



All Points Pursued in FOM Case

CUNA General Counsel Eric Richard in Washington, D.C., briefs league presidents via conference call last week about developments in the Utah field of membership court decision. (CUNA photo)

CUNA is pursuing every angle and approach to ensure that the Utah field of membership (FOM) court decision will have a limited impact on credit unions nationwide, as well as the credit unions and their members in that state, said CUNA President/CEO Dan Mica.

He was responding to a Dec. 9 U.S. District Court judge ruling in favor of banks, who challenged several NCUA-approved FOM expansions in Utah. The judge sent the approvals back to NCUA for reconsideration.

"We are carefully considering every avenue in this case, with our ultimate

goal of ensuring that credit union members and potential members continue to have access to credit unions, and that credit unions themselves are not prevented from safely and soundly providing services to their members, nor those who desire to become credit union members," Mica said.

CUNA is working with its partners in the legal case (including NCUA, the credit unions, the Utah League of CUs and the National Association of FCUs) to explore all options—including appeal of the judge's ruling, clarification from the judge of his >>

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CUs Get Bowl Game

The "America's Credit Unions" logo will be prominently displayed Jan. 22 on the football field—as well as on the players themselves—when the 2005 Hula Bowl Maui kicks off in Maui, Hawaii, under a agreement approved by the CUNA Board of Directors.



The Hula Bowl, a football game featuring college all-star players from across the nation, will include "America's Credit Unions" as a "presenting sponsor" of the game, which will be broadcast on the cable-TV sports network ESPN2 and on the Armed Forces Radio Network. The broadcasts are expected to draw about 3 million viewers and listeners.

Under the agreement, the "America's Credit Unions" logo will appear either mid-field or in the end zones, and as patches on the players' helmets and jerseys. Additionally, the game will be referred to by announcers as the "Hula Bowl brought to you by America's Credit Unions."

The agreement also provides for up to eight 30-second commercials for >>

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>> Legislative Affairs

Outlook Bright On Regulatory Relief

CUNA's John McKechnie believes success of regulatory relief depends on credit unions' ability to continue to build support for relief from both sides of the political aisle. CUNA will continue to stay in front of lawmakers advocating for credit union regulatory relief in the 109th Congress.

Legislation closely resembling the CU Regulatory Improvements Act of 2004 will emerge in the 109th.

"Credit unions developed a strong

base of support for credit union regulatory relief in the 108th Congress, and now our challenge is to solidify that backing," said McKechnie, senior vice president of governmental affairs.

The new Congress will likely feature a more market-driven, less public-sector oriented approach to business issues, and that works in favor of regulatory relief in general and credit unions' desire to have more flexibility in serving members and investing in particular, accord-

ing to McKechnie.

CUNA expects that Sen. Mike Crapo (R-Idaho) will continue work on a regulatory relief bill early in 2005. The House may pick up where it left off on regulatory relief, wait for a Senate bill or hold off until regulators suggest improvements for modernizing and streamlining current regulatory requirements. ■

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

Legislative Outlook Busy For 2005

The legislative outlook in Congress for 2005 looks to be busy with several existing and new issues anticipated on the congressional agenda.

Key issues CUNA expects to see in the 109th Congress include protecting credit unions' federal income tax exemption, reforming the bankruptcy, pension and deposit insurance systems, providing regulatory relief to credit unions and possibly creating a national standard to curb predatory lending practices.

Major priorities for President Bush that CUNA is monitoring are reforming the Social Security system and the federal tax code.

CUNA has no position regarding the administration's plans to offer partial privatization of Social Security accounts. But if Congress moves in that direction, it will work to ensure that credit unions may offer such accounts to their members.

"Possible forms for changing the tax code include creating a value added tax or a flat tax, providing for specific tax deductions or modestly modifying the tax code from its current form," explained CUNA's Gary Kohn, vice president of legislative affairs.

The 109th Congress convenes Tues., Jan. 4.

CUNA Grassroots Action Center
<http://capwiz.com/cuna/home>

CUNA Attends Tax Reform Talks

CUNA attended last week's White House Conference on the Economy, where Treasury Secretary John Snow repeated a phrase he used during February's 2004 CUNA Governmental Affairs Conference: "You always get less of anything you tax."

Snow moderated a panel about how taxes and regulations affect the economy, as well as their impact on

America's businesses and families. Panelists proposed no specific plans, but all agreed that the current U.S. tax code needs some measure of reform.

CUNA's President/CEO Dan Mica and Senior Vice President of Governmental Affairs John McKechnie attended the discussions, portions of which were presided over by President George W. Bush and Vice President Dick Cheney.

Mica pointed out that two-day conference was just the beginning of a long process. "The Bush Administration is putting forth ambitious and far-reaching economic proposals," said Mica. "It's important credit unions have a seat at the table and we're pleased to have been given the opportunity."

Snow indicated that the White House would move forward with its economic agenda by appointing a panel to review tax overhaul proposals and make recommendations about how to proceed. ■



During the White House conference, CUNA President/CEO Dan Mica (left) shares some insights about credit unions with Bob Davis, executive vice president and managing director, government relations for America's Community Bankers. (CUNA photo)



>> Regulatory Affairs

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order, or guidance from NCUA to credit unions at large about their own FOM expansion requests.

The case involves FOM expansions granted by NCUA in six counties for four credit unions in Utah. The credit unions in the case are America First FCU, Riverdale, Utah; Goldenwest FCU, Ogden, Utah; Tooele (Utah) FCU; and University of Utah FCU. The lawsuit was brought by the American Bankers Association, the Utah Bankers Association and individual Utah banks.

Those groups argued that NCUA acted “contrary to law” and “arbitrary and capricious” because it “failed to observe the language of the statute” and “violated NCUA’s own standards.”

According to the CUNA General Counsel Eric Richard, the judge’s ruling focused on NCUA’s decision-making process. He added it is still possible for NCUA to modify its process and reaffirm the FOM approvals.

Access *News Now* on CUNA’s website for updates. 🏠

 **CUNA News Now**
<http://www.cuna.org/newsnow>

No NCUSIF Dividend for CUs

The NCUA board decided Dec. 16 to maintain the National CU Share Insurance Fund (NCUSIF) normal operating level for 2005 at its present level of 1.3%, meaning credit unions won’t see a dividend for 2004.

The fund’s equity ratio for November was 1.28%. It is expected that after dropping to 1.26%, the ratio will return to 1.28% by March 2005—due to invoicing of an additional one percent deposit adjustment based on credit union growth through Dec. 31.

The most significant factor affecting the equity ratio is the change in insured shares; insured losses and income from investments are also important factors.

The board also approved Texas and Missouri member business loan (MBL) rules applying to their state chartered credit unions.

Adjustments to the Texas rule reflect recent changes to the NCUA’s MBL rule that NCUA issued last year and also includes the addition of a waiver process, a less restrictive approach to what counts towards the aggregate MBL limit and less stringent requirements of what needs to be in the written MBL policy.

Changes to the Missouri rule include a waiver process, a more liberal definition of aggregate MBL limit and relaxation of the requirement to obtain personal guarantees as security.

NCUA recognized that geographic differences justify variations from NCUA’s MBL rule and determined that the Texas and Missouri rules would not result in unacceptable risks to NCUSIF. The rules accomplish the overall objectives of NCUA’s MBL rule. 🏠



