



Before the start of the June 29 House hearing on pandemic preparedness (from left) CUNA lobbyist John Hildreth; CUNA and NAFCU witness Edwin Collins, CEO of the Lockheed Georgia Employees FCU, Marietta, Ga.; and House Financial Institutions Oversight and Investigation Subcommittee Chair Sue Kelly (R-N.Y.) (CUNA photo)

## CUs May Need Flexibility in Crisis

Edwin Collins, CEO of the Lockheed Georgia Employees FCU, Marietta, Ga., told Congress last month that credit unions may need regulatory flexibility in crisis times, specifically in the area of prompt corrective action (PCA).

Collins said credit unions are seeking to modify their business continuity plans to address the unique and specialized needs that could arise in the event of an influenza pandemic. And, he added during a question-and-answer period, regulators should be prepared in such circumstances to ease some regulatory requirements.

He told the panel that most credit unions are more than well capitalized, but if members fall behind on loan payments because of illness, that event could affect the net worth of a credit union.

"Regulators should be prepared to give them some flexibility if this were to happen," Collins told the panel. He was

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## CU Efforts Impact Reg Relief

Thanks to a quick and strong response by credit unions and the leagues to a CUNA action alert on regulatory relief, prospects may be dimming for a provision that would remove all restrictions on thrift small business lending—without considering any similar action for credit unions.

A July 10 article in *American Banker* noted, "During conference negotiations, the credit union lobby has argued, apparently with success, that its constituency deserves parity with savings institutions." It also reported that bankers have refused to support the increased lending powers for thrifts if credit unions benefit.

In fact, recent comments by the banking industry about the credit unions' position (*American Banker*, June 23) have been so egregious that CUNA President/CEO Dan Mica took the unusual step of refuting them point-by-point in a letter to the editor of that publication.

Mica rebutted a banker charge that credit unions oppose the removal of the business lending cap for thrifts "just because they don't get everything they want."

"Everything we want?" Mica questioned, noting that in 10 years Congress has passed

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CUNA urges notification and costs reimbursement caused by breaches.

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GAO study would examine how the banks and thrift have benefited.



## Better Notification Sought in Data Legislation



Dean Sagar

As Congress keeps data protection legislation in focus, CUNA continues to advocate for key provisions, including notification by retailers and reimbursement for the costs connected with breaches.

CUNA welcomed the Senate Banking Committee's recent introduction of a financial data protection bill, an action which filled in a missing piece necessary to moving legislation through Congress this year. Six committees have jurisdiction over the issue of financial data breaches, and the Senate Banking Committee was the last of them to offer its version of fixes.

However, Dean Sagar, vice president for legislative affairs, said CUNA has concerns that the bill doesn't address issues credit unions worked hard to get into a comparable House

bill and doesn't carry adequate notification language.

"It states that no notification would be required if the instrument that had been breached could be cancelled—such as a credit card," Sagar said. "We think the effect of that language—that such breaches would go unreported to cardholders, card issuers, and even law enforcement officials—is unintended."

"Notice as early as possible under all circumstances is more consistent with credit unions' priority of protecting their members from financial loss or identity theft. Early action is also important for credit unions to prevent fraud losses, since they cannot write off credit card losses like the banks," Sagar said.

He added that CUNA also supports provisions that would require retailers with significant breaches to give credit unions and other card issuers more detailed information on breaches than a list of the compromised cards. 🏠

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## CUs May Need Flexibility in Crisis

testifying on behalf of CUNA and the National Association of FCUs at a House Financial Services Oversight and Investigations Subcommittee hearing on pandemic preparedness.

Collins also raised the issue of a possible need for additional liquidity through the Central Liquidity Facility and the Federal Reserve's discount window, in the event of a disease outbreak of pandemic proportions.

He said the financial sector would need from the government timely information about any developments associated with an outbreak, as well as a clear understanding of who is responsible for declaring an emergency and later for making an "all's clear" pronouncement.

Also relating to disaster planning, CUNA was asked by the Department of Health and Human Services to help disseminate a new government guide on influenza pandemic preparedness. As part of the Financial Services Sector Coordinating Council, CUNA has participated in recent sessions on disaster planning specific to a serious outbreak of disease. 🏠

📄 **Pandemic Preparedness Guide**  
[http://www.fssc.org/reports/20060706\\_CI\\_KR\\_Pandemic\\_Guide.pdf](http://www.fssc.org/reports/20060706_CI_KR_Pandemic_Guide.pdf)

## ▶ CUNA Urges Pension Bill Inclusions

CUNA asked members of a House-Senate conference committee on pension reform legislation to make permanent both an increased annual contribution limit for individual retirement accounts (IRAs) and a statutory "catch-up" provision that allows those age 50 and older to contribute additional pre-tax dollars to their IRAs.

