proposed bill.

Q: What CURIA provisions most interest you as a credit union CEO?

A: The fact that CURIA would provide NCUA with greater flexibility to waive net worth restoration plan requirements when a credit union's operations

are disrupted by natural disasters or terrorist acts. We live in a different world now; instead of thinking that a natural disaster or a terrorist act might occur, we need to assume that they will occur and plan accordingly. A big part of that plan should include NCUA's role and provide them with the flexibility to work with us; CURIA provides NCUA the needed flexibility they currently do not have.

Also, I like the provision for Member Business Loans (MBL) that states that any credit union could serve more enterprising Americans without having to set up a formal business lending program in accordance with Section 723 of NCUA's regulations. It would be burdensome for our credit union to start an MBL Program; we do not have the resources, staff, expertise or demand for a full blown program at this time. Under CURIA provisions we could meet member demand for small business loans less than \$100,000 without the regulatory burden of a formal business lending program.

One other provision that I feel is important is the expansion of board of director's authority to expel a member for good cause who is disrupting credit union operations without having to call a special membership meeting. Again, in today's world, it is better and safer to handle a disruptive member immediately.

Q: How have your members' financial needs changed during the past few years and how will CURIA respond to your ability to respond?

A: Our members have become more dependent on us to supply all of their financial needs. We have an aging membership of "baby boomers" that are innovative, energetic and are workaholics. Providing a means to them to finance small

businesses as they retire from their jobs and begin to live their dreams is very important.

Q: If a credit union sees no immediate benefits, should it still support CURIA?

A: Absolutely—CURIA is the future. In the past our industry has been reactive in legislation. CURIA is purely proactive. CURIA positions credit unions to grow and provides needed regulatory relief.

Q: What methods will your credit union employ to support the bill?

A: The most important method is education....teaching, preaching and training. We need to teach our board and our staff what CURIA is and why it is important. Then we need to train them how to share the information with our members. Then our board, staff and members all need to preach to Congress the necessity of passing this important legislation!

Q: What message about credit unions do you find resonates most with your member of Congress?

A: Making a difference in our member's lives. When we provide the quality and spectrum of services in a manner that makes them speak up for us and fight for our legislation, Congressmen take notice.

Q: What else would you like to say about CURIA?

A: I think any CEO that is interested in the future of credit unions needs to take a serious look at this bill and do what is necessary to get it passed. Gone are the days we can just sit back and mark time and expect someone else to take care of us; we are totally in control of our future; and CURIA can be an important



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Learn more about CURIA, H.R. 1537
www.cuna.org/initiatives/member/curia.html



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CAROLE WIGHT, CUDE, CUCE
Compliance Officer
Midwest United Credit Union
Blue Springs, MO

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>> Regulatory Affairs

CUNA Rebuffs IRS Tax Analysis

Citing Bush administration statements in support of the credit union tax exemption, CUNA President/CEO Dan Mica rejected recent Treasury Department tax analysis that points to repeal of the credit union tax status as a means to reduce corporate income tax.

“Such a listing wholly contradicts the 2004 letter to CUNA from President Bush” supporting the tax-exempt status of credit unions, Mica wrote to Treasury Secretary Henry M. Paulson.

“Under this administration, the Treasury has consistently recognized the benefits of credit unions and stated its support for the credit union tax exemption; we urge that position be continued,” Mica advocated.

Mica faulted the recent Treasury work for falling silent on the “substantial benefits” of not-for-profit, member-owned credit unions to consumers, while lauding Subchapter S corporations—and mistakenly characterizing many of them as “small.”

Mica noted recent Government Accountability Office (GAO) studies that showed the often-large Sub S banks cost taxpayers \$726 million in lost revenues in 2006. GAO also estimated that total bank tax preferences in 2007 were between \$1.3-\$1.9 billion – mirroring the amount of the exemption for credit unions.

“In the case of credit unions, study after study has shown that not only do they pay higher rates on savings and charge lower rates and fees but the presence of credit unions in the marketplace encourages other institutions to offer more favorable rates, providing enormous economic benefit to consumers throughout the country,” Mica wrote. 🏠

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Fair Lending is NCUA Priority

NCUA Examination and Insurance Director David M. Marquis testifies July 25 before the House Subcommittee on Oversight and Investigations about how the Home Mortgage Disclosure Act (HMDA) can be used as an enforcement tool against lending discrimination. (CUNA photo)

advocacy groups that recommended such things as extending HMDA requirements to all mortgage lenders and brokers, expanding the data required for collection, and more aggressive enforcement by regulators and the Justice Department of HMDA violations.

👉 **CUNA's eGuide: HMDA**
www.cuna.org/compliance/member/eguide/eguide_regc.html

▶ New Investments and More Considered by NCUA

In a short but busy July open board meeting, the NCUA got a lot done. It received mid-year projections from the National Credit Union Share Insurance Fund, which showed an estimated 2007 net income of \$207 million, up more than \$25 million from last year. That report also anticipated a dividend will be paid based on the 2007 NCUSIF equity level.

The agency also issued an advance notice of proposed rulemaking (ANPR) seeking comment on allowing federal and corporate credit unions to make investments denominated in foreign currencies. Board member Gigi Hyland said the ANPR represented a “seismic” change for the agency.

