



## CU Grassroots Grow Year-Round

*Lisa Gray (right), of Dow Chemical Employees CU, Midland, Mich., explains to House Ways and Means Committee Member Dave Camp (R-Mich.) how Michiganders benefit from credit unions. The Michigan CU League created "baseball baskets" to illustrate the points. (CUNA photo)*

Credit union representatives from five states greeted members of Congress last week as they returned to Washington, D.C., from the Memorial Day recess. The visits were part of the annual effort to bring credit union representatives from nearly every state to Capitol Hill during 2006.

Last week's meetings happened on the heels of the Memorial Day recess, when many credit union members met with members of Congress in the home districts. The visits will continue through October.

"This is the time for our folks to continue to drive our message of preserving the credit union tax exemption," said CUNA Political Affairs Senior Vice President Richard Gose. "We're asking members of Congress to tell bankers to 'knock-off' their attacks on credit unions."

In conjunction with state credit union leagues, CUNA's Hike the Hill program facilitated congressional visits for Kentucky, Michigan,

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## CUNA Calls for GAO Study of Thrift Regulator

CUNA expressed deep concerns to federal lawmakers last week that the Office of Thrift Supervision (OTS) is not adequately protecting the rights and interests of consumers in credit-union-to-mutual-savings-bank conversions and asked Congress to seek a government study of OTS policies.

CUNA requested a Government Accountability Office (GAO) study in a statement submitted Wednesday for the record of a May 25 OTS oversight hearing conducted by the House subcommittee on oversight and investigations.

In it, CUNA noted its principal purpose for submitting a comment for the record was to address "a number of inaccurate statements by witnesses...regarding the ownership of credit unions," which could mislead members of Congress about credit unions.

The issues clarified by CUNA included:

- ▶ Contrary to the views expressed during the hearing, credit unions and mutual thrifts are very different institutions and as a result, the rights of credit union members are significantly weakened when a credit union converts to a mutual thrift;

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## CDRLF, CLF, CDFI Funding Advances

The House Appropriations Committee last week approved \$941,000 of funding for technical assistance grants to low-income designated credit unions in fiscal year 2007 through the Community Development Revolving Loan Fund Program (CDRLF), and \$1.5 billion borrowing authority for the Central Liquidity Facility (CLF) for the year.

CUNA asked lawmakers June 7 to maintain the \$1.5 billion borrowing authority for NCUA's CLF, but also urged them to approve no less than \$2 million in CDRLF funding.

"The CDRLF plays a vital role in underserved communities by providing loans and technical assistance grants to credit unions, enabling credit unions to enhance their technologies in order to provide in-

creased products and services," CUNA noted in a letter to Rep. Joe Knollenberg (R-Mich.), chairman of the House Transportation, Treasury and Housing and Urban Development subcommittee, which voted on the funding levels Wednesday.

"The CDRLF also plays an essential role in the success of NCUA's Access Across America program, which aids underserved communities and creates economic empowerment for lower-income individuals," explained the association.

"By offering affordable financial services in distressed communities, credit unions provide a safe and reliable alternative to predatory check cashers, pawnshops and title loan companies," CUNA said.

The Committee June 6 also approved

\$40 million in funding for the Treasury Department's Community Development Financial Institutions (CDFI), an amount half as much as what was identified by CUNA as desirable, but far in excess of the \$7.8 million proposed by the Bush administration. ☝

 **Legislative Issues 2006**  
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### CU Grassroots Grow Year-Round

Minnesota, Tennessee, and Texas credit unions. Michigan credit unions got creative. They delivered "Baseball Baskets" to make their points with lawmakers.

The goal was to find a unique way to defend the credit union tax exemption and encourage support for the CU Regulatory Improvements Act (H.R. 2317), according to Michigan CU League Public Affairs Manager Mary Davis.

Each basket was lined with green turf to knock the bankers' carping about a so-called "unlevel playing field."

Among the contents:

▶ **Baseball**—Bankers throw lawmakers "curve balls" when trying to convince them that a tax on credit unions is necessary to level out the playing field;

▶ **Crackerjacks**—Credit unions provide members "crackerjack service" instead of wasting resources opposing legislation that would modernize and improve the regulatory environment for

the banking industry;

▶ **Peanuts**—Credit union market share is "peanuts" compared to banks. Banks are losing market share to mutual funds, insurance companies, finance companies and their own behemoth trillion-dollar banks, not credit unions.

▶ **Miniature baseball bats**—Credit unions are asking Congress to "hit a home run" for consumers by passing CURIA (H.R. 2317).

