



*CUNA Chairman Juri Valdov announced a financial education summit for major organizations involved in financial literacy education so they can work together. (CUNA photo)*

## Financial Education on National Stage

“Credit unions are very good at financial education, but we need to do more,” said CUNA Chairman Juri Valdov at CUNA’s Future Forum on June 13.

To that end, Valdov introduced the National Financial Education Summit, to be held Sept. 26 in Washington, D.C. The summit will bring together the major organizations involved in the movement’s financial literacy efforts to inform each other about their programs, share future plans, and explore opportunities to work together more closely.

Valdov, CEO of Northwest FCU, Herndon, Va., referred to a June 12 *USA Today* article revealing that today’s college graduates leave school burdened with crushing debt—in some cases upward of \$100,000.

With the new national summit, “We’ll gather together and come up with a document describing what we’re doing and

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## CUNA Won’t Support Compromised Reg Relief Bill

Signaling a shift in policy, CUNA President/CEO Dan Mica said the credit union trade association would oppose an initial House compromise on the financial institution regulatory relief legislation (S. 2856) that would completely eliminate the current limitation on business lending by thrift institutions of 20% of assets.

In a letter, Mica pointed to the proposed House “proffer” to the Senate on the bill. It was silent on credit union limitations on small business lending, which is capped at a much more restrictive 12.25% of assets limitation.

Accepting the thrift change, Mica wrote, “would severely damage the tenuous balance between federal thrift and credit union charters without comparable and offsetting benefits for credit unions either in the proposed compromise or in the broader Senate legislation.”

The CUNA letter was sent to Senate Banking Committee Chairman Richard Shelby (R-Ala.); Ranking Member Paul Sarbanes (D-Md.), and bill sponsor Sen. Mike Crapo (R-Idaho).

CUNA pointed out that it has for several years been urging, on behalf of credit unions, “a modest increase” to credit union business lending limitations, which were imposed in >>

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Date pushed back from 2007 into 2008.

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# >> Legislative Affairs

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## CUNA Won't Support Compromised Reg Relief Bill

1998. But those suggestions, CUNA noted, have encountered "strong opposition from the banks."

"Therefore, we view it as inappropriate for Congress to consider a substantial expansion in thrift business lending, and a significant enhancement of the thrift charter, within the context of Senate legislation that was intentionally drafted to avoid any disruption of the delicate balance between federal charters and regulators," Mica wrote.

CUNA also pointed out that the pro-

posed removal of all restrictions on business lending for thrifts is further inappropriate given there is no evidence of the need for such a radical change.

In sending the letter, CUNA's Mica said: "In my 10 years of leading CUNA, it has been our policy not to oppose any legislative or regulatory request by the bank and thrift industries to enhance their ability to serve their customers. The same cour-



Richard Shelby



Paul Sarbanes



Mike Crapo

tesy has not been extended to credit unions by bank and thrift industry groups."

Issues 2006: Regulatory Relief  
[www.cuna.org/gov\\_affairs](http://www.cuna.org/gov_affairs)

## Accounting Merger Rules Delayed Until 2008

Accounting rules that would alter the way credit unions account for mergers will likely be delayed until 2008, according to a credit union representative to the Financial Accounting Standards Board (FASB).

That was the news shared by Scott Waite, senior vice president and CFO of Patelco CU in San Francisco, CUNA's representative to FASB's Small Business Advisory Committee. During a meeting last week, Waite learned that the Jan. 1, 2007 target effective date for the FASB Business Combinations guidance would be delayed.

The rule, as proposed by FASB, would require the acquisition



Scott Waite

method of accounting to govern the combination of mutual entities, including credit unions.

CUNA has noted concern that the new accounting method would not allow merged credit unions to count the equity of acquired credit unions on their balance sheets, which could lower its net worth classification under prompt corrective action (PCA) rules. Credit unions are seeking federal legislation to remedy this regulatory issue.

