



## CUs Watchful of Tax Process

Colorado credit union representatives watch for House Ways and Means Committee Member Bob Beauprez (R-Colo.) to enter the hearing room. From left, Colorado CU League President/CEO John Dill; Mark Cummins, president/CEO of White Crown FCU, Denver, Colo.; and Chuck Mabry, president/CEO of Norlarco CU, Fort Collins, Colo. (CUNA photo)

Under the watchful gaze of CUNA, leagues and credit unions, the House Ways and Means Committee held a broad-based hearing on the U.S. tax-exempt sector. Credit unions were not directly mentioned during the April 21 oral testimony.

Nearly 20 credit union representatives attended the hearing. But first, each visited their member of Congress to show credit unions were taking the hearing seriously and would listen to the proceedings very carefully, said Gary Kohn, CUNA vice president of legislative affairs.

The witnesses were from the Joint Committee on Taxation, the Congressional Budget Office and the Government Account-

ability Office. Three private sector tax law experts also testified. They focused mostly on 501(c)(3) charitable organizations, as well as tax code abuses. Particular attention was paid to charitable organizations, especially hospitals.

Credit unions were not directly mentioned in the oral statements or during the question and answer period. Several written statements did refer to credit unions, but only in an academic, factual sense.

It was important for credit unions to take a balanced approach to this hearing, according to CUNA Governmental Affairs Senior Vice President John McKechnie. >>

▶ See page 2

## CUNA Present As Bankruptcy Reform Becomes Law

"This is the end of a long legislative process for CUNA, the leagues and credit unions, but it's the beginning of a new commitment to the financial education process and the reinforcement of credit unions' responsible lending practices," said CUNA President/CEO Dan Mica after President George W. Bush signed into law the CUNA-backed Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (S. 256).

Mica attended the April 20 White House ceremony with CUNA Governmental Affairs Senior Vice President John McKechnie and CUNA Legislative Affairs Vice President Gary Kohn.

"With this bill now law, we've taken an important step toward ending abuse of the system," said Mica. "At the same time, credit unions now will redouble their efforts on financial education and set forth a clear distinction between credit unions and those who offer inappropriate and irresponsible credit."

During debate of the reform legislation and before final passage by a 302-126 vote in the House, Judiciary Committee Chairman Jim Sensenbrenner (R-Wis.), citing figures from CUNA testimony, said that over 40% of all credit union losses in 2004 were bankruptcy related and those losses will total about \$900 million.

### Inside

#### 2 | Hearing on CU Net Worth Bill

Clear sailing expected for bill to fix accounting rule consequence.

#### 3 | Questions & Answers About CURIA

It's about defining and delivering the message: CURIA is our future.

#### 6 | NCUA: Dividend Unlikely

NCUSIF equity ratio projected to be 1.27% at year's end.

#### 7 | A Big Broadcast for CUNA

Millions hearing of CUNA pre-K financial education effort.



# >> Legislative Affairs

## Clear Sailing Expected for Net Worth Bill

During a House Financial Services Financial Institutions Subcommittee hearing April 13, no negative comments were uttered against a CUNA-backed bill that would fix an accounting rule's unintended consequences on credit union mergers.

The subcommittee heard testimony on the Net Worth Amendment for CUs Act (H.R. 1042), introduced March 2 by Subcommittee Chairman Spencer Bachus (R-Ala.) and Ranking Member Bernie Sanders (I-Vt.).

The bill is designed to rectify the unintended consequences in credit union mergers of an accounting rule proposed by the Financial Accounting Standards Board and expected to become effective early next year.

NCUA Chairman JoAnn Johnson testified that without the changes proposed in H.R. 1042, only retained earnings of the continuing credit union would count as net worth after a merger.

"This would seriously reduce the post-merger net worth ratio of a federally insured credit union," said Johnson. "This result will discourage voluntary mergers and on occasion make NCUA assisted mergers more difficult and costly to

the National CU Share Insurance Fund."

Currently, credit unions use the pooling-of-interests method of accounting for mergers. H.R. 1042 would preserve the net worth of merging credit unions for purposes of prompt corrective action.

