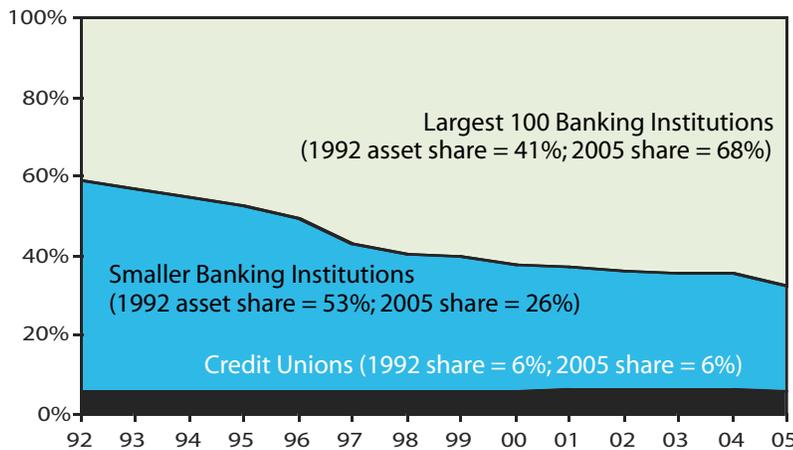


CUs Not Real Threat to Small Banks



Sources: FDIC, NCUA, CUNA E&S. "Banking Institutions" include commercial banks and savings & loans. "Smaller Banking institutions" are defined as all banking institutions smaller than the largest 100.

A decision by a group of large banks not to oppose Wal-Mart's application to enter the financial services arena confirms "empire-building mega-banks" are the true competitive threat facing smaller banks, according to a CUNA economist.

Some of the nation's largest banking companies have formed an informal group that concluded they should not lobby against Wal-Mart Stores Inc.'s plan to charter an industrial loan company (ILC) in Utah. The big banks want to enter the real estate business—and their lack of position on Wal-Mart's desire for an ILC will enable them to sidestep a broader debate over whether the retail giant's proposal would violate the separation of banking and commerce and their lack of position on Wal-Mart's desire for an ILC.

"The mega-banks' decision is another sign that the credit union issue is a red herring used by the American Bankers Association and others to keep peace in their bickering banking ranks," according to Mike Schenk, CUNA vice president of economics and statistics.

"Credit union competition is not hurting banks of any size, shape or form," he said. "The real story is that that empire-building mega-banks are increasing their overwhelming dominance of the financial services marketplace. And that they are willing to do just about anything to increase that dominance, including sacrificing the interests of their smaller brethren." >>  See page 6

Thomas Calls on State Regulators for CU Data

House Ways and Means Committee Chairman Bill Thomas (R-Calif.) has asked state credit union regulators to collect data about credit unions in their states—similar to the information currently being gathered by NCUA for federal credit unions.

In a letter to the National Association of State CU Supervisors (NASCUS), Thomas requested that the state supervisors survey a representative sample of credit unions in each state seeking information in the following areas: membership, executive compensation, credit union service organizations (CUSOs), and unrelated business income tax (UBIT).

In his letter, Thomas reminded the group that his panel has been conducting oversight hearings "examining the justification for the tax-exempt status of certain type of entities," such as credit unions.

A NASCUS spokesperson said the committee chairman's information request was not a surprise. NASCUS has met twice with the Government Accountability Office (GAO) since January in connection with that panel's efforts to update its study on credit unions as requested by Thomas. NASCUS also has spoken with Ways and Means staff. >>  See page 6

Inside

2 | Bankers Try Basketball Gimmick
Credit union service to members is no game, says Mica.

3 | FOM Comment Letter
Bankers' latest victim is service to underserved.

6 | Tax Refunds Drive Savings Rate
Savings at credit unions rose 1.5% in February.

7 | SPECIAL REPORT: Financial Literacy
Survey finds students still flunking, but not as badly.



>> Legislative Affairs

Bankers' 'Games' Childish at Best

Someone must have thought they were being cute by tying a banker assault on credit unions' desire to improve service to members to the NCAA's college basketball tournament, but CUNA President/CEO Dan Mica pushed back calling the prank "offensive" and "immature."

Mica sent a letter to each House member last week saying that bankers should be embarrassed by the American Bankers Association's (ABA) latest "stunt" to get in the way of credit union efforts to better serve members.

