

PCA Refuge Sought After Storm



Witnesses listen to opening statements during a Sept. 14 House Financial Services Subcommittee hearing on Hurricane Katrina. From left, Independent Community Bankers of America witness C.R. Cloutier, president/CEO of MidSouth Bank in Louisiana; CUNA witness Charles Elliott, president/CEO of the Mississippi CU Association; and Diane Casey-Landry, president/CEO of America's Community Bankers. (CUNA photo)

Should Katrina-hit credit unions be slapped with Prompt Corrective Action (PCA) as they try to dig out of their disaster-caused problems? What about those helping their devastated counterparts?

Congress may act soon to give at least temporary relief from capital constraints under PCA to both credit unions affected by Hurricane Katrina and those providing assistance to the rebuilding effort.

PCA rules are intended to force poorly capitalized credit unions to fix their problems and to improve their net worth positions. PCA normally addresses credit unions with problems because of bad management.

As CUNA's Chief Economist Bill Hampel put it: "It would just be adding insult to injury to slap PCA penalties on those credit unions who are trying to work their way out of the Katrina effect." >>

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R.E.S.C.U. Relief Effort and Support for Credit Unions

CUNA Details Ideas on Katrina Relief for CUs

As the movement's Relief Effort and Support for CUs (R.E.S.C.U.) program prepared for Hurricane Rita, CUNA last week voiced its support to key House leaders for proposals Congress is considering to help credit unions and other financial institutions cope with the aftermath and devastation of Hurricane Katrina.

CUNA President/CEO Dan Mica was, at the behest of the Louisiana CU League, scheduled to visit the state this week and review how R.E.S.C.U. was responding to credit unions affected by Hurricane Katrina. Before departing Washington, however, Mica urged House leadership to consider:

- ▶ Granting credit unions affected by Katrina relief from current capital restraints imposed under prompt corrective action (PCA) statutes. CUNA called this change "critical to the recovery of affected credit unions;"
- ▶ Providing indemnification for >>

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WOCCU, CUNA Tout Microfinance

Representing the World Council of CUs (WOCCU) and CUNA, Gary Plank told a House subcommittee last week that a 2004 microenterprise law provides a good start for funding accountability, but more must be done to assure small, non-governmental organizations like WOCCU can continue to compete for development funding.

Plank, who is WOCCU chairman as well as president/CEO of the Arizona CU League, warned that such funding opportunities are decreasing and urged Congress to ensure the “efficiency and effectiveness” of microenterprise programs by enforcing the intensions of the Microenterprise Results and Accountability Act of 2004. The act was meant, in part, to ensure that U.S. funds are targeted directly to organizations best able to help the poorest members of a poor community.

Plank told the panel that although WOCCU’s projects range from savings to remittances and insurance, microenterprise lending is always a key component to helping individuals and communities achieve financial security and independence. 🏠

Legislative Issues 2005
http://www.cuna.org/gov_affairs



From left: CUNA President/CEO Dan Mica, Subcommittee Chair Christopher Smith (R-N.J.) and Gary Plank, WOCCU chairman and president/CEO of the Arizona CU League before last week’s House Subcommittee on Africa, Global Human Rights and International Operations oversight hearing on the “Implementing the Microenterprise Results and Accountability Act of 2004.” (CUNA photo)

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CUNA President/CEO Daniel Mica sent a letter to Treasury Secretary John Snow asking his support and Treasury is expected to throw its considerable influence behind legislative efforts to ease the capital constraints, at least temporarily.

Also on the PCA front, Charles Elliott testified Sept. 14 on CUNA’s behalf before a House subcommittee that PCA reform is among the most meaningful things Congress can do to support credit unions affected by the hurricane and those giving assistance. Elliott is president/CEO of the Mississippi CU Association.

CUNA believes NCUA should be:

- ▶ Given flexibility to work with credit unions with catastrophe-related PCA problems beyond their control;
- ▶ Able to forego imposing net worth restoration plans in the affected areas; and
- ▶ Allowed to grant PCA flexibility to credit unions willing to purchase loans from affected credit unions particularly in the area of problematic loans. 🏠

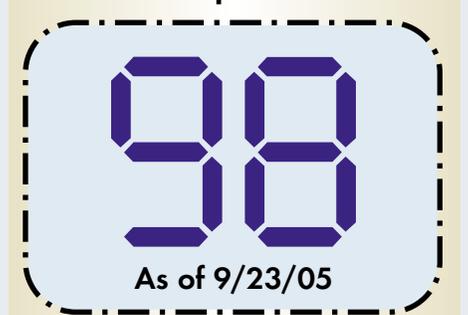
CURIA Support Leaping and Bounding

As of Sept. 23, the list of co-sponsors for the CU Regulatory Improvements Act (CURIA, H.R. 2317) jumped by 20 names—bringing the total number of official backers in the House to 98.