A mark-up of H.R. 1042 is expected in late April. 🏠



*Discussing net worth issues before the hearing on the Net Worth Amendment for CUs Act (H.R. 1042). From left, CUNA Legislative Affairs Vice President Gary Kohn; NCUA Board Chairman JoAnn Johnson; CUNA Governmental Affairs Senior Vice President John McKechnie; CUNA Associate General Counsel Mary Dunn; and Holly Herman, senior advisor and chief of staff to the NCUA chairman. (CUNA photo)*

**FASB Mergers Project**  
[http://www.cuna.org/reg\\_advocacy/member/hot\\_topic/fasb\\_mergersproject.html](http://www.cuna.org/reg_advocacy/member/hot_topic/fasb_mergersproject.html)

▶ From page 1

### CUs Watchful of Tax Process

"We learned that banking groups were putting lists of pointed questions about taxing credit unions in the hands of some committee members," he said. "Credit unions had to be prepared and act accordingly."

The American Bankers Association, the Independent Community Bankers Association, and America's Community Bankers—like CUNA—submitted statements for the record. None of the banker questions were asked of the witnesses.

Committee Chairman Bill Thomas (R-Calif.) said the event would serve as the foundation for future, more targeted hearings. However, he did not indicate what those targets would be. 🏠

### Mica Named Among Top 100 Lobbyists

CUNA President/CEO Dan Mica is becoming a perennial member of Washington's "top lobbyists," having once again been named to the *The Hill* newspaper's roster of "the people who make K Street matter," according to the paper's April 20 headline.



Dan Mica

*The Hill* is a Washington-based newspaper covering Congress, lobbying and the Capitol Hill community, and circulates broadly among congressional offices and lobbying organizations.

In selecting Mica for the second consecutive year, the newspaper pointed out "credit unions wield enormous clout on Capitol Hill." 🏠

### By the Way

▶ As dedicated providers of excellent financial benefits and quality services, many credit unions have liberal hold policies that were in place before the enactment of Check 21, making deposits into credit unions generally available sooner than the Expedited Funds Availability Act requires, CUNA said April 20 in a written statement to the House Financial Services Subcommittee on Financial Institutions and Consumer Credit.

▶ In a statement April 20 to the House Financial Services Committee, CUNA said the association and its member credit unions are involved in promoting financial education to both youth and adults. "Though CUNA has no position on whether personal accounts should be a part of any Social Security reform, it is our hope that if legislation moves forward that permits financial institutions to offer such accounts, that credit unions are included as a viable option," CUNA stated.

**Governmental Affairs**  
[http://www.cuna.org/gov\\_affairs/legislative/issues/2005](http://www.cuna.org/gov_affairs/legislative/issues/2005)

## CURIA: Questions & Answers *Part III of III*



**Gary Kohn**  
Vice President,  
Legislative Affairs,  
Credit Union National  
Association,  
Washington, D.C.



**Richard Gose**  
Vice President,  
Political Affairs,  
Credit Union National  
Association,  
Washington, D.C.

The last major changes to the Federal CU Act occurred in 1998, with the passage of the CU Membership Access Act (H.R. 1151). The past seven years have provided an opportunity for credit unions to identify unnecessary and outdated provisions and recommend common sense improvements. Congress is expected this spring to introduce the CU Regulatory Improvements Act—known by its acronym, CURIA.

Of particular interest for credit unions is raising the cap on member business lending, and implementing a risk-based capital approach. Visit CUNA's website for additional details about the proposed bill.

In this final installment of a three-part series, NewsWatch spoke with CUNA's Gary Kohn and Richard Gose about what CURIA would mean for America's credit unions and CUNA's role in advancing the bill.

### **Q: What do credit unions need to do to prepare to pass CURIA?**

**Gose:** Much of what needs to be done already is in place. Programs like Hike the Hill, Project Zip Code, and gains in the political action committee (PAC) have sent the message that credit unions are serious political players. We've also surveyed an enormous number of voters, credit union leadership, and political types. Our research shows people really do like credit unions. Our biggest opponent is not the bankers—it's the uninformed.

**Q: CURIA had 69 co-sponsors in the 108th Congress. What efforts are being made to gather co-sponsors in the 109th Congress?**

**Gose:** First, we make sure the 69 returning co-sponsors from the last Congress co-sponsor CURIA again. We also reach out to those representatives who, during the last election, said they would support the bill once it was re-introduced. All members of Congress must be asked to co-sponsor. Congress must be given the facts and told the good stories of credit union service and how this bill will improve our ability to provide the service we are so noted for.