Currently, three bills pending in Congress would address the problem—the CU Regulatory Improvements Act (CURIA, H.R. 2317); the Net Worth Amendment for CUs Act (H.R. 1042); and the Senate's version of the regulatory relief bill. 

FASB Merger Rule  
[www.cuna.org/gov\\_affairs/legislative/issues/2006](http://www.cuna.org/gov_affairs/legislative/issues/2006)

## ▶ Pension Bill Inclusions Urged

In a letter to each member of a House-Senate conference committee on pension legislation, CUNA urged lawmakers to include in a final bill the retirement savings provisions in H.R. 2830, the Pension Protection Act of 2005.

CUNA asked the conferees to make permanent a statutory "catch-up" provision, due to expire soon, that allows those age 50 and older to contribute additional pre-tax dollars to their IRAs. CUNA also asked for an extension of 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 encourages you to accept the House-passed provisions to assist our men and women in uniform to save for retirement and also have the flexibility to manage IRA distributions penalty-free to meet the unique challenges that face armed forces personnel," the letter, signed by CUNA President/CEO Dan Mica, said.

## CURIA Co-Sponsors Count



The newest CURIA co-sponsor is Del. Eleanor Holmes Norton (D-D.C.)

CURIA (H.R. 2317)  
[http://www.cuna.org/initiatives/member/curia\\_video.html](http://www.cuna.org/initiatives/member/curia_video.html)

## Mica: Leadership is about Decisions



Dan Mica (CUNA photo)

Leadership, bankers' attacks, and the future of the credit union movement topped the agenda as CUNA President/CEO Dan Mica welcomed 2006 Future Forum attendees—including a record-breaking 250 first-timers—at the June 12 opening General Session in Orlando, Fla.

"You are a leader by being here today," Mica said. He applauded CUNA Chairman Juri Valdov's leadership decision to cross the country and discuss the importance of financial edu-

cation. He compared that with the American Bankers Association chairman's decision not to help people, but to attack credit unions.

"I know for a fact that Congress is fed up with people complaining about doing away with credit unions' [nonprofit] tax status," he said, but CUNA will keep telling Congress the good things credit unions are doing.

"That's what leadership is all about." And since this also is an election year, he reminded credit unions to stay involved politically, supporting credit union-friendly candidates.

Mica also pointed out there's not a single law requiring credit unions to serve poor or modest-means members. But "I implore you to do a better job," he said.

Think creatively in your daily operations, he urged. Anticipate solutions for problems such as card fraud and tight margins. Leaders learn to separate personal preferences from ideas or products that are good for members, he said.

Mica vowed CUNA will raise the level of proactiveness on Capitol Hill this year. And together, "if we stick to philosophy and stay involved, credit unions will have a wonderful future." 🏠

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## Financial Education on National Stage

what we'd like to do to see that our members—and our members' children—are educated way before they get to college."

During the General Session, Valdov addressed another pillar of financial independence: Home ownership.

"Those of you who were at the Governmental Affairs Conference heard me talk about Joyce Martinez, a single mother struggling to buy a home," Valdov said. "Six months later, she fulfilled her dream."

Valdov held up a *Credit Union Magazine* article describing how Martinez financed a new home with a Home Loan Payment Relief (HLPR) loan from GTE FCU, Tampa, Fla.

Nearly 140 credit unions currently participate in the HLPR program—twice as many as when the program started in November 2005, he noted. Credit unions have committed more than \$1.3 billion to help members of modest means fulfill the American Dream of home ownership. 🏠

🏠 **HLPR Mortgage Loans**  
[www.cuna.org/initiatives/hlpr](http://www.cuna.org/initiatives/hlpr)



## ▶ Disaster is Hot Topic During Future Forum

"We didn't plan on having back-to-back disasters," admitted Rhonda Hotard in the Best Practices in Disaster Recovery panel during CUNA's 2006 Future Forum in Orlando, Fla. "The key thing to remember: Expect the unexpected."