▶ **Score card**—A side by side comparison of what an "unlevel playing field" means for credit unions and banks; and

▶ **Tigers cap**—"Hats off" to members of Congress for supporting credit unions.

"The baskets went over well," said Davis. "Our credit union folks enjoyed giving them and lawmakers were tickled to receive them." ☝

 **CU Political Action**  
[www.cuna.org/pol\\_affairs](http://www.cuna.org/pol_affairs)

### CURIA Co-Sponsors Count



**Learn more about the CU Regulatory Improvements Act (CURIA, H.R. 2317)**

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



## Top Compliance Issues Revealed

Using its Spring Compliance School and its June *CU Magazine* as broadcast tools, CUNA this month helped inform credit unions of the NCUA's top compliance issues for the year.

NCUA Director of Supervision Joy Lee told credit unions last week at CUNA's Chicago Compliance School that the agency expects them by the end of this year to have evaluated the risks associated with their internet-related services and implement appropriate authentication protection. She also noted:

- ▶ Agency data shows that loan growth is outpacing share growth, which raises potential liquidity concerns. Lee said to expect a Letter to CUs on liquidity risks in the near future.
- ▶ Disaster recovery planning is a high priority to maintain confidence in the CU system. Expect a Letter to CUs on disaster planning and a new AIREs questionnaire in the next few weeks, Lee said.
- ▶ The Federal Financial Institutions Examination Council, comprised of the NCUA and federal banking and thrift regulators, will be issuing a revised joint-agency "Bank Secrecy Act Manual" this summer.
- ▶ NCUA has updated its "Your Insured Shares" booklet to reflect recent changes in share insurance law. The booklet is available on the NCUA Web site ([www.ncua.gov](http://www.ncua.gov)), and will soon be available in paper form. However, a new NCUSIF sticker won't be available until later this year, Lee said.

More information about NCUA's "Top Examination Issues" can be found in CUNA's June *CU Magazine*. Download from CUNA's website.

 **CU Magazine article**  
[www.ncua.org/compliance/member/download/comp\\_mat\\_2006\\_06.pdf](http://www.ncua.org/compliance/member/download/comp_mat_2006_06.pdf)



CUNA's Kathleen Thompson (left) and NCUA's Joy Lee discuss compliance issues at NCUA's headquarters in Alexandria, Va. (CUNA photo)

## Dialogue Opened on Data Security

CUNA and Federal Trade Commission (FTC) representatives started a dialogue earlier this month on the increasing concerns of credit unions regarding data security breaches, as well as innovations available to keep members informed of how to protect against identity theft.

The discussion came on the heels of the inaugural meeting of President Bush's Identity Theft Task Force, established May 10 by executive order to strengthen federal efforts against identity theft. The task force is co-chaired by the head of the FTC and the Attorney General. Gigi Hyland is the NCUA's representative on the panel.

CUNA assured the FTC of its ongoing commitment to informing consumers how best to guard against illegal use of their personal financial data, and the FTC commended CUNA's efforts.

After the meeting, CUNA Deputy General Counsel Mary Dunn noted that the FTC has developed materials that can be "branded" by a credit union interested in distributing them to members. Those materials are available through the CUNA website. 

 **ID Theft Resources for CUs**  
[www.ncua.org/initiatives/idtheft.html](http://www.ncua.org/initiatives/idtheft.html)

## ▶ More CUs Sought for FHLB Boards

Credit unions make up about 15% of the total number of financial institutions that are members of the 12 Federal Home Loan Banks (FHLBs)—yet current rules make it difficult for credit unions to be represented on these boards.

CUNA is advocating a change in that situation and seeking an opportunity to work with the Federal Housing Finance Board (FHFB) to ensure reasonable representation of credit unions and other minority groups on the FHLB Boards.

In a comment letter on a recent FHFB proposal, CUNA noted that reasonable representation is hampered both by the FHLB director election process, as well as the process by which the FHFB can appoint a number of these directors.

The goal of fair representation could be achieved through a change in the federal law to require each FHLB to have a limited number of directors that are either elected, or appointed by the FHFB, from bank member institutions that, as a group, hold a minority of the bank stock.

"This could include a change to eliminate the requirement that directors appointed by the FHFB cannot be employed by or serve on the board of a bank member institution while they are serving on the board of the bank in their district," CUNA wrote.