### **Q: What does Congress think about credit unions trying to advance this bill?**

**Kohn:** In its first year, CURIA garnered 69 co-sponsors and had a hearing in spite of fierce opposition from the banking industry. We worked hard to come up with a reasonable, balanced bill that could be taken seriously by Congress, and we think we succeeded. There is a long way to go, however, as the bankers have intensified their opposition. Last year, bankers claimed they sent 59,000 letters of opposition to Congress. Some Congressmen may not be happy being asked to choose between our advocacy for the bill and the banker opposition, but we must continue to seek improvements in the way we serve our members.

### **Q: How much political effort will this effort consume? Do credit unions have enough?**

**Kohn:** Any attempt to pass proactive legislation will require the consumption of a considerable amount of political capital. Legislation of this nature does not become law without hard work and ef-

fort. It took nine years of effort to pass bankruptcy reform. It took the banking industry nearly 30 years to pass their modernization law. We must be steadfast, yet patient, knowing that the opposition will not go away and confident that we have the facts and policy on our side to eventually accomplish our goal.

### **Q: Does pushing for CURIA make credit unions vulnerable to taxation legislation?**

**Kohn:** I have heard that assertion on a number of occasions, especially from banker types. But there is nothing in CURIA that is even remotely connected to the tax question, unless, of course, you are trying to distort the facts about why credit unions are tax exempt in the first place—because of our not-for-profit, democratically controlled, volunteer run cooperative structure. The tax exemption is not dependent on size, field of membership, or products and services. If we avoid pushing proactive legislation that would benefit our members, aren't we in effect saying that as long as we are tax exempt, we won't be able to seek additional improvements to our charter? That strategy would result in a withering of the movement because of its inability to keep up with modern technology and methods of providing service to our members.

### **Q: What is the message, especially for those credit unions that might be reluctant to support CURIA?**

**Gose:** CURIA is our future. Passing proactive legislation is always more difficult than defeating legislation. Credit unions must look at the changes in the financial marketplace during the last 10 to 20 years and consider how they must adapt to serve the ever-changing needs of their members. The message is simple: CURIA gives credit unions more flexibility to meet credit union members' needs. ■

**Part I** (March 28): CURIA Q&A with Sandy Lingerfelt, president/CEO, Clinchfield FCU, Erwin, Tenn.

**Part II** (April 11): CURIA Q&A with Patrick Jury, vice president, Iowa CU League, West Des Moines, Iowa.

**Legislative & Grassroots Resources**  
[http://www.cuna.org/gov\\_affairs](http://www.cuna.org/gov_affairs)

# Realize New Potential with Member

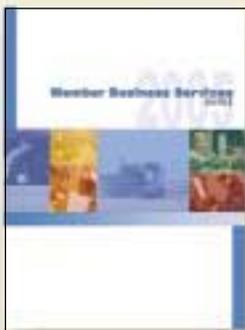
CUNA Member Business Service can help open up new opportunities for your credit union. We have compiled a comprehensive suite of products, service, training and support to provide you with everything you need to serve the financial needs of your members' small businesses efficiently and easily.

## CUNA Member Business Services Center

Get FREE access to sample business lending policies, job descriptions, pricing, regulations, and marketing materials. CUNA's business resources area includes research, training, consulting and SBA lending facilitation.

For more information, visit [www.cuna.org](http://www.cuna.org) and click on "Member Business Services."

Member Business Services Guide (PDF)  
Is your credit union considering adding member business services to its portfolio? If so, this guide is for you. It concentrates on the strategic and operational issues involved in making the decision to offer business services. Stock #26193P \$195. Available at [buy.cuna.org](http://buy.cuna.org), enter stock number into Product Finder.



## Advisory Services



Learn how to define your business lending market, and foster an environment that attracts business deposit and lending relationships.

For more information call 888-837-4589 or e-mail [advisors@cuna.com](mailto:advisors@cuna.com)

Determine your member business services opportunities and who will help you set up your business services offering from CUNA Advisory Services.

CUNA Strategic Solution Session  
Spend two hours with experts and walk away with the real story on what it takes to offer Member Business Services. Through qualifying conversations regarding the challenge and outcome you desire, CUNA's Strategic Solution Session will provide a customized 2-hour teleconference discussion including professionals from your credit union and Member Business Services experts.

For more information, visit CUNA's Member Business Services website [http://www.cuna.org/initiatives/business\\_seg/](http://www.cuna.org/initiatives/business_seg/)

## Opportunity is knocking!

While member business loans account for just 2.7% of the overall loan portfolio, they still managed to grow 23% over the past 12 months. MBLs have grown more than three times as much as the overall loan portfolio, according to Callahan & Associates, Inc

So what are you waiting for? *Start realizing your small business*

For more information:

Visit [http://www.cuna.org/initiatives/business\\_seg/](http://www.cuna.org/initiatives/business_seg/)

Call 1-800-356-9655, ext. 4039.