Those provisions, set to expire in 2010, would help "increase the national savings rate and better prepare individuals for the financial needs they will face in retirement," CUNA President/CEO Dan Mica said in a letter to the conferees.

Mica also urged lawmakers to extend authority for the Saver's Credit,

which allows lower-income individuals to claim a matching tax credit for the first \$2,000 deposited into an IRA.

CUNA also encouraged the conferees to include provisions that would assist servicemembers to save for retirement and to have flexibility to manage IRA distributions penalty-free. Mica noted that under current law an IRA distribution is generally subject to a 10% penalty if made prior to death, disability or reaching the age of 59½. CUNA supports waiving the penalty for reservists and guardsmen who are called to active duty for at least 180 days.

📄 **Legislative Issues 2006**  
[www.cuna.org/gov\\_affairs](http://www.cuna.org/gov_affairs)

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# >> Regulatory Affairs

## CU's Can Comment on Conversion Rule

CUNA is seeking comment from credit unions on a recent regulatory proposal intended to protect credit union members from exploitation in the event of a conversion to a mutual savings bank charter.

At its June 22 meeting, the NCUA issued a proposal that includes strict disclosure requirements so members will be aware when a merger is in the works, and other safeguards designed to prevent such a transition from becoming a financial bonanza for managers.

Before its vote, the agency said in a statement that it supports the right of a credit union to change its charter, but noted that such a shift was drastic and raised important questions about member ownership rights.

All three NCUA members voted to put the proposal out for a 60-day public comment period, and NCUA member Gigi

Hyland said the proposal would clarify an area that “has become fraught with controversy over the last several months.”

While CUNA believes that the credit union charter currently provides the best vehicle for serving the financial needs of consumers, the group supports the right of member/owners to exercise their democratic control of their credit unions.

CUNA encourages credit unions that are considering conversions to make their decisions based solely on the best interests of their members, and maintains that full, plain language, disclosures are essential to furthering the democratic process.

CUNA is asking credit unions to send comments on the NCUA's extensive proposal by August 14. Find complete details about the proposal on CUNA's website. 🏠

📌 **Details about NCUA conversion proposal**  
[www.cuna.org/reg\\_advocacy/reg\\_call/2006\\_comment\\_calls.html](http://www.cuna.org/reg_advocacy/reg_call/2006_comment_calls.html)

### ▶ Three CUs Apply for MSB Charters

In June, three credit unions filed for mutual savings bank charters with the Office of Thrift Supervision (OTS), according to OTS records. They are:

▶ Marcy (N.Y.) FCU, which filed on June 29. The credit union was organized in 1951, has assets of \$23.6 million, and 3,773 members. The decision due date is Sept. 27. Its CEO and treasurer is Walter Kapinos.

▶ Lafayette FCU, a \$325.1 million-asset credit union based in Kensington, Md., filed on June 12. OTS' decision must be made by Sept. 10. Lafayette FCU has 16,095 members and was founded in 1936. Its CEO is Michael Hearne. It is the 12th largest credit union in Maryland.

▶ Sunshine State CU, based in Tallahassee, Fla., filed on June 28 and a decision is expected by Sept. 26. The credit union was founded in 1952 and has \$145.4 million assets and 18,035 members. Its new CEO is Louis O. Davis. It is the 46th largest credit union in Florida, and it is Sunshine's second attempt to convert to a bank.

📌 **CUNA Principles on CU-to-Bank Conversions**  
[www.cuna.org/initiatives/conversion\\_principles.html](http://www.cuna.org/initiatives/conversion_principles.html)

## Must CUs Pitch Materials with Old Sign?

CUNA compliance experts suggest credit unions take the opportunity to “explain how the real world works” and write to the NCUA about its proposed \$100-per-day fine that would be applied if credit unions do not display a new NCUSIF logo within 60 days of receiving it.

The new NCUSIF “sticker” will read, “Your savings federally insured to at least \$100,000 and backed by the full faith and credit of the United States Government,” as proscribed in a recent deposit insurance reform statute.

That's great, says Kathy Thompson, CUNA SVP for compliance, and should “reassure consumers that the NCUSIF insurance coverage is a good as the FDIC coverage.”

However, she adds, since the official sign is used in many credit

union marketing pieces, credit unions will want to explain to NCUA there should be no reason to have to throw out “perfectly good marketing materials just because the official sign language has changed.”

