



Employees of Southeast Corporate FCU and Credit Union 24 loaded 25 generators, each with five gallons of gasoline, plus 48 cans of gasoline, and other supplies in a truck that left Tallahassee Sept. 6 for Biloxi, Miss. The generators will help hurricane-damaged credit unions and those without power to reopen. (Florida CU League photo)

CUNA to Testify on CU Hurricane Response

CUNA is scheduled to testify at a hearing Wednesday to be conducted by the House Financial Services Committee on what financial institution and housing industry representatives are doing to assist those affected by Hurricane Katrina.

Mississippi CU Association President/CEO Charles Elliott is expected to represent CUNA at the hearing. He will describe the state of credit unions in the affected areas as well as the efforts being undertaken by CUNA, the leagues, and others in the credit union system to assist the many victims of Katrina.

CUNA also participated in two briefings last week, one held by the House committee and the other by the Senate Banking Committee, on the issue of support for hurricane victims.

During opening statements last week, Ranking Member Barney Frank (D-Mass.) expressed concern about small banks and credit unions—that do most of their business in the affected area—being “pushed out” of the market.

Louisiana Republican Richard Baker called the Hurricane Katrina disaster “inexplicable,” and urged regulators to do whatever they could to make sure people were getting access to financial services.

Relief and Support Marshaled for CUs

CUNA is focusing the movement’s energy and support for credit unions in hurricane- and flood-ravaged areas of the Gulf states under a common program called R.E.S.C.U.—Relief Effort and Support for Credit Unions.

R.E.S.C.U. was developed to coordinate the energies of the movement while instilling efficiencies into the relief effort, explained CUNA President/CEO Dan Mica, who said a large chunk of the relief effort already was being accomplished, but under various programs, efforts and plans.

CUNA and the leagues reacted quickly to the disastrous situation that many credit unions and their members faced in hard-hit Mississippi, Alabama, and Louisiana. The trade group, the American Association of CU Leagues (AACUL), and the National CU Foundation were in contact with the leagues >>

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

▶ See page 6

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7 | CU Loans Up, Savings Down

Savings rate called “abysmal, essentially nonexistent.”



>> Legislative Affairs

Katrina, Supreme Court: What CUs Can Expect from Congress

The devastation and suffering caused by Hurricane Katrina is on everyone's mind, and replacement procedures for two Supreme Court positions is an important second in the thoughts of Washington lawmakers. So what can credit unions expect from Congress on issues already set in motion and of key interest to credit union operations?

Gary Kohn, CUNA vice president of legislative affairs, says to watch for the following:

▶ **CURIA:** Co-sponsors for this important regulatory improvements bill leaped to 87 from 78 when Congress returned from its August recess—marking the results of strong grassroots works by credit unions and the leagues when lawmakers were in their home districts;

▶ **Broad financial institution regulatory relief:** Both the House and Senate want to keep controversy out of this one

to bolster chances for passage;

▶ **McHenry-Towns bill on credit union to mutual savings bank charter conversions:** House Financial Institutions Subcommittee could hold a hearing late this month or early October;

▶ **Credit union federal tax status:** A big banner issue for bankers, but no signs of any activity on the topic at this time.

Kohn says CUNA will also continue to monitor, among other things: House and Senate bills on deposit insurance reform; personal data security measures; and possible reform of the oversight of government-sponsored enterprises.

CUNA will also be watching for action on the nomination of Rodney E. Hood, NCUA Board Member-designate, who awaits confirmation hearings by the Senate Banking Committee. 🏠

CUNA Governmental Affairs
http://www.cuna.org/gov_affairs

▶ CU Conversions to MSB: Next Arena in Congress

The courts decided and the NCUA conceded: Two Texas credit unions—Community CU of Plano and OmniAmerican of Fort Worth—may go ahead and convert their charters to mutual savings bank (MSB) form. But this is far from the end—is really probably only a beginning—to discussions, arguments and debates on the issue of such charter conversions.

The most important thing to remember, according to CUNA, is that all the action on this recent case does not invalidate the NCUA's rules and regulations. Eric Richard, CUNA general counsel, says, "It was a very narrow ruling," and adds, "It is a temporary victory for the other side."

The conversions may well be a hot topic on Capitol Hill again this Fall, at least in the House, via the CU Charter Choice Bill (H.R. 3206) introduced in July

by Reps. Patrick McHenry (R-N.C.) and Edolphus Towns (D-N.Y.) at least partly responding to the situation in Texas.