He was referring to a March 27 ABA memo to House members that expressed opposition to the CUNA-backed CU Regulatory Improvements Act (CURIA, H.R. 2317) in tournament-themed phrases.

"There are so many issues affecting our nation's consumers—data security including credit card fraud and ID theft; flood insurance reform; and housing tax credits—that wasting the Congress' time with stunts like this only highlights bankers' lack of understanding of the needs of

America's consumers," Mica wrote.

"(CURIA) is a serious effort—supported by 117 House members, one in every four—to update federal credit union law, grant credit unions more flexibility in making business loans to their members and reform net worth requirements to better reflect market conditions," the letter said.

Mica added, "Let's get on with the business of the people, and ignore the games of the extremists in the banking industry." ♣

Race Raises Funds, CU Profile

Credit unions in the Washington, D.C., area helped raise more than \$515,000 for Children's Miracle Network, and CUNA staff generated some quality time with Capitol Hill staff, in conjunction with the April 3 CU Cherry Blossom 10-Mile Run and associated events during the race weekend.

Overall, more than 4,500 credit union

members were among the 10,000 runners who participated.

A key element of CUNA's involvement in the race events is the "Capitol Hill Competition," a race-within-a-race exclusively



CUNA Chairman Juri Valdov (left) and National Association of FCUs Chairman Mike Vadala, president/CEO of The Summit FCU, Rochester, N.Y., at the finish line cheer a runner during the April 3 CU Cherry Blossom Run. Valdov, president/CEO of Northwest FCU, Herndon, Va., chairs the organizing committee for credit union events associated with the race. (CUNA photo)

for congressional staff. More than 700 runners from Capitol Hill participated in the event.

Together with Capitol Hill Competition co-sponsors—U.S. Senate FCU, Congressional FCU and NAFCU—CUNA delivered t-shirts to congressional offices, arranged for convenient pick-up for the runners of their packets at the branches of the credit unions in the Senate/House office buildings, helped congressional staff with registering for the race, and staffed a courtesy tent for Hill staff at the race site. ♣

Congress on Spring Recess

The House and Senate are in recess through April 23 for Spring District Work Periods. When Congress returns, lawmakers are likely to turn their attention quickly back to such issues of interest to financial services providers as anti-money laundering and anti-terrorist financing measures, data protection, and predatory lending.

The next scheduled recess is the Memorial Day District Work Period, which begins May 29 and ends June 2. Also on the schedule are recesses from July 3-7 and July 31 through Sept. 1. The targeted adjournment date is Oct. 6.

During this relatively short, election-year schedule, CUNA will continue to work to see enactment of financial institution regulatory relief. CUNA has thanked House leaders for approving the Financial Services Regulatory Relief Act (H.R. 3505), but has urged the Senate to add language to include a more reasonable ceiling for member business loans of 20% of assets and an NCUA recommendation to reform prompt corrective action rules in the FCU Act to reflect a capital system for credit unions that more accurately reflects risks.

CURIA Co-Sponsors Count



The newest CURIA co-sponsors are:

U.S. Rep. Nita Lowery (D-N.Y.)

U.S. Rep. Stephanie Tubbs Jones (D-Ohio)

For a complete list of co-sponsor names, visit CUNA's website at <http://capwiz.com/cuna/issues/bills>



>> Regulatory Affairs

Bankers' Latest Victim: Service to Underserved

Greed is boundless and willfully ignores the consequences of its actions on its victims.

That is what CUNA's comment letter on the NCUA's proposed field-of-membership (FOM) rule says of the "truly regrettable" litigation bankers have filed to block credit union service to underserved areas by trying to force a prohibition against non-multiple group credit unions from adding such areas to their membership.

"The litigation has caused the NCUA to revisit its policy on serving the underserved and, while the proposed policy is abhorrent, CUNA recognizes that NCUA has little, if any, flexibility to pursue any



Mary Dunn

other course of action," wrote Mary Dunn, associate general counsel.

Current law and associated floor debate made it apparent that all federal credit unions are permitted to include low-income areas,

Dunn wrote, just as they were allowed prior to the passage of the Credit Union Membership Access Act in 1994.

However, CUNA urged the NCUA to "work with Congress on an expedited basis" to pursue legislative amendments that would make it clear "even to bankers" that all federal credit unions

may add underserved areas.