Hotard should know. She's president/CEO of the Louisiana FCU in Laplace, La. Her credit union team already had a comprehensive pre-Katrina plan in place, but she told Future Forum attendees that at almost every step along the way, there was another milestone to overcome. "It

was complete civil unrest, and we never expected a total loss of communications."

Tim McLeod, senior vice president of Singing River FCU, Moss Point, Miss., tests his recovery plan regularly—monthly during hurricane season and quarterly the rest of the year. "Test it—even if you have to hire people to help you. Make sure that everything in your plan works."

After last year's Gulf Coast disasters, 40% of New Orleans Firemen's FCU members no longer lived at the address they had before.

President/CEO Judy DeLucca said her credit union recently added a pandemic management team to its disaster preparedness efforts. "There are many types of disasters—make sure you're prepared for anything."

And talk about unexpected. Step one of McLeod's disaster recovery plan went into effect the day of the June 13 panel—when Alberto was named as the first tropical storm of the 2006 hurricane season.

🏠 **Disaster Planning**  
[http://strategicservices.cuna.org/sec\\_solutions/solutions\\_continuity.html](http://strategicservices.cuna.org/sec_solutions/solutions_continuity.html)

Your Trusted  
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For Credit Union Success

# Member Financial Literacy

## What resources can I use to help members understand their finances?

With consumer advocacy at the heart of credit unions, no other financial services provider is better suited to deliver unbiased comprehensive financial information. CUNA's Member Financial Literacy Resources will help you guide members step-by-step through every financial decision. Use our professional, cost-effective resources to show members just how smart they can be at managing their future. It's smart for your credit union's future too. The following are just a few of CUNA's Member Financial Literacy Resources that help your credit union address current issues.

► **Teach youth now before bad financial habits are formed.**

Start young! With an online subscription to **Googolplex™**, you add hundreds of colorful stories and activities designed for youth at three different age levels, from elementary school to high school. For your teen and young adult members, the **Guides to Independence™** online tool will make learning how to balance a checkbook or get a loan fun!



► **Money troubles abound in the world's richest country.**

From debt and ID theft, to retirement and home buying, CUNA's **Seminars in a Box™** series offers you everything to plan and execute a member seminar—just add members! Each kit covers one of more than 10 topics, and can be reused. And check out **Anytime Adviser™** or **Home & Family® Resource Center** for your adult members' financial literacy needs.



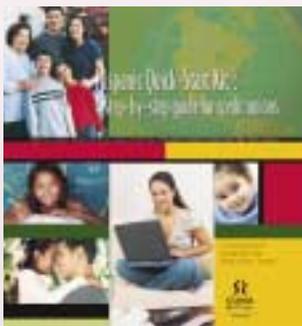
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Visit [buy.cuna.org](http://buy.cuna.org) and enter MAGMBRLIT in the product finder or call 800-356-8010, press 3.

# Member Financial Literacy

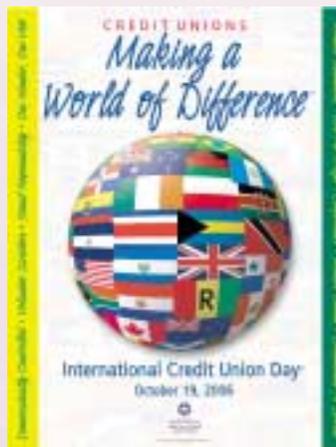
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Serving the fastest  
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understand and  
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Celebrate **International Credit Union Day** on October 19, 2006! Since 1948, credit unions from around the world have come together annually to celebrate the credit union difference. More than 136 million members of credit unions in 91 countries have benefited from credit union services, and that number grows everyday. That's why we help you celebrate the credit union difference by offering complete resources for planning and promoting this special event.





# >> Regulatory Affairs

## Banks Blamed for NCUA Limits to Underserved

“Bankers complain about credit unions helping underserved groups, while going before Congress to complain that credit unions don’t do enough to help the poor. It’s crazy. Shame on them.”

That is what CUNA President/CEO Dan Mica told reporters after the NCUA Board last week by a 2 to 1 vote adopted a rule that allows only multiple common-bond credit unions to expand into underserved communities.