Comments are due to NCUA by Aug. 11. 🏠

📌 **2006 Regulatory Comment Calls**  
[www.cuna.org/reg\\_advocacy](http://www.cuna.org/reg_advocacy)



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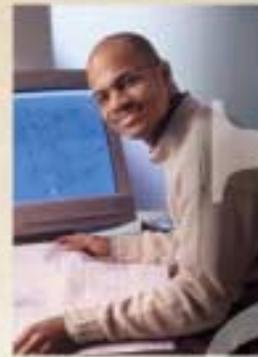
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## CU Ad Hits Banks' Earnings

"Record profits and still complaining..." A new print ad sponsored by America's Credit Unions notes that the banking industry is making billions of dollars in profits, and yet is still attacking America's non-profit credit unions.

"Why? Because America's credit unions provide quality financial services without the bloated fees the banks charge," the ad says.

The message is part of a series backed by CUNA and the National Association of FCUs. It was launched last week and will run periodically through the middle of July in publications widely read on Capitol Hill.

The ad notes that according to *USA Today*, since the year 2000 the banking

industry has consistently been the most profitable in the nation. It shows a chart of profits comparing the banks' per \$100 earnings at the \$17 mark, while noting the oil and natural gas industry makes \$5.70 per \$100 of sales and the pharmaceuticals business makes \$16.20.

The ad invites the reader to: "Join our 87 million credit union members and tell the banks to just knock it off!"

The ad appears in *Roll Call*, *The Hill*, *Congress Daily* and *CQ Today*. 📄

**BANK ATTACKS: CUs Fight Back!**  
📄 [www.cuna.org/initiatives/bank\\_attack](http://www.cuna.org/initiatives/bank_attack)

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The banking industry is making billions of dollars in profits, yet these banks are still attacking America's non-profit credit unions.

Why? Because America's credit unions provide quality financial services without the bloated fees the banks charge.

Earnings per \$100 sales

Banking Industry	\$17.00
Oil & Natural Gas	\$5.70
Pharmaceuticals	\$16.20

**Record Profits and Still Complaining...  
Join Our 87 Million Credit Union Members and  
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## ▶ CU Efforts Impact Reg Relief

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only one piece of legislation specifically addressed to credit union concerns—the CU Membership Access Act of 1998 (H.R. 1151). "And bankers fought that bill fiercely every inch of the way."

During the same period, Mica noted, the banking industry secured for itself major modernization in the Gramm-Leach-Bliley Act and, more recently, expanded Subchapter S authority to spare thousands of community banks from paying taxes at the corporate level. All the while banks seek legislative limits not only on credit unions, but also on the Realtors, Farm Credit banks, Fannie Mae, Freddie Mac, and even Home Depot, Mica wrote.

He added that bankers are "mistaken" with their charges that CUNA hinders progress of regulatory relief legislation by its opposition to the thrift amendment. The Senate Banking Committee made it clear that its intent is to pass a carefully balanced regulatory relief bill to avoid any disruption of the delicate balance between federal charters and regulators.

"Removing the thrift business lending limitations without comparable charter expansion provisions for other financial institutions creates an enormous disparity," Mica said.

**Contact Congress about Reg Relief Compromise**  
📄 <http://capwiz.com/cuna/home/>

## Thousands Contact Lawmakers on Reg Relief

Over the July 4 to July 7 Congressional recess, thousands of credit union representatives responded to a CUNA call-to-action to oppose a provision in regulatory relief legislation that would eliminate a ceiling on thrift business lending, without addressing the issue for credit unions.

Richard Gose, CUNA's senior vice president of political affairs, said that more than 7,000 contacts—mostly in the form of email—were made while federal lawmakers were in their home districts during the break. Gose said the effort continues.

CUNA and credit unions have opposed a House recommendation that the Senate add the thrift provision to its modest bill. Credit unions have consistently argued that the Senate bill was intended to be limited in scope and uncontroversial and that adding a broad enhancement to the thrift charter would destroy the balance sought.

As of press time the Senate had not responded to the House proffered language. 📄

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# >> Notes Bearing Interest

## Congress Calls for Study of Bank Tax Breaks

A government study of how the banking and thrift industries have benefited from tax breaks—as requested last week by Rep. Bernard Sanders (I-Vt.)—is just what is needed in the current environment of bank attacks on credit unions, said Dean Sagar, CUNA vice president of legislative affairs.



*Bernard Sanders*

Sanders, ranking member of the House Financial Institutions and Consumer Credit Subcommittee and currently up for re-election, has asked the Government Accountability Of-

fice (GAO) to execute a study of how the banking and thrift industries have benefited from tax breaks, tax avoidance and government aid.

In his letter requesting an investigation, Sanders wrote, “Since the Savings and Loan crisis of the 1980’s and the enactment of the Financial Institutions Reform, Recovery and Enhancement Act of 1989 (FIRREA) the federal government has provided billions of dollars in aid and benefits to the banking and thrifts industries, at a time when they continue to see quarter after quarter of record profits and consumers see more and higher bank fees.”