Meanwhile, CUNA said a final FOM rule should permit:

- ▶ Non-multiple group credit unions to continue serving existing underserved areas, as well as add new members to existing underserved areas;
- ▶ Any existing facility in reasonable proximity of an underserved area to continue its service; and
- ▶ Any type of facility that meets NCUA's requirements to be used to serve an underserved area.

Visit CUNA's website to read the complete March 28 comment letter. 📄

📄 **Complete CUNA Comment Letter (3/28)**
http://www.cuna.org/reg_advocacy

Simpler Privacy Notices One Step Closer

It's too soon to announce simpler financial privacy notices, but federal financial regulators took a step closer to that goal by releasing a study in March that concludes it is possible for notices to include all of the information required by law and still be short and understandable by consumers.

The study, *Evolution of a Prototype Financial Privacy Notice*, by Washington, D.C.-based Kleimann Communications Group, indicated that "consumers need a context for understanding information in financial privacy notices," an interagency announcement said.

The report's release capped off the first phase of a project by NCUA, Federal Reserve Board, Federal Deposit Insurance Corp., Office of the Comptroller of the Currency, Office of Thrift Management and the Securities and Exchange Commission to make financial privacy notices more useful to consumers.

CUNA's Jeff Bloch, senior assistant general counsel, represented the trade group at an interagency meeting prior to the report's release and said the next step in the regulators' process will be to fund a second, larger phase of the research to measure the effectiveness of a notice prototype.

Although credit union privacy notices are already relatively short as compared to other types of financial institutions, CUNA strongly supports the general goal of making privacy notices simpler and easier to understand for all consumers.

The six agencies involved in improving the notices were among those that issued regulations in 2000 implementing the financial privacy provisions of the Gramm-Leach-Bliley Act. However, subsequent survey data indicated that many consumers either do not read the notices financial institutions provide under those regulations, or say they cannot understand them when they do read them. 📄

📄 **Privacy Notice Information**
www.ncua.gov

Higher-Cost Mortgages Noted in HMDA Update

For the second year in a row, the NCUA, along with the federal bank and thrift supervisory agencies and the Department of Housing and Urban Development (HUD), noted the volume of higher-priced mortgages within the context of an update to "frequently asked questions" on the Home Mortgage Disclosure Act that the agencies released last week.

The increased number of higher-cost home loans, the agencies said, was because of higher interest rates during 2005 and, perhaps, because of the business practices of lenders or the risk profiles or borrowing practices of borrowers.

The agencies released the updated "Answers to Frequently Asked Questions" (FAQs) to help consumers interpret information released under the Home Mortgage Disclosure Act (HMDA). The release is intended to coincide with the March 31 date by which lenders must make their HMDA data available to the public upon request.

The FAQ is available on the NCUA website.

📄 **HMDA Disclosure (pdf download)**
www.ncua.gov

Dive into a learning experience that's remarkable.

June 11-14, 2006 • Orlando, FL • \$795



America's Credit Union Conference

From top-notch keynoters to deep-dive learning, CUNA Future Forum is interactive, in-depth, and inspirational. It's the foundation for your credit union's strategic planning and your opportunity to be part of the number-one credit union conference in the country. This year's agenda features three outstanding keynoters:

- **The Art of Leadership**
Bill Strickland
President of Manchester Craftsmen's Guild and the Bidwell Training Center
- **Purple Cow: Transform Your Credit Union by Being Remarkable**
Seth Godin
Entrepreneur and best selling author
- **A Game Plan for Success**
Lou Holtz
Legendary football coach

Catch your limit of ideas.

CEO/Executive Series

June 12-14 • \$249 for CEOs and credit union executives

Designed to complement the Future Forum learning experience, you'll enjoy unique opportunities to dine, learn, and network with other credit union leaders. The three sessions start with a special guest appearance by a keynoter, followed by discussions with industry experts.

- Serving Members of Modest Means
- The Importance of Brand
- Regulatory and Legislative Update



Pre-Conference Learning Labs

June 11 • \$249 for attendees and guests

Join us a day early! Choose from three adventures in life and leadership.

- Blue Ocean Strategy for Credit Unions
- How to Create and Build a Dynamic Team
- The Art of Fly Fishing

resourceful, and refreshing.

Count 'em...35 ways to learn, lead, and succeed!

Bring your team! CUNA Future Forum has learning options for CEOs, directors, executives, lenders, security staff, and marketers.