The no vote was cast by NCUA member Rodney Hood, who blamed pressure from bank lobbies for a rule he said would have a negative impact in lower income neighborhoods.

Although Chairman JoAnn Johnson and Board Member Gigi Hyland voted for the proposal, both also appeared am-



*NCUA Board Chairman JoAnn Johnson and CUNA President/CEO Dan Mica following the agency’s June 22 board meeting. (CUNA photo)*

bivalent about it. They cited statutory constraints leaving the agency little choice in the matter.

NCUA previously did limit single-common bond credit union expansion into underserved areas, but the new regulation is more precise and strict. It will not force credit unions that presently do not meet the new standard to move out of underserved areas, according to the agency.

The new rule also will require credit unions to keep a service facility location in an underserved area—a change from the present standard.

In its rule, the NCUA acknowledged that this likely would be unpopular with some credit unions. But it said, “the board finds that a service facility physically located in the underserved area assures better service to members in these locations.”

## ▶ NCUA Considers Conversion Rule, Indirect Lending

The NCUA Board is proposing a rule aimed at protecting credit union members from exploitation in the event the institution’s leadership decides to convert to a mutual savings bank.

The rule was considered during last week’s monthly meeting. It 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.

Board Chairman JoAnn Johnson noted that the proposal was well within NCUA’s statutory authority—no more or less restrictive than other agencies’ rules on conversions.

In other action, the NCUA Board adopted a final rule that limits the amount of indirect vehicle loans serviced by third parties that credit unions may add to their portfolios.

The new regulation would bar a credit union from purchasing from any single servicer loans that totaled more than 50% of

the credit union’s net worth. After 30 months experience with a particular servicer, the ceiling would rise to 100% of net worth.

The rule does include some exemptions. One would exclude from the definition of servicer federally-insured depositories and wholly-owned subsidiaries of those depositories. The regulation also sets out a process for a credit union to request a waiver from the concentration limits from its regional director.

At the same session, the agency proposed changes in reporting requirements for Suspicious Activity Reports. The purpose was to clarify reportable activities, including suspicious activity.

Finally, NCUA proposed a rule to revise the official insurance fund logo to reflect recent share insurance increases. The sign also will now include a statement that NCUA-insured share accounts are backed by the full faith and credit of the U.S. government.

 **Detailed NCUA Board Meeting Summaries**  
[www.cuna.org/reg\\_advocacy/member/ncua\\_board/ncua\\_boardsumm.html](http://www.cuna.org/reg_advocacy/member/ncua_board/ncua_boardsumm.html)

## Compliance Challenge

CUNA’s June Compliance Challenge poses this scenario:

A federal credit union is about to introduce a new product called “Funds Switching,”



which will be attached to its internet banking program. “Funds Switching” will allow members to transfer funds from their share accounts to other financial institutions and vice versa, and there will be a fee for each outgoing transfer.

The Challenge asks: Does the “Funds Switching” fee have to be disclosed pursuant to Truth-in-Savings regulations?

Find the answer to this and other compliance questions on CUNA’s website.

 **Compliance Challenge**  
[www.cuna.org/compliance/member/comp\\_challenge/06\\_06\\_challenge.html](http://www.cuna.org/compliance/member/comp_challenge/06_06_challenge.html)



# >> Notes Bearing Interest

## Googolplex@school Makes Impression on Youth

Middle-school students who watched a live performance by Googolplex@school significantly increased their knowledge of financial topics.

That was the finding of students surveyed before and after they viewed a four-act improvisational performance delivered by actors from the National Theatre for Children (NTC). There was significant improvement on 12 of the 17 questions.

Students in grades six through eight answered 64.1% of the questions correctly before viewing the play and 68.9% correctly on the post-test—an improvement

of 7.5% from the pre-test base score.

While knowledge increased in all grade levels, students in sixth grade appeared to learn the most because they posted an 18.8% test score increase.