The bill, strongly opposed by CUNA, would strip the NCUA of some of its authority concerning credit union to mutual savings bank conversions. CUNA legislation experts say that at this point there doesn't appear to be much interest on the Senate side in intervening in the NCUA's regulatory authority in this matter.

CUNA supports the rights of member/owners to exercise their democratic control of their credit union based on the best interest of members, and urges full, plain language, disclosures that are essential to furthering the democratic process.

CUNA Principles on CU to MSB Conversions
http://www.cuna.org/initiatives/conversion_principles.html

CURIA Support Continues to Grow

Nine more federal lawmakers signed on to support the CU Regulatory Improvements Act (CURIA, H.R. 2317) last week, pushing the number of co-sponsors to 87—an all-time high, but a level that promises to be surpassed as September rolls on.

The jump is a reflection of the strength of grassroots works by the leagues and credit unions, while House members were in their home districts during Congress' August recess, says John McKechnie, senior vice president of governmental affairs for CUNA. He said the number of supporters should continue to grow thanks to the continuing effects of those efforts combined with expected visits to Washington by 22 state leagues this month.

"CURIA has something for everyone," McKechnie says, "something for every credit union nationwide—and the benefit to consumers is undeniable."

"CUNA hears consistently from credit unions that their members are 21st century consumers and they deserve 21st century service. CURIA is what will get us there." 🏠

CURIA Co-Sponsors Count



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

CURIA, H.R. 2317
http://www.cuna.org/initiatives/member/curia_video.html



>> Regulatory Affairs

CUNA Urges Due Process in Indirect Lending, NCUA responds

Following credit unions' repeated complaints about NCUA procedures when enforcing rules for third-party subprime indirect lending and participation, CUNA asked the agency to ensure that "due process is afforded all credit unions."

The NCUA quickly responded with a letter from Chairman JoAnn Johnson, which said she recognized that her agency's processes have "met with some criticism" and added that CUNA's feedback was helpful.

CUNA contacted the agency with a number of concerns. Among them:

- ▶ NCUA was requiring extraordinary due diligence

activities be completed in too short a time;

▶ The agency was imposing inappropriate requirements on credit unions that once but no longer were involved with such services; and

▶ A June NCUA Risk Alert virtually directed well-managed credit unions that have assessed the risk their third-party-vendor dealings to stop all future activities pending compliance with the Alert.

Johnson told CUNA she has stressed with the management team the need to maintain the highest degree of professionalism. ♣

CUs Asked for Comments on Stored Value Cards

CUNA is asking credit unions for comments on a Federal Deposit Insurance Corp. (FDIC) proposal regarding insurance coverage of funds subject to transfer or withdrawal through nontraditional access methods—things like stored value cards.

The proposal applies only to banks and bank insurance coverage, but it may have an indirect impact on credit unions. Credit unions also can offer stored value and payroll cards, and the NCUA often seeks to maintain parity between its insurance rules and those of the FDIC.

The FDIC proposes to extend its rules regarding ownership of deposits to funds underlying "nontraditional access mechanisms" as well as provide guidance to the public about insurance coverage of these funds, according to CUNA's regulatory team.

Among the issue addressed by CUNA in its comment call to credit unions:

- ▶ To what extent do you believe funds in the secondary system should be classified as "deposits"?
- ▶ Should the FDIC adopt any specific disclosure requirements on the insurability of stored value cards?
- ▶ Are there ways to prevent misleading disclosures for insurability of funds when "pass-through" coverage is not available?

CUNA also asks if credit unions provide a secondary system of stored value or other cards in which they collect funds from cardholders, either forward the funds to a sponsoring company or retain the funds as reimbursement for funds previously paid, but do not hold the funds for cardholders.

CUNA will accept comment until Oct. 24. Comments are due to the FDIC by Nov. 7. ♣

CUNA Regulatory Comment Calls
http://www.cuna.org/reg_advocacy

1.3 Million Potential New Happy Members

There is the possibility that 1.3 million people could soon be walking around just a little happier than they were before.

The NCUA, announcing its figures through July 31, said it has approved 5,038 multiple common bond federal credit union expansions during 2005. That translates into 1.3 million potential new members. Published surveys, this year and others, put credit union members among those most satisfied with their financial services providers. And that, of course, translates to happier consumers.

Access the NCUA website for the report which includes information, by region, of the number of groups added, potential new members, applications denied—among many other things. ♣

▶ Seeking CU Comment...