MONDAY, JUNE 12 • 1:45 - 3:00 PM

- 1 Serving Members of Modest Means: Challenges, Demands, and Rewards
- 2 Emerging Lending Trends: Part I – Auto Loans
- 3 Meeting Members Needs Through Technology
- 4 The Framework of a Business Continuity Plan
- 5 Closing the Leadership Gap: Strengthening Your Management Bench
- 6 Exceptional Boards: A Look Into the Board of the Future

MONDAY, JUNE 12 • 3:15 - 4:30 PM

- 7 Best Practices in Serving Members of Modest Means: A CU Panel Discussion
- 8 Emerging Lending Trends: Part II – Traditional Lending
- 9 Trends in Branch Expansion
- 10 Best Practices in Disaster Recovery: A CU Panel Discussion
- 11 The Emerging Faces of Fraud: Part I
- 12 Preparing for Your Next Exam: What Are the Examiners Looking For?

TUESDAY, JUNE 13 • 9:00 - 10:15 AM

- 13 Lending in a Sub-Prime Environment
- 14 The Board's Role in Serving Members of Modest Means
- 15 Branch Expansions: Challenges, Demands, and Rewards
- 16 Securing Your Members' Information: An In-Depth Look at ID Theft
- 17 The Hidden Reasons Why Employees Disengage
- 18 Legislative and Regulatory Issues Affecting CUs

TUESDAY, JUNE 13 • 10:30 - 11:45 AM

- 19 Best Practices in Board Governance: A CU Panel Discussion
- 20 Seven Industry Innovations: An i3 Report
- 21 Best Practices in Business Lending: A CU Panel Discussion
- 22 Exceptional Boards: Board Competency and Assessments
- 23 Becoming a Community Charter: Challenges, Demands and Rewards
- 24 How to Appeal to Your Members in Their Prime Lending Years (ages 25-41)

TUESDAY, JUNE 13 • 1:15 - 2:30 PM

- 25 Emerging Non-Traditional Product Offerings
- 26 Latest Trends in Payments Systems
- 27 Serving America's Next Generation of CU Members (under 24)
- 28 The Economy and Its Impact on CUs
- 29 Debit and Credit Card Fraud Prevention
- 30 Discovering and Serving the Immigrant Population

WEDNESDAY, JUNE 14 • 8:45 - 10:00 AM

- 31 CU Philosophy is Good Business: Selling the Members as Owners Difference
- 32 Best Practices in Serving Young Adults: A CU Panel Discussion
- 33 Creating a Sales and Service Culture
- 34 The Latest Fraud Prevention Techniques: Part II
- 35 Exceptional Boards: How to Strengthen Your Governance Team

Register today!

Visit training.cuna.org

Call 800-356-9655, ext. 5700

E-mail futureforum@cuna.coop





>> Notes Bearing Interest

Tax Refunds Push CU Savings Up

Savings balances at credit unions rose 1.5% in February—the largest increase since February 2005, according to monthly credit union estimates from CUNA.

“This year’s February figure equals more than half the savings growth for the entire year in 2005—which was 2.5%,” said Bill Hampel, CUNA chief economist. Savings increased last year to \$600.3 billion, up from \$585.4 billion one year earlier.

“At first blush, we’re encouraged by February 2006 numbers, but still are cautious because February 2005 savings also grew by 1.5%,” Hampel noted. “We’re forecasting credit union savings to grow about 6% during 2006.” However, he said, to-date savings figures show a modest 0.7% increase.

Hampel said much of the February growth—for both years—probably came from members who received substantial federal tax refunds because those expecting such refunds tend to file taxes early.

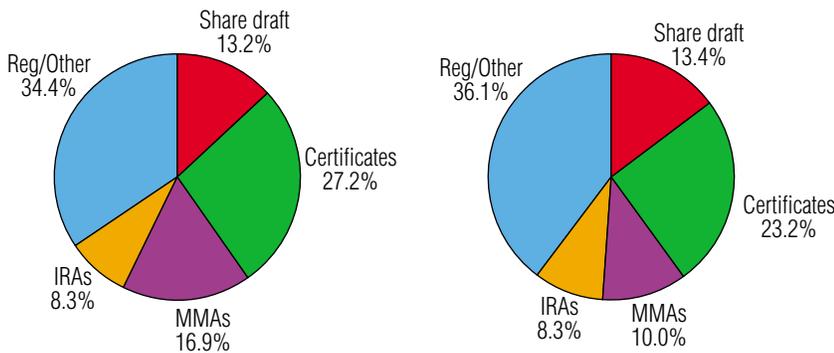
Loan volume barely increased in February, up to \$475.8 billion from \$475.7 billion in January. However, compared to a year ago loans have grown 10.5% from \$431.4 billion.