A total of 1,880 students took the pre-test and 1,384 took the post test.

Student reactions to the presentations were positive. A Morrison (Ill.) Junior High School student said he liked how they made learning about budgets and money fun. Another learned that “you should save some of your money and not just blow it all on something right after you get it.”

CUNA sponsored the Googolplex@school demonstration project to determine whether the use of a live play had the potential to significantly change student knowledge, attitudes or behavior toward saving.

CUNA received a \$25,000 grant from the National CU Foundation and a \$1,000 grant from the Illinois CU Foundation to fund the project.

Googolplex@school was developed by CUNA, NTC, and the National Youth Involvement Board. 🏠

**Googolplex@school**  
[www.cuna.org/initiatives/youth/googolplex\\_school.html](http://www.cuna.org/initiatives/youth/googolplex_school.html)

## NewsWatch Quick Quiz

### Quick!

How many years would it take the federal credit union tax exemption to cover the cost of the savings and loan crisis of the mid-1980s?



A. 7 years



B. 21 years



C. 71 years

The answer is: C. 71 years

As illustrated by Mickey Rooney above, 71 years is a long time. American taxpayers paid \$124 billion in the mid-1980's to bail out the for-profit thrifts that were insured by the Federal Savings and Loan Insurance Corp.—the fund that was later abolished by Congress. On the other hand, the National CU Share Insurance Fund has, since its inception, been fully funded by credit unions. There has never

been a need for a single taxpayer dollar.

CUNA estimates the federal credit union tax exemption was roughly \$1.75 billion in 2005—money returned to members in the form of higher rates on savings, lower rates on loans and lower fees.

As Mickey Rooney's pictures show, the outwardly appearance of an “institution” can change quite a bit over time. The same has been true for credit

unions—they must modernize to remain useful to members. But just as Rooney's core dedication to entertaining millions has been steadfast, so too is the unwavering commitment of credit unions to providing financial services and education to all members.

\* SOURCE: Curry and Shibut “The Cost of the Savings and Loan Crisis: Truth and Consequences” FDIC Banking Review.

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



# >> The Innovators

## Toll-Free Number Unveiled for CU Disaster Status

Members seeking information about credit unions affected by a hurricane, earthquake, or other disaster or crisis will be able to call a toll-free number from anywhere in the country as the result of a

new program developed by CUNA and the state leagues.

The number, 1-877-CULOCATE (1-877-285-6228), is called the Credit Union Emergency Information System. It's a

component of the Relief Effort and Support for CUs (R.E.S.C.U.) program.

For example, on June 1—the start of the annual hurricane season—CUNA distributed a package of “disaster preparedness tools” to each of the state leagues. The package is aimed at assisting credit unions in dealing with the

impact on their operations of storms or other disasters.

The CU Emergency Information System allows credit union members to receive information about the status of a credit union affected by a crisis. Each credit union posts a message in its “information only” mailbox, which members can access by calling the 1-877-CULOCATE number, follow the prompts, and hear the status of their credit union.

The system was developed and is maintained by VoiceGard, a CUNA Strategic Services alliance provider for telecommunications and recovery services. VoiceGard will test the service weekly to ensure availability and perform monthly audits to ensure the system remains operational. 🏠

**R.E.S.C.U.**  
[www.cuna.org/initiatives/rescu](http://www.cuna.org/initiatives/rescu)



CUNA President/CEO Dan Mica, left, announced the new telephone hotline inside a 12-by-60-foot mobile branch facility displayed outside the Future Forum by Agility Recovery Solutions. (CUNA photo)

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

133 participating credit unions have committed more than \$1.1 billion.



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Published 23 times per year by Credit Union National Association, Inc., 601 Pennsylvania Ave. NW, South Bldg., Suite 600, Washington, DC 20004  
Editorial: (202) 508-6767 • Editorial Fax: (202) 638-7716 • [newswatch@cuna.coop](mailto:newswatch@cuna.coop)  
Address Changes: CUNA ER&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045  
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