These issues are open for comment by the general public. Credit unions are asked to submit a copy of their comments to CUNA:

▶ **Secondary Capital Accounts for Low Income CUs**
Agency: NCUA
Due date: Sept. 27

▶ **EGRPRA Review: Rules Regarding Directors/Officers/ Employees and Rules of Procedure**
Agency: NCUA
Due date: Oct. 5

▶ **Purchase of Assets and Assumption of Liabilities & Nonconforming Investments**
Agency: NCUA
Due date: Sept. 27

▶ **Loan Participations Proposal**
Agency: Financial Accounting Standards Board (FASB)
Due date: Oct. 10

▶ **RegFlex Program Eligibility—Minimum Net Worth Requirements**
Agency: NCUA
Due date: Sept. 27

▶ **Proposed Guidance on Mergers**
Agency: Financial Accounting Standards Board (FASB)
Due date: Oct. 28

▶ **Post-Employment Restrictions for Certain NCUA Examiners**
Agency: NCUA
Due date: Sept. 27

CUNA Comment Calls
http://www.cuna.org/reg_advocacy

Gain education and inspiration for

Discover learning opportunities from Credit Union National Association for every volunteer, every schedule, every budget.

Tips to build a culture of trust and teamwork

Boards and CEOs work together to marshal the people, capital, and intellectual resources of the credit union to move it in the right direction. This leadership partnership requires directors to:

1. **Understand your roles;**
2. **Remain committed** to the credit union's mission and values;
3. **Define long-range goals clearly.** Participants must know how they'll get there and what the expectations are; and
4. **Assess progress** toward the goal and actual achievement. Staff and management must be held accountable for performance, and volunteer work groups must be held accountable for their results.

Source: Credit Union Directors Newsletter, June 2005



Self-Study Courses

Build your knowledge and direct your credit union to success. CUNA offers more than 50 economical self-study courses with one goal – your success as a credit union volunteer.

- **Volunteer Achievement Program (VAP)** has 41 courses covering the core knowledge that volunteers need today.
- **Volunteer Leadership Program (VLP)** offers 12 courses tailored to directors who'd like more in-depth study.

Enroll in VAP or VLP today!

To learn more, visit training.cuna.org and choose *Self-Study Certificate Programs*. If your credit union is located in AL, AK, CA, NV, OH, OK, PA or TX, call 800-356-8010, press 3 to order courses. In other states, please contact your credit union league. For more information, e-mail elearning@cuna.coop or call 800-356-9655, ext. 4131.

Newsletter

Credit Union Directors Newsletter

Here's a monthly read that keeps directors up to speed on compliance, board-staff relations, strategic planning, and much more. Download a free issue and discover why every board member needs *Directors Newsletter*. One subscription is \$83/year; two to nine are \$60 each.

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Call 800-348-3646 or visit training.cuna.org and click on *Newsletters*.

solid board performance

Schools and Conferences

CUNA Volunteer Institute – Maui

October 15-19, 2005, Lahaina, Maui, HI
Tuition \$1,195 (\$1,295 after Sept. 2)
Event finder code VLIHI05

Hawaii ... there's no better place on earth to tackle your credit union's biggest challenges. This institute covers boardroom ethics, managing change, board competencies, identity theft, and more.

Supervisory Committee & Internal Audit Conference

December 4-7, 2005, Las Vegas, NV
Tuition \$795 (\$895 after Oct. 21)
Event finder code SACNV05

White-collar crime. Embezzlement. ID theft. Attend this conference to learn how to uncover the risks, develop sound policies, and be a strong watchdog for your credit union.

CUNA Volunteer Institute – Cancun

January 14-18, 2006, Cancun, Mexico
Tuition \$1,195 (\$1,295 after Dec. 1, 2005)
Event finder code VLIMX06

Prepare your credit union for the future with sessions on leadership, board communication, lending, risk management, and ethics.

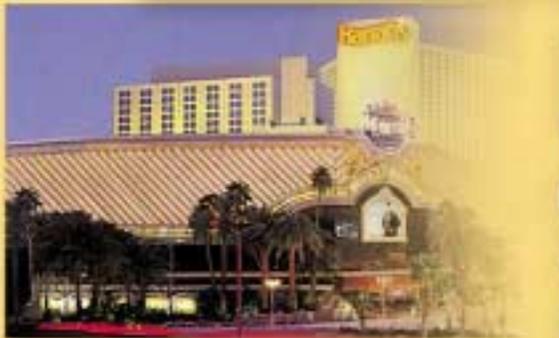
CUNA Volunteer Institute Cruise

April 22-30, 2006, Royal Caribbean Jewel of the Seas, Ft. Lauderdale, FL
Event finder code VL1CR06

Cruise into 2006 with this dynamic learning opportunity. You'll cover the serious leadership issues of revitalization, credit union culture, lending innovations, and emerging markets.