Sagar said CUNA has been advocating for some time that Congress take a closer look at the tax advantages available to banks and thrifts. He commended Sanders for taking the lead on an issue of prime importance to credit unions. ♣

**BANK ATTACKS: CUs Fight Back!**  
[www.cuna.org/initiatives/bank\\_attack](http://www.cuna.org/initiatives/bank_attack)

## ▶ CUs Get Active for Candidates



At the start of a July 13 event at Credit Union House on Capitol Hill, the arrival of Democratic National Committee Chair Howard Dean and Sen. Debbie Stabenow (D-Mich.) is celebrated by (from left) Rep. John Dingel (D-Mich.); Sen. John Kerry (D-Mass.); Michigan CU League VP Patrick LaPine, and Michigan Gov. Jennifer Granholm. The event was coordinated by the Michigan league, which is active in Granholm’s reelection campaign. Other attendees included U.S. Sen. Carl Levin (D-Mich.), U.S. Reps. Sander Levin (D-Mich.); Carolyn Cheeks Kilpatrick (D-Mich.); and Bart Stupak (D-Mich.). (CUNA photo)

**2006 CU Election Action Center**  
[www.cuna.org/pol\\_affairs/election/](http://www.cuna.org/pol_affairs/election/)

## NCUF Grants \$2 Million to PBS’s BizKid\$

The National CU Foundation (NCUF) this month authorized a three-year commitment worth nearly \$2 million to produce a new Public Broadcasting System (PBS) show, “Biz Kid\$.”

The grant is the largest grant commitment ever by NCUF and makes the foundation the program’s largest sponsor. NCUF said it recognized the potential for a national public television show sponsored by credit unions.

Biz Kid\$ will be produced by the Emmy Award-winning creators of the PBS/Disney series, “Bill Nye the Science Guy,” which reached 10 million students a week. By sharing the new show in classrooms across the country and partnering with Junior Achievement Worldwide, the producers hope Biz Kid\$ will do for financial education what the Nye program did for science education.

By underwriting the program, credit unions essentially receive a national cooperative branding campaign reaching millions of families through television and millions of children through classrooms.

The creators plan to produce at least 39 half-hour episodes to educate children and their families about personal finance. ♣

**BizKid\$**  
[www.waleague.org/bizkids.html](http://www.waleague.org/bizkids.html)



# >> The Marketplace

## Lack of Loyalty to Banks Opens Doors for CUs

Even if credit union members use banks for some of their financial transactions, they are much less loyal to those fi-

nancial institutions. This gives credit unions an opportunity to increase their members' loyalty, according to CUNA's 2006-2007 National Member Survey.

Those who were "truly loyal" to their credit unions met all four of the following criteria:

▶ They are "very satisfied," overall, with the credit union;

▶ They "definitely would" recommend the credit union to a friend, family member or co-worker;

▶ They indicate the credit union "defi-

nitely would" be the first financial provider they contact the next time they are seeking to open a savings account, or obtain a loan or other financial service; and

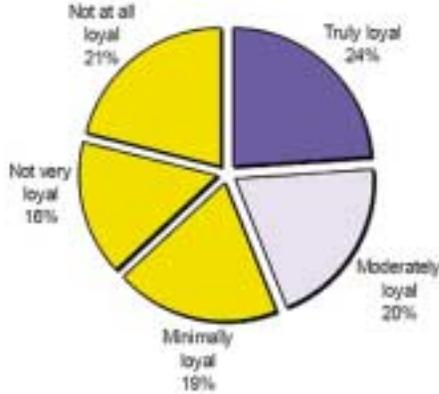
▶ They indicate the credit union is their primary financial institution—the institution where they conduct most of their financial business.

Another 20% are classified as "moderately loyal" to their credit union, satisfying three of the four criteria. At the other end of the spectrum, about 20% of members are "not at all loyal" because they do not satisfy any of the above criteria.

Visit CUNA's website or call 800-356-8010, press 3, for more details about the survey. 

**2006-2007 National Member Survey**  
<http://buy.cuna.org/detail.php?sku=27375K>

Members' Degrees of Loyalty\* to Credit Union



Source: CUNA's 2006-2007 National Member Survey Report, Stock #27246P  
\* Truly loyal members are "very satisfied" with their CU, "definitely would" recommend it to others, "definitely would" contact it first for their next financial service need, and choose the CU as their PFI. "Moderately loyal" members satisfy three of the four components, "minimally loyal" members, two, "not very loyal" members, one, "not at all loyal" members, none.

[www.cuna.org/initiatives/hpr](http://www.cuna.org/initiatives/hpr)

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