Despite lack of statutory prohibition, the agency’s rules currently restrict FCUs and corporates to making investments denominated only in U.S. dollars. Credit unions will have 90 days to comment after the ANPR is published in the *Federal Register*.

In a separate action, the NCUA also approved a final rule on catastrophic act reporting and records preservation.

The rule both clarifies the meaning of catastrophic act and offers guide-

lines for developing a program to prepare for such an occurrence.

According to the NCUA, it builds on lessons learned from previous catastrophic acts, including Hurricanes Katrina and Rita.

The rule becomes effective 30 days after publication in the Federal Register. The NCUA staff noted that guidance was also available to credit unions in the agency's Letter to Credit Unions No. 06-CU-12 on disaster preparedness and response examination procedures.

👉 **NCUA Board Summaries**
www.cuna.org/reg_advocacy





>> Notes Bearing Interest

Credit Union House Gets *Post* Nod

Credit Union House was noted by *The Washington Post* as part of a growing trend pursued by Washington organizations seeking to convey a sense of presence on Capitol Hill.

CU House was established by CUNA and the state leagues in 2001.

It was designed, in part, to provide CUNA members with quick access to lawmakers' offices, as well as a home away from home for both work and rest during Hill visits. It also is intended to offer a convenient and inviting place to hold fundraising events.

All those features were among those spotlighted by the July 24 article, "Lobbyists Make Themselves at Home on the Hill," by *The Washington Post* "On K Street" columnist, Jeffrey H. Birnbaum.

The story included an accompanying map of Capitol Hill with locations of the townhouses noted. Credit Union House was number three on the list of 18.  **Credit Union House**  www.cuhouse.com



▶ CUNA/WOCCU Back Microenterprise Funding Levels

The leaders of CUNA and World Council of CUs (WOCCU) sent a joint letter thanking key lawmakers for supporting microenterprise development funding levels requested by CUNA, WOCCU and the state credit union leagues.

On June 28, the Senate Appropriations Committee approved the FY2008 Foreign Operations Appropriations bill, which includes \$225 million for microenterprise development by the U.S. Agency for International Development (USAID), with a \$30 million carveout for the Office of Microenterprise Development.

The funding package also included \$12 million for USAID's Cooperative Development Program (CDP), which exceeded last year's approved funding level by \$2 million.

In a letter to Chairman Patrick Leahy (D-Vt.) and ranking member Judd Gregg (R-N.H.) of the Senate subcommittee on foreign operations appropriations, CUNA President/CEO Dan Mica and WOCCU President/CEO Pete Crear urged the lawmakers to ensure the higher funding levels and specific funding carve-out survive in the final conference version of the appropriations bill. The House approved a similar bill on June 22.

 **World Council of Credit Unions** www.woccu.org

National Journal MSNbc POWER BREAKFAST



Chris Matthews (right), host of "Hardball with Chris Matthews," queries panelists about Republican presidential candidate Rudy Giuliani's current polling numbers during the fourth of eight 2008 presidential election "Power Breakfasts," organized by National Journal and MSNBC. More than 100 congressional staffers gathered for the July 23 event to hear how Presidential election 2008 poll trends will shape the candidates' messages. CUNA co-sponsors the series. In addition to Matthews, panelists included (from left) Neil Newhouse, co-founder, Public Opinion Strategies; Peter Hart, chairman, Peter Hart Research Associates; Charlie Cook, editor of the Cook Political Report, and Linda Douglass, contributing editor, National Journal. (CUNA photo)

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>> The Marketplace

Impact of 'Ditch bank' Article Swamps Server

Liz Pulliam Weston of *MSNMoney.com* writes in her July 16 article, "Ditch your bank for a credit union," that if consumer response to an earlier piece is fair indication, a lot of her readers are "really and truly sick" of their banks.

In fact, shortly after the online story went live, visitor traffic overwhelmed the CU Match Up website (www.joinacu.org), temporarily stalling the servers, according to the California CU League, which hosts the site.

The article tells consumers of the virtues of credit unions and suggests ditching banks and their fees by joining a credit union.

She writes that consumers are weary from "getting socked with fees, or tripped by hidden penalties, or earning lousy interest rates."

"You're tired of being treated like a nuisance rather than a customer. And yet you have little hope that the bank down the street is any better," she adds.

Relief, Pulliam advises, could be as close as the nearest credit union with its lower fees and better interest rates.

"The nation's credit unions count 90 million members, and their trade association estimates members save \$8 billion a year thanks to better interest rates and reduced fees," Pulliam says, citing CUNA research.

Pulliam also explains to consumers what the credit union difference means to them, highlighting what she called "the three most important distinctions" between credit unions and banks.

She writes that most of the folks she



talked to who have abandoned banks for credit unions "are thrilled they made the switch. If you're sick of your bank, why don't you follow suit?"

Read the complete story online
<http://articles.moneycentral.msn.com/Banking/BetterBanking/DitchYourBankForACreditUnion.aspx>

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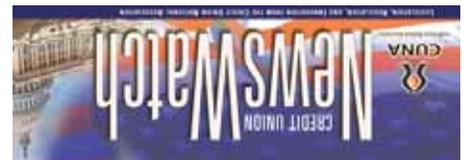
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