Fifteen of those names were added in just one week, underscoring the fact that they are the result of a lot of grassroots leg work by credit unions and the leagues both while House members were in their home districts during Congress’ August recess and during a busy Hike the Hill month that followed.

While there are currently a lot of discussions revolving around Prompt Corrective Action (PCA) reform for credit unions hit by Hurricane Katrina and those providing assistance to them, CURIA would, among other things, address capital constraints for all credit unions.

CURIA Co-Sponsors Count



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

CURIA Resources
http://www.cuna.org/initiatives/member/curia_video.html



>> Governmental Affairs

Top 20 Political Action Committee (PAC) Contributors to Federal Candidates, 2005-2006*

PAC Name	Total Amount
Intl Brotherhood of Electrical Workers	\$782,400
Laborers Union	\$669,150
Credit Union National Assn	\$657,069
Assn of Trial Lawyers of America	\$636,000
National Auto Dealers Assn	\$611,000
American Fedn of St/Cnty/Munic Employees	\$610,173
National Beer Wholesalers Assn	\$595,000
National Assn of Letter Carriers	\$559,500
American Bankers Assn	\$542,164
United Parcel Service	\$541,328
SBC Communications	\$537,800
Carpenters & Joiners Union	\$506,000
BAE Systems North America	\$447,499
United Auto Workers	\$445,100
International Assn of Fire Fighters	\$439,855
Bank of America	\$436,250
AFLAC Inc	\$426,000
Machinists/Aerospace Workers Union	\$424,000
National Assn of Realtors	\$421,800
Ironworkers Union	\$416,750

Totals include subsidiaries and affiliated PACs, if any.

*For ease of identification, the names used in this section are those of the organization connected with the PAC, rather than the official PAC name. For example, the "Coca-Cola Company Nonpartisan Committee for Good Government" is simply listed as "Coca-Cola Co."

Based on data released by the Federal Election Commission on 8/15/05.

House Again Looks at Reg Relief

In a hearing that could be called "Regulators Redux," a House subcommittee called back financial services regulators and added the director of the Financial Crimes Enforcement Network for a hearing on the Financial Services Regulatory Relief Act of 2005 (H.R. 3505).

The subcommittee conducted a hearing in June on the bill, but has since added a provision that would reduce the number of currency transaction reports (CTRs) financial institutions must file by allowing them to exempt certain customers from routine filings.

Testifying for the NCUA, General Counsel Robert M. Fenner reiterated his agency's belief that Prompt Corrective Action (PCA) reform, which is not in the current House bill, should be included in any regulatory reform measure. He repeated the NCUA's support for the credit union provisions in the bill, such as an increase in the maturity limit on loans, an increase in investment authority in credit union service organizations (CUSOs), and expanded investment options, among others.

The views of the National Association of State CU Supervisors (NASCUS) were presented by Virginia Bureau of Financial Institutions Deputy Commissioner for CUs George Latham. He noted that amending the definition of net worth is a most important provision to cure the unintended consequences for credit unions of the Financial Accounting Standards Board (FASB) business combination accounting rules.

For more on regulatory relief, visit CUNA's website. 

The eight regulatory agency witnesses prepare to testify during the Sept. 22 House Financial Institutions and Consumer Credit Subcommittee hearing on H.R. 3505, the "Financial Services Regulatory Relief Act of 2005." At right is George Latham, representing NASCUS. NCUA's Bob Fenner is third from right. (CUNA photo)



Regulatory Relief
 http://www.cuna.org/gov_affairs/legislative/issues/2005

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Credit Union National Association



>> Regulatory Affairs

Matz Moves On

The September NCUA Board meeting served as a quiet send-off of sorts for Debbie Matz who announced she will leave her position on the Board as of Sept. 30. The meeting—Matz's 40th and last—addressed CUSOs, call reports, and a community charter application—and then ended as Chairman JoAnn Johnson expressed appreciation of Matz's service which began January 2002.