Learn more or register today!

Visit **training.cuna.org** and enter an event finder code listed above. For more information, e-mail elearning@cuna.coop or call 800-356-9655, ext. 4249.



Volunteers



CUNA
Credit Union
National Association



>> Special Report

Relief and Support Marshaled for CUs

▶ From page 1

in the affected states immediately after the storm, and daily since, to coordinate response to the needs of credit unions.

CUNA had also issued nationwide pleas among the very largest credit unions for equipment and other resources to be sent to credit unions in the hurricane-affected areas to help them begin serving members.

Under R.E.S.C.U., CUNA continues to coordinate relief efforts for credit unions with the leagues and the foundation, and adds a number of resources. These include two “800 number” telephone lines; a central database enabling credit unions to make donations; distribution of information on available sources of help through the Web; and, continuous updates about changes to federal laws and regulations affecting credit unions and service to their members through RSS news feeds. 🏠



📍 **R.E.S.C.U.**
http://www.cuna.org/news-now/05/cu_katrina_resc.html

- ▶ Donate cash to the National CU Foundation
- ▶ Request Help and Resources
- ▶ Offer Equipment, Staffing Assistance
- ▶ Latest News Updates
- ▶ CUNA News Now Hurricane Katrina Bulletin Board
- ▶ NCUA Status Reports
- ▶ R.E.S.C.U. Government Agencies
- ▶ National Mail Service Updates for Affected Area
- ▶ National Resources
- ▶ Regional Resources

\$33.1 B-b-billion in Bank and Thrift Profits Shows CUs No Threat

As bank and thrift officials complain to federal, state, and local lawmakers about the competitive threats they face from credit unions day in and day out, they also posted a record \$33.1 billion in second quarter profits this year.

CUNA President/CEO Dan Mica said the Federal Deposit Insurance Corp. (FDIC) numbers clearly show that banks and thrifts are facing little, if any, direct competitive threats—especially from credit unions.

The FDIC also reported assets at banks rose by more than

\$800 billion since the second quarter of last year—growth that exceeds the asset totals of all credit unions.

“Banks and thrifts are seeing healthy growth, they are richer than they have been in nearly seven decades, and they consistently post record or near-record profits,” said Mica. “These historical achievements invalidate any banker threats, complaints and arguments that credit unions are hurting their business.”

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CUNA will accept comment until Oct. 24. Comments are due to the FDIC by Nov. 7. 🏠

📍 **CUNA Regulatory Comment Calls**
http://www.cuna.org/reg_advocacy



>> Notes Bearing Interest

CU Loans Up, Savings Down

Credit unions saw strong long-term loan growth in July, but an “abysmal, essentially nonexistent” increase in savings, continuing a trend that began to appear during the first few months of the year, says CUNA Chief Economist Bill Hampel as he discussed the association’s Monthly CU Estimates.

Hampel noted that in an unusual development, savings growth at credit unions was lagging behind that at banking and savings institutions. Savings levels at credit unions were

up only 2.1% for the year as of July and virtually all of that growth took place in January and February. Also, credit unions’ share of the household savings market declined in July to 9.7% down from 9.9%.

On the lending side, NCUA Call Reports figures and CUNA’s numbers showed good news. The agency reported a 9.8% annualized loan growth rate and a declining trend in delinquent loans for the first six months of the year.

And CUNA reported continued strong increases of 1.4% in July in loan growth for credit unions, which would represent a 6% annual growth rate if sustained. New auto loans led loan growth, rising a dramatic 3%, followed by a 2.7% increase in second mortgage loans, a 1.6% rise in home equity loans as well as in unsecured personal loans, and a 1.2% increase in the category labeled “other” loans. 📈

YTD Growth and Interest Rates

Period	YTD Growth		YTD Interest Rate Averages		
			Long-term	Short-term	Difference
	Loans	Savings	10-yr. Treasury	Federal Funds Rate	(Long - Short)
Jul 05	5.96%	2.19%	4.22%	2.79%	1.44%
Jul 04	6.45%	5.11%	4.27%	1.35%	2.93%
Jul 03	4.58%	7.66%	4.07%	1.13%	2.89%
Jul 02	4.82%	7.17%	4.61%	1.67%	2.94%
Jul 01	3.86%	9.80%	5.13%	5.74%	-0.61%