The February growth results have decreased the loan-to-savings ratio for credit unions to 79.2% for the month from 80.8% in January.

The nation’s 8,961 credit unions have 87.5 million members. Assets for February came in at \$705 billion. 🏠

CUNA Research & Statistics
<http://advice.cuna.org>

Distribution of credit union savings



Feb 06 Savings= \$600.3 Billion

Feb 05 Savings= \$545.4 Billion

▶ From page 1

CUs Not Real Threat to Small Banks

Schenk said the unbridled growth of these mega-banks is not only a threat to small banks and credit unions, but to consumers as well.



Mike Schenk

Data from the Federal Deposit Insurance Corp. shows the market share of the 100 largest banking institutions’ total assets grew from 41% in 1992 to 68% in 2005.

“The credit union share has been 6% throughout this entire period. Obviously the big banks’ growth is coming out of the hide of such institutions as community banks,” he said.

One glaring example of mega-bank empire-building is Utah-based Zions Bancorp. Schenk pointed out the institution’s total assets grew from just \$5.6 billion in 1995 to \$44 billion in 2005. This nearly 700% growth was accomplished mainly through Zions’ acquiring small banks, according to the statistics from FDIC.

“Community bankers can now clearly see their trade association rhetoric for what it is. The real competitive threat is big banks. It will be interesting to see how long it takes community bankers to wise up and tell their trade associations to stop their anti-credit union charade,” he added. 🏠

BANK ATTACKS: CUs Fight Back!
http://www.cuna.org/initiatives/bank_attack

▶ From page 1

Thomas Calls on State Regulators for CU Data

NASCUS has said it will hold teleconferences with state regulators to discuss the data request and is committed to



Bill Thomas

addressing the issues raised by the House Ways and Means Committee.

The NCUA on March 7 announced it has received clearance under the Paperwork Reduction Act from the federal Office of Management and Budget (OMB) for its member services pilot initiative, and that its

collection program “will begin shortly.”

CUNA in its comment letter urged the agency to emphasize to its examiners and to credit unions that the pilot credit unions must be allowed to provide additional information to supplement the data NCUA is seeking, which will help ensure the most complete picture possible is obtained of the credit unions’ service.

Survey Shows Modest Financial Literacy Improvement

As efforts increase to provide young people with the tools for financial literacy, so grows their understanding of credit cards, insurance, retirement and savings accounts—although that growth is, to date, modest.

That is a conclusion of a nationwide biennial survey by the Jump\$tart Coalition for Personal Financial Literacy. It found a small increase to 52.4% in 2005-2006 from 52.3% in 2003-2004 in the level of understanding of personal finance basics of surveyed 12th graders.

The survey showed a gap between what students know and do not know, according to Jump\$tart.

For instance, more than half knew that a

new law allows them to check their credit rating for free once a year. However, fewer than 23% knew that interest on savings accounts may be taxed if one's income is high enough, and just over 40% knew they could lose their health insurance if their parents became unemployed.

Philip Heckman, CUNA's director of youth programs and Jump\$tart board member, said the findings underscore the need for more financial education in the classroom.

"We're confident a sustained effort will bring the testing average of high school seniors up," he said. Last year, CUNA's partnership with National Endowment for Financial Education reached some 600,000 students in 7,000 high schools. 🏠

📍 **High School Financial Planning Program for CUs**
www.cuna.org/initiatives/youth



Phil Heckman

U.S. Financial Literacy Strategy Notes CUs

CUNA President/CEO Dan Mica last week commended the Financial Literacy and Education Commission's announcement of a national strategy to improve the country's financial literacy, a plan that recognized credit unions as an integral part of the effort to educate consumers.

"Financial literacy at its core is about improving people's economic well being," Mica said. "The same is true for credit unions, which is why the credit union community also places such great emphasis on financial education through a wide variety of channels."