# Business Services

## *Business Lending and Services Training Resources*

Business Services & Lending Conference

May 23-25, 2005 • St. Pete Beach, FL

Find out what it takes to build a successful business-lending program.

**NEW!** Business Lending Certification Institutes

July 18-22 • Madison, WI

Earn your Business Lending Certification by attending either the Fundamentals or Credit Analysis session.

For more information visit [training.cuna.org](http://training.cuna.org) and choose Schools & Conferences.

## *Business Lending Services*

CUNA Strategic Alliances adds to the Member Business Services portfolio through its business provider alliances, providing a selection of products and services competitively priced just for credit unions.

Turnkey SBA Lending – SBA lending facilitation provided by Newtek Small Business Finance, a qualified lending service provider who can handle everything from underwriting to liquidating.

For more information, visit [www.cusmallbusiness.com](http://www.cusmallbusiness.com)

Business Transaction Services – electronic payment processing offered by Newtek Merchant Solutions. Help your small-business members to create a customized payment processing solution for any business, large or small.

For more information, visit [www.cusmallbusiness.com](http://www.cusmallbusiness.com)

Turnkey Member Business Lending – member business lending facilitation provided by Business Partners, a full service, member business lending Credit Union Service Organization run for credit unions, by credit unions. Business Partners specializes in the areas of loan origination, loan participation, underwriting, servicing and quality control.

For more information, visit [www.businesspartnersllc.com/](http://www.businesspartnersllc.com/)

Member Business Lending/ SBA Forms Software – automated document selection to facilitate the lending process with Harland Financial Solution's Laser Pro product.

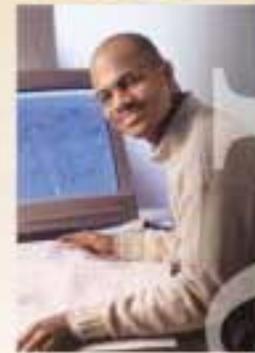
For more information, visit [alliances.cuna.org/csa\\_harland\\_fs.html](http://alliances.cuna.org/csa_harland_fs.html)

Credit Risk Management Services – automated financial statement gathering, credit risk analysis, and financial reporting for business lending products through Covarity.

For more information, visit [alliances.cuna.org/csa\\_covarity.html](http://alliances.cuna.org/csa_covarity.html)

Business Checks – accounting software compatible checks offered by Harland Business Solutions. Provides members with a one-step process for ordering business checks and forms.

For more information, visit [http://alliances.cuna.org/csa\\_harland\\_sd.html](http://alliances.cuna.org/csa_harland_sd.html)



*potential today!*

  
**CUNA & Affiliates**

Strategic Alliances – Competitive Advantage



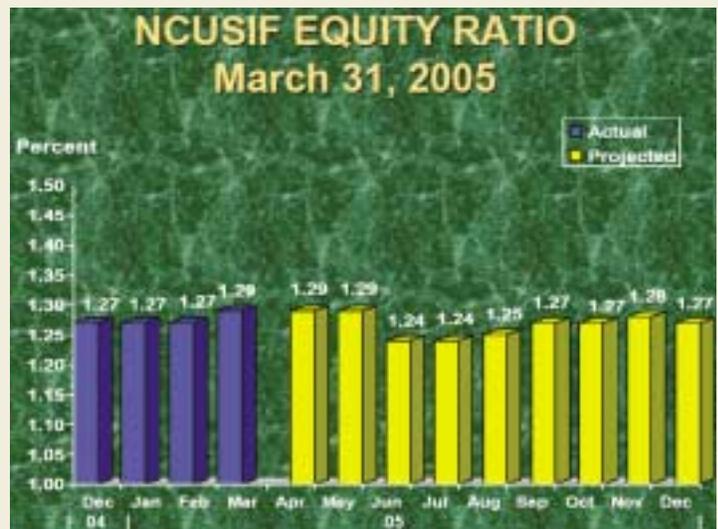
# >> Regulatory Affairs

## NCUA: 2005 Dividend Unlikely

The National CU Share Insurance Fund's (NCUSIF) equity ratio, the amount in the fund in relation to the amount of total federally insured shares, for year-end 2005 is projected to be 1.27%, indicating that a dividend based on the Year 2005 Fund equity level is highly unlikely, NCUA reported April 17.