Matz's departure opens a second seat on the three-member NCUA Board. Her term ended Aug. 2, and she cited a need to move on with her career as the reason for her resignation at this time.

CUNA President/CEO Daniel Mica called Matz an effective regulator, citing her work on such issues as member business lending as illustrating her ability to emphasize safety and soundness while responding to credit unions' need for flexibility in their operations. 🏠



NCUA Board Chairman JoAnn Johnson and Board Member Debbie Matz prepare to begin their last NCUA Board meeting together. (CUNA photo)

NCUA Meeting: CUSOs, Call Reports and a Community Charter



Credit union service organizations (CUSOs), call reports, and a community charter application were the orders of business at the NCUA's August Board meeting, its first since July 21.

The Board approved a final rule that would ease filing requirements for about 560 CUSOs by allowing those that are wholly-owned to file a consolidated financial statement with the credit union. The rule takes effect Oct. 21. It doesn't cover majority-owned CUSOs because of concerns that a minority investor could encounter difficulty in asserting its rights to a separate opinion audit.

In other action, the NCUA proposed to change its 5300 call report format to improve and consolidate the information the agency receives. NCUA wants to get rid of an optional short form for credit unions with less than \$10 million in assets as of the September 2006 reporting cycle.

Staff said the change wouldn't increase the reporting burden on small credit unions because the new form would not be much longer and it would lessen the confusion of switching between two forms every quarter. There is a 60-day public comment period for the proposal.

Also, the NCUA Board approved an application by West-Aircomm FCU, a \$1.3 million-in-assets credit union in Beaver, Pa., for a community charter to serve the more than 1.6 million people of Allegheny, Beaver, and Butler Counties. The next NCUA open board meeting is scheduled for Oct. 20. 🏠

🏠 **NCUA Board Meeting Summaries**
http://www.cuna.org/reg_advocacy

▶ Compliance Challenge: Flood Insurance

Q: Do National Flood Insurance Program requirements apply to a home equity loan used to purchase a vehicle, when the vehicle fully secures the loan but a lien is also placed on the member's home?

A: Yes. According to NCUA Legal Opinion Letter No. 00-0218, the agency's flood insurance regulations apply, even though the collateral provides excess security on the loan amount. A federally insured credit union may make a loan secured by real and personal property located in a special flood hazard area (SFHA), provided that flood insurance covers the collateral.

The letter explains that flood insurance is not required for loans that are otherwise covered by Part 760 if: the property securing the loan is state-owned and covered under a satisfactory self-insurance policy; or the loan has a repayment term of one year or less with an original principal balance of no more than \$5,000. The flood insurance requirements apply to a loan, not otherwise exempt, even when the lender takes an additional security interest in real property for a loan that is already fully collateralized.

Visit CUNA's website for more information.



🏠 **CUNA's Compliance Challenge**
<http://www.cuna.org/compliance>



>> Notes Bearing Interest

R.E.S.C.U. Facilitates CU Adoptions

Several credit unions are taking the opportunity to assist other credit unions hit by Hurricane Katrina through Adopt-A-CU established by the CU System's Relief Effort and Support for CUs (R.E.S.C.U.).

Fort Knox FCU, a \$418.3 million asset credit union in Radcliff, Ky., adopted \$45 million asset Gulf Coast Community FCU, located in Gulfport, Miss. "Their offices have been basically swept away," said Wendell Lyons, president of the Kentucky Credit Union League. The two biggest areas of immediate concern for the credit union to survive are a temporary office and liquidity.

Fort Knox FCU is locating a modular office to transport to Gulfport to serve as Gulf Coast Community's main office for about 12 to 15 months. Fort Knox FCU has volunteered to pay for all costs associated with transporting the modular office.

Others that have adopted credit unions:

- ▶ Bellco CU, Englewood, Colo., adopted Jackson County Federal Employees CU, a \$3 million asset credit union in Pascagoula, Miss.;
- ▶ American Airlines FCU, Dallas, Texas, adopted \$38 million asset Hope Community CU, Jackson, Miss.;
- ▶ Bronco FCU, Franklin, Va., adopted Gulfport CBC CU, a \$13 million asset credit union in Gulfport.

With R.E.S.C.U. now an established framework to manage data regarding credit unions' disaster needs and those willing to help them, it can coordinate efforts not only to Katrina, but to future disasters, according to CUNA Executive Vice President John Franklin.