The Commission is comprised of representatives from 20 federal agencies, including NCUA. Chairman JoAnn Johnson of NCUA called the strategy "a starting point" that will enable financial education to become more prominent in communities, adding that credit unions are well equipped to make a positive difference in the area of financial literacy.

She added: "Credit unions understand that financial education is a long-term commitment, and they are willing to work toward that commitment."

Also on the financial literacy front, CUNA's Mica contacted key House and Senate leaders to voice CUNA's strong support of a resolution that named April as Financial Literacy Month.

📍 **U.S. Financial Literacy and Education Commission**
www.mymoney.gov

Youth Saving Challenge Accepted by 313 CUs

With National Credit Union Youth Week just two weeks away, 313 credit unions have already chosen to participate in the coinciding National Youth Saving Challenge.

From April 23-29, these 313 registered credit unions are hoping to tally 50,000 youth deposits valued at \$3.6 million.

This year's savings goal is still shy of last year's achieved total of \$4.6 million, which came through deposits from 36,387 young members.

The challenge encourages young members to open new accounts and make savings deposits throughout the week. Participating credit unions register for free on the CUNA website and set savings goals.

Then they tally the total amount deposited, the number of new accounts opened, and the total number of deposits made by young members during the week, and report those results to CUNA. CUNA tracks the figures on a national level.

A variety of online resources are available for credit unions interested in participating in youth week or the saving challenge, including celebration ideas, marketing materials and more.

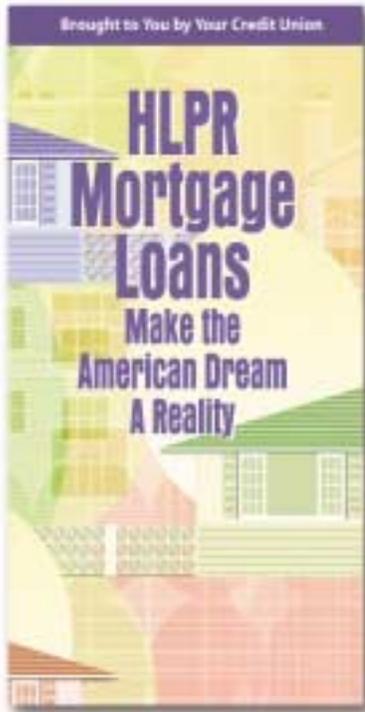
For more information and to register for the Saving Challenge, visit CUNA's website. 🏠

📍 **Saving Challenge**
www.cuna.org/initiatives/youth/saving_challenge.html





>> Serving the Community



Stuffer Tells Members about Low-Income Mortgages

Credit unions participating in the national Home Loan Payment Relief (HLPR) program can explain and promote the program to their members with a new statement stuffer from CUNA.

“HLPR Mortgage Loans Make the American Dream A Reality,” explains the pamphlet for the CUNA-facilitated billion dollar mortgage-lending initiative to consumers, which makes below-market-rate mortgage loans available to borrowers with household incomes at or below the median in their markets.

The stuffer explains how the program works, why credit unions are offering it, who is eligible, and more.

Since the program was announced in November 2005, more than 100 credit unions

have committed nearly \$1.1 billion in mortgages to the HLPR program, a number that will rise over time as more credit unions learn of the program, according to CUNA President/CEO Dan Mica.

He said he expects total commitments will reach \$2 billion later this year and \$10 billion over five years as the program gains more attention and is fine-tuned based on experience.

For more information about HLPR, view participating credit unions, or see a PDF version of the statement stuffer, visit CUNA’s website. To order through CUNA Member Service, call 800-356-8010, press 3, and ask for stock number 27189-NW. 

 **CU HLPR Mortgage Loan**
www.cuna.org/initiatives/hlpr



 www.cuna.org/initiatives/youth/youth_week.html

RETURN SERVICE REQUESTED

PRESORT
FIRST CLASS MAIL
U.S. POSTAGE
PAID
MADISON, WI
PERMIT NO. 1949



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
Address Changes: CUNA ER&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045
To get free instant e-mail delivery instead of regular mail, log on to www.cuna.org and click Permission E-mail Service. Create your profile and check the box for Newsletter - NewsWatch.
© Copyright 2006 Credit Union National Association, Inc. ISSN 0899-5597

FIRST CLASS TIME SENSITIVE MATERIAL



APRIL 10, 2006
A news service of the Credit Union System,
sponsored by your League, Credit Union National Association