A dividend can only be paid to federally insured credit unions when, at the end of the calendar year, the equity level exceeds the fund's normal operating level, which is currently set at, 1.3%. 

**NCUA Quarterly Insurance Fund Report**  
<http://www.ncua.gov/NCUABoard/draftboardactions>



## NCUA Proposes Rule Easing MBL Requirements

CUNA supports broadening NCUA's member business loan (MBL) rule to enable credit unions to participate more fully in additional government guaranteed loan programs. On April 17, the agency issued a proposed rule that would:

- ▶ Clarify the minimum capital requirements a federally insured corporate credit union must meet in order to make unsecured MBLs to its members other than member credit unions and corporate credit union service organizations (CUSOs). The modified provision would state that a corporates must maintain a minimum capital ratio of 4% or a different minimum capital ratio under special circumstances in order to make unsecured MBLs.
- ▶ Amend the definition of "construction or development loan" to include loans for renovating or developing property owned by a borrower for income-producing purposes.
- ▶ Revise the phrase "net worth" used in the MBL rule to be consistent with the definition of that phrase found in the Federal CU Act and in NCUA's prompt corrective action (PCA) regulation. Under the act and PCA regulations, secondary capital accounts are counted in the net worth of low income-designated credit unions.

 **CUNA Regulatory Advocacy**  
[http://www.cuna.org/reg\\_advocacy](http://www.cuna.org/reg_advocacy)

## Join Regulators For BSA Training

CUNA and the National Association of State CU Supervisors (NASCUS) are co-hosting a two-day Bank Secrecy Act (BSA) compliance training program in Alexandria, Va., June 21-22.

While many aspects of BSA are not new, the intensified regulatory atmosphere is changing the way regulators and financial institutions view BSA compliance, said CUNA's Kathy Thompson, senior vice president for compliance.

"The federal agencies plan to release some BSA questions and answers in May and examiner directives in June," she said. "BSA is the number one compliance issue facing credit unions today, and attendees will have the opportunity to discuss operational challenges with key agency personnel."

Visit CUNA's website for more information and to register. 

 **Bank Secrecy Act training**  
<http://training.cuna.org/elearning/webinar/bsa.html>

## NCUA Rule Guards Against ID Theft



The NCUA Board during its April 17 monthly meeting approved an amendment to the agency's existing requirements for security programs at federally insured credit unions designed to guard against the theft of members' personal financial information.

In 1999, Congress directed NCUA and the other regulators to develop standards to help insure the security and confidentiality of member records and information, protect against anticipated threats to record security and protect against unauthorized access to members' records.

NCUA is revising its security program requirements further to direct all federally insured credit unions to include provisions in their security programs to address unauthorized access to member information. NCUA is also issuing additional guidelines designed to help credit unions comply with these requirements.

The new guidelines emphasize that provisions should be included in the security program outlining the circumstances for notifying members who are the victims of identify theft of related information security breaches at their credit union.

The guidelines also address the delivery and content of such notices. They are intended to provide credit unions with flexibility to develop a risk-based approach. 

 **ID Theft Resources from CUNA**  
<http://www.cuna.org/initiatives/idtheft.html>



# >> Notes Bearing Interest

## Millions Hearing of CUNA Pre-K Financial Ed Effort

A radio outreach campaign promoting CUNA's "Thrive by Five" preschool financial education materials this month is reaching millions of consumers.

CUNA President/CEO Dan Mica taped interviews this month with 15 radio stations in major media markets, including Atlanta, New York, Philadelphia, Portland, Memphis, Buffalo, St. Louis, Washington, D.C., Indianapolis, and parts of Florida.

"The taped interviews and other media efforts are expected to reach a combined audience of at least 10 million con-

sumers," said Mark Wolff, CUNA senior vice president of communications. "In virtually every instance, we have been able to point parents to free materials on the CUNA website and emphasize this unique aspect of credit unions' commitment to youth financial education."

The "Thrive by Five" materials include eight activities parents can download at no cost to help teach their young children such concepts as waiting to spend money, how not to lose money, how money is



CUNA President/CEO Dan Mica conducts a radio interview via telephone from his Washington, D.C. office. (CUNA photo)

used to buy something, that when money is spent, it's gone, and that having fun or giving gifts does not have to cost money.