For more information, access CUNA's website. 🖱

R.E.S.C.U.
🖱 <http://www.cuna.org/initiatives/rescu>

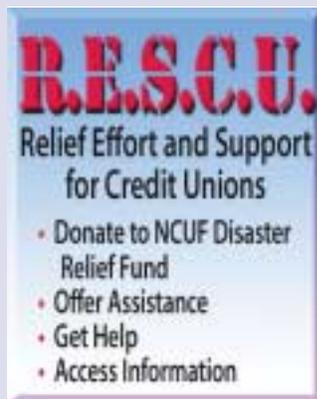
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CUNA Details Ideas on Katrina Relief for CUs

credit unions cashing consumers' checks and other items that later prove to be invalid;

- ▶ Waiving fees for Federal Reserve System services regarding currency, coin and wire transfers;
- ▶ Ensuring any move by Congress to raise federal deposit insurance limits for banks and thrifts also includes credit unions; and
- ▶ Streamlining Bank Secrecy Act compliance requirements for credit unions in areas affected by the hurricane.

Mica presented the association's position in a paper delivered Thursday



to House Speaker Dennis Hastert (R-Ill.), House Majority Leader Tom DeLay (R-Texas), House Minority Whip Steny Hoyer (D-Md.), House Financial Services Committee Chairman Michael Oxley (R-Ohio), the committee's ranking minority member Barney Frank (D-Mass.), House Financial Institutions & Consumer Credit

Subcommittee Chairman Spencer Bachus (R-Ala.), subcommittee Vice Chair Richard Baker (R-La.), and ranking minority member Bernard Sanders (I-Vt.). 🖱

R.E.S.C.U.
🖱 <http://www.cuna.org/initiatives/rescu>

Farm Boy Turned Congressman Supports CUs

Congressman C.L. "Butch" Otter, a Republican from Idaho, seems always ready to show his support of credit unions: That's his face and his story on a new ad which asks, "Why



Do 87 Million Americans Love Their Credit Union?" Otter tells how, as a small boy, he watched his farming family benefit from the support of its credit union, and how later he was helped by the credit union's investment in his education through an \$800 loan. Otter is also a co-sponsor of CURIA and has called support of the important regulatory improvements bill "a no-brainer."

The ad is the third in a series and was widely circulated for two weeks in publications geared toward federal lawmakers and regulators. It represents a joint effort between CUNA and NAFCU.

Earlier ads this year featured an entrepreneur who benefited from his credit union's small business lending program and a single mom who was able to buy a home for her family with a loan from her credit union. 🖱

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

▶ The Daily Starting Point

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FREE Daily CUNA News Now Headlines
🖱 <http://www.cuna.org/newsnow>



>> Serving the Community

Renewed CUNA, Freddie Deal Bolsters Mortgages

A renewed agreement between CUNA and Freddie Mac can help credit unions put more members into homes.

The pact, which includes access to secondary markets, is effective through Sept. 1, 2007.

Freddie Mac created a special account-management team dedicated to credit unions to help them be more competitive as originators and more effective as risk managers, said Wes Millar, senior vice president of CUNA Strategic Services.

The Freddie Mac/CUNA agreement also provides participating credit unions with:

- ▶ Technological advances such as Freddie Mac's Loan Prospector automated underwriting service and a Mortgagebot with Loan Prospector for online mortgage lending;
- ▶ Additional mortgage product options



- ▶ such as construction, permanent mortgages and other mortgages, available through Freddie Mac's Single-Family Seller/Servicer Guide; and
- ▶ Education, assistance and training on affordable mortgage lending products such as Freddie Mac's Home Possible mortgage suite to help low- to moderate-income borrowers become homeowners.

Millar said the alliance provides credit unions with much needed flexibility.

"Through Freddie Mac, credit unions will have affordable lending solutions to meet the needs of low- to moderate-income borrowers as well as a variety of products that meet their members' needs in the changing economic climate," he said.

Freddie Mac Vice President for Community Lending Iliana Ghanem said the "offering provides credit unions the competitive tools they need to build and enhance their mortgage business, strengthen their member outreach and ultimately put more of their members into homes."

Access more information on CUNA's website. 🏠

Freddie Mac/CUNA Alliance
http://www.cuna.org/initiatives/freddie_mac/freddie_mac.html

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