Percentage of Credit Unions with Rate Changes in July

Changes	Loans			Savings		
	New Auto (60 Mo.)	Unsecured	Credit Card	Regular Saver	Money-Market Accounts	Share Certificates
Increase	21.44%	8.62%	4.55%	8.38%	27.14%	38.91%
Decrease	7.21%	5.36%	3.79%	2.10%	7.08%	3.77%
No change	71.35%	86.02%	91.67%	89.52%	65.78%	57.32%

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

Banker Update: Luring CU Execs, Misleading Survey Results

What are the bankers up to now?

In August, two things of particular note: America’s Community Bankers (ACB) sent a direct appeal to credit union CEOs to try to get their support for the CU Charter Choice Act (H.R. 3206), a bill that would strip the NCUA of some authority over credit union-to-bank conversions and which is opposed by CUNA.

John McKechnie, CUNA senior vice president of governmental affairs, says the ACB letter “seems like a back-handed way to promote disinformation while claiming to want to set the record straight.”

Also, the American Bankers Association (ABA) released survey results which CUNA calls “seriously misleading.” The ABA survey claims rising credit card minimum payments won’t be a hardship for the vast majority of credit card customers. CUNA’s McKechnie countered: “That there is an epidemic of people with debt problems belies the banks’ survey. It seems the bankers are indifferent to how average working Americans manage their debt.”

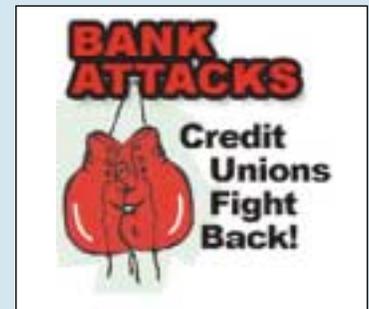
📢 **BANK ATTACKS: CUs Fight Back!**
http://www.cuna.org/initiatives/bank_attack

Bankers Warned About Conversion

Leave it alone, is the gist of what Senate aides have told bankers the last few weeks about the issue of credit union charter conversions.

Bankers should not bring up the subject during any mark up of a regulatory relief bill because it will just gum up the works and decrease the prospects of passage for any regulatory improvements measure in the Senate.

“The Senate has been working hard to draft a broad regulatory relief bill that stands a good chance of passing,” says Gary Kohn, CUNA vice president legislative affairs. “The plan is to adhere to proposals that have been discussed and generally agreed upon, thereby increasing the possibility that both houses of Congress will approve the measure and pass it on to the President to be signed.”





>> The Innovators

Counselor Training Can Address Saving, Debt Levels

Americans' personal savings rate fell to an all-time low in July, according to the U.S. Commerce Dept. Average debt levels (excluding mortgages) rose to a staggering \$18,654 per household. This fact has raised credit union concerns about delinquencies, chargeoffs and bankruptcies—as well as the need for certified financial counselors.

In order to help members deal with these issues within the walls of their credit unions, CUNA recently added more dates for its financial counseling schools onto its learning schedule. Upon completion, attendees are offered the opportunity to receive certification as a financial counselor.

▶ “Certified Financial Counselor School Part I: The Financial Counseling Process” discusses finance basics and the role of financial counselors. For Part I, participants may choose either Dec. 4-9, in San Diego or March 12-17, in Savannah, Ga.

Sessions will cover topics such as financial problem analysis and resolution; spending plans; understanding and improving creditworthiness; creditors' rights and remedies;

creditor/member relations; public agencies and community resources available for additional assistance; problem prevention, education, and information programs; and more. Additionally, the school will help financial counselors design and implement a counseling program.

▶ “Certified Financial Counselor School Part II: Money Management Concepts and Skills” delves deeper into many common consumer financial issues. Part II takes place Dec. 4-8, in San Diego and March 12-16, in Savannah, Ga.

Topics include consumer fraud; money-related values and beliefs; savings and education planning; financial implications of addictions; retirement planning and alternatives including 401(k), 403(b), IRAs, SEPs, and Simple IRA plans; investment basics; minimizing insurance costs and income taxes; controlling living expenses; and money conflicts.

To register and get more information, visit CUNA's website, or call 800-356-9655, ext. 4892. 🏠

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