Visit the website for more information. 🏠

### Thrive by Five

[http://www.creditunion.coop/pre\\_k/index.html](http://www.creditunion.coop/pre_k/index.html)

## CUNA Knocks Bankers' Tax Day Stunt

Five reasons why credit unions' tax status remains justified today were faxed by CUNA on April 15 to all congressional offices in response to a banker stunt linking "tax day" to the credit union tax exemption.

CUNA released to the Hill "Truth of Credit Unions Stands Tall in Face of Banker Stunt on Tax Day," offering five reasons why the credit union tax exemption remains justified:

1. The structure of credit unions, unchanged since the tax exemption was extended originally;
2. Credit unions serve those of modest means at reasonable costs;
3. Services are offered to members, with fewer and/or lower fees;
4. 86 million members receive substantial benefits—more than \$6 billion a year in lower costs on loans and fees;
5. Large credit unions are the same as small credit unions in structure, mission.

The Independent Community Bankers of America emailed a one-page press release to all congressional offices attempting to link tax filings by consumers to credit unions' tax status—particularly large credit unions (those with more than \$1 billion in assets).

### BANK ATTACKS: CUs Fight Back!

[http://www.cuna.org/initiatives/bank\\_attack/index.html](http://www.cuna.org/initiatives/bank_attack/index.html)

## CUNA Names New CFO

Joanne M. Duncan has been named CUNA's new chief financial officer, effective May 9. She will direct and administer the association's overall financial plans, business policies and accounting practices.



Joanne Duncan

Duncan, a certified public accountant, most recently was senior vice president of education programs, information technology and strategic planning for America's Health Insurance Plans, where she oversaw non-dues revenue for the Washington-based health insurance trade association.

Duncan holds an MA in Taxation from George Mason University and a BA from Randolph Macon College.

## Newspaper Cites Bankers' 'Wonderful Life'

Most of the "big banks" are out with their first-quarter profits this week, and once again they are at record levels, as they were for much of last year, according to the *Washington Post* (April 20).

The article said that with new efficiencies, there haven't been corresponding benefits to consumer through lower fees and higher interest rates on deposits.

"The article points out what everyone on the Hill knows—the bankers cry poverty when

they visit lawmakers, and then pop the champagne corks when they return to their board rooms," said CUNA's John McKechnie, senior vice president of governmental affairs. "That's one of the reasons why their anti-credit union whining falls on deaf ears in Congress."

CUNA's Gary Kohn, vice president of legislative affairs, said, "The bankers are insatiable. They are not satisfied with record profits, they want all the profits!" 🏠



# >> The Innovators

## New Learning Program Saves Time, Training Costs

A new online learning program that designs the user's self-study path based on their personal competencies, knowledge, training and experience is now available from CUNA.



Called CU Advance, the program was developed by CUNA to aid credit unions in providing close training support to their staffs. Each module consists of five to six

short courses that use a blended learning approach that incorporates print, audio, video, web and instructor-led learning channels in the educational experience.

The learner will complete a variety of interactive exercises, virtual field trips, practice activities, simulations, case studies, and more traditional printed materials throughout each module to maximize comprehension and retention of the in-

formation. Community chat rooms are also available to interact with other users.

Prior to beginning a module, the learner may take a pre-test and based on the results, he or she can choose to follow the recommended courses or skip to the final exam. Upon completion, the learner receives credit, which is included in their online transcript.

The program currently offers three modules and will add additional modules throughout the year:

- ▶ Business Math: Lending and Credit;
- ▶ Math: Share and Deposit Accounts;
- ▶ Credit Union Sales; and
- ▶ Business Communication Skills.

For additional information and free demonstrations of CU Advance and CPDOnline, visit CUNA's website, call 800-356-9655, ext. 4072, or e-mail [elarning@cuna.coop](mailto:elarning@cuna.coop). 🏠

**CU Advance**  
[http://training.cuna.org/self\\_study/cuadvance.html](http://training.cuna.org/self_study/cuadvance.html)

[http://training.cuna.org/women\\_history\\_quiz.html](http://training.cuna.org/women_history_quiz.html)



RETURN SERVICE REQUESTED



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)  
 CUNA E&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045  
 Address Changes:  
 To get free instant e-mail delivery instead of regular mail, log on to [www.cuna.org](http://www.cuna.org) and click Permission E-mail Service. Create your profile and check the box for Newsletter - NewsWatch.  
 © Copyright 2005 Credit Union National Association, Inc. ISSN 0889-5597

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

FIRST CLASS TIME SENSITIVE MATERIAL

APRIL 25, 2005



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