 **Comment Letters**  
[www.ncua.org/reg\\_advocacy](http://www.ncua.org/reg_advocacy)

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Credit Union National Association



# >> Political Affairs

## CU Support Buoy H.R. 1151 Supporter

With the help of California credit unions, Republican Brian Bilbray won the state's 50th Congressional District seat in a special election by a total of 49 to 45%.

Bilbray, a former member of Congress, was one of the co-sponsors of H.R. 1151 in 1998. The special election was to fill the seat formerly occupied by the now imprisoned Randy "Duke" Cunningham.

San Diego credit unions, led by Marla Shepard, CEO of First Future CU, provided extensive support for Bilbray, walking precincts, participating in phone banks, raising money, and mailing 3,000 postcards to credit union members seeking their support, according to the California CU League.

Credit union hustle also helped Bob Filner prevail over banker-supported Juan Vargas in the Democratic Primary for the 51st California District. Through efforts by Mary Cunningham, CEO of USA FCU, Filner visited more than half a dozen credit unions in the district over a four-month period to talk with members.

"Without a doubt, our efforts helped put friends over the top in some tight races," said California CU League President/CEO Bill Cheney. "Credit unions are being recognized as major players in California politics."

Other tight races won with credit union support included Albio Sires in New Jersey, who won the Democratic primary to fill the seat vacated when Bob Menendez was appointed to the Senate.

In Mississippi, Democrat Bennie Thompson faced a primary challenge from the nephew of former Clinton Cabinet Secretary Mike Espy. Thompson won easily with 66% of the vote. 🏠

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



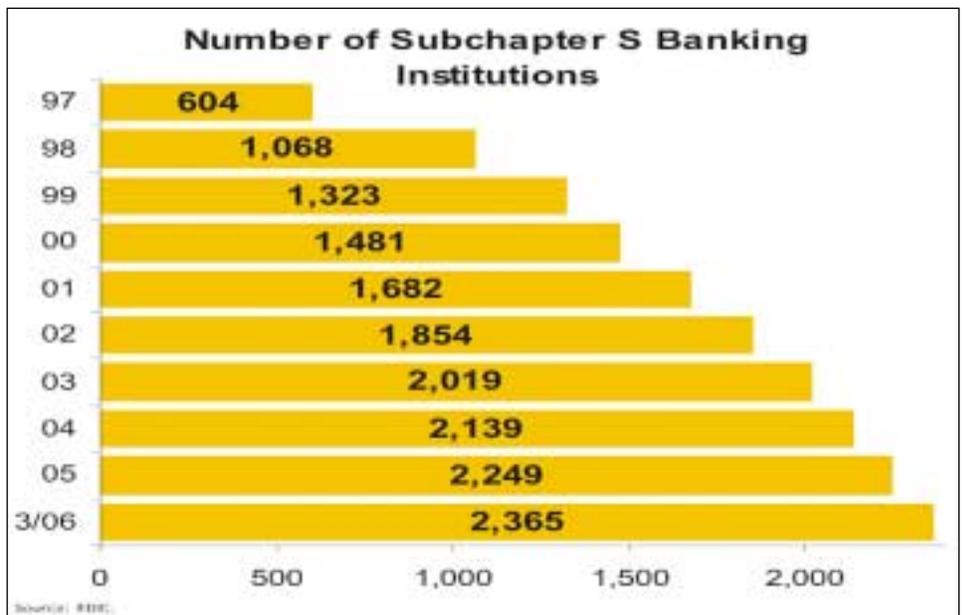
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## Sub S Banks Pressure Community Banks

Community bankers like to point to credit unions as the competitive “bogeyman” that is driving down their share of assets. But a June 6 article in a Community Banking supplement in *American Banker* suggests that “much of the competitive pressure comes from other banks”—some of which, the article notes, enjoy tax advantages that benefit individual shareholders.

*American Banker* explained those subchapter S banks this way: “The profits of corporations that qualify for subchapter S treatment under the Internal Revenue Code generally are not taxed, but are instead passed through to individual shareholders—giving subchapter S banking companies a leg up on profitability versus their nonadvantaged peers.” The article noted there are just over 2,000

subchapter S banks.

John Magill, CUNA’s senior vice president of legislative affairs, says it is important to mark the differences between the tax treatment of credit unions compared with that of the sub S banks.

“Credit unions are exempt from federal income tax because they are not-for-profit financial cooperatives. Any savings from the tax exemption is returned to the members in the forms of better rates, services, and lower fees—to the benefit of each member and not to some small group of shareholders.”

The *American Banker* article went on to note that start-up banks also are pressuring established banks, opening their doors with “record amounts of capital”



John Magill

and using higher lending limits “to steal other banks’ customers.” It said that while community bankers “claim they can withstand the competition of their large-bank peers,” banks with under \$1 billion of assets are “slipping” and have, for instance, lost about half their share of bank C&I loans since 1990.

CUNA’s Magill said, “With these numbers in mind, community bankers should cease making credit unions ‘community bankers’ favorite bogeyman,’ as the article says, and continue and increase their efforts to adjust to the competitive forces within the banking industry.”

**Bank and CU Comparisons**  
[http://advice.cuna.org/econ/cu\\_stats.html](http://advice.cuna.org/econ/cu_stats.html)

National Credit Union and Bank Rate Index Comparison			
Product	Credit Union Ave %	Bank Ave %	Best Average Rate
<b>Savings</b>			
Regular Savings	0.89	0.69	CUs by 0.20
Interest Checking	0.56	0.54	CUs by 0.02
Money Market	1.71	1.08	CUs by 0.63
1-Year CD	4.31	3.97	CUs by 0.34
<b>Consumer Loans</b>			
Regular Credit Card	12.20	14.52	CUs by 2.32
48-Month New Car	5.88	7.38	CUs by 1.50
48-Month Used Car	6.16	8.01	CUs by 1.85
36-Month Unsecured	11.03	12.60	CUs by 1.57
<b>Mortgage Loans</b>			
Home Equity LOC	7.63	8.04	CUs by 0.41
1-Year ARM	5.59	6.06	CUs by 0.47
30-Year Fixed	6.75	6.76	CUs by 0.01

*SOURCE: DataTrac. All data current as of 06/07/2006. Based on 18,710 institutions. Note: Average rates are listed; individual rates will vary. For comparisons updated daily, visit [www.cuna.org/newsnow/market.html](http://www.cuna.org/newsnow/market.html)*

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### CUNA Calls for GAO Study of Thrift Regulator

- ▶ The OTS chief’s own words under oath indicate that the process OTS has established to consider and approve conversion applications for credit unions does not recognize the material and readily identifiable ownership differences between credit unions and thrifts;
- ▶ The OTS is in error when stating that the use of proxy voting by mutual thrifts, a practice prohibited to federal credit unions, does not result in a “meaningful distinction” between the types of institutions—a statement that contradicts the OTS’ own memorandum of May 1997 on the issue; and
- ▶ The OTS director’s public dismissal of the possibility that thrift board members and management officials have unfair advantages in the conversion process that result in inappropriate benefits for such insiders “reflects a willful ignorance of reality at best, and a willful disregard of reality at worst.”

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



# >> The Innovators

## R.E.S.C.U.

Relief Effort and Support for Credit Unions

### States Get Disaster Preparedness Tools

CUNA marked the start of the 2006 hurricane season by sending each state league a package of "disaster preparedness tools" designed to help credit unions deal with the impact of any possible natural disaster.

"With the National Hurricane Center predicting a season of eight to 10 hurricanes—of which four to six could become 'major' storms of category 3 strength or greater—it is vital that credit unions, particularly along the southern and eastern coasts, have plans and tools in place now to support their preparedness," said CUNA President/CEO Dan Mica.

"These tools will support credit union efforts to set their plans to face disasters and emergencies—whether hurricanes or some other occurrence," Mica added.

Included in the packages sent to the state leagues are:

- ▶ A disaster checklist for credit unions;
- ▶ Information on contributing to the National CU Foundation;
- ▶ A link to the "Emergency Financial First Aid Kit," developed by Project Hope, intended to be distributed to credit union members;
- ▶ Instructions for a daily credit union triage conference call in the event of a disaster;
- ▶ A call for participation in the CUNA "Adopt-A-Credit Union" program;
- ▶ An AccuWeather forecast of the hurricane season; and,
- ▶ A description of the CUNA Strategic Services suite of business continuity products.

The package was developed under CUNA's Relief Effort and Support for CUs (R.E.S.C.U) program and will be distributed to credit unions by state leagues on an "as needed" basis.

CUNA's director of emergency preparedness, Scott Earl, said the June 1 initiative is CUNA's first of the 2006 hurricane season, adding CUNA's intention is to continually add to the tools and information available to leagues to help credit unions prepare.

"Our intention is to continually expand on the number of tools and information available to leagues to provide to credit unions during this hurricane season," said Earl. "There will be more to come as the season progresses." 🏠

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

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

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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  
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Address Changes: CUNA ER&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045  
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JUNE 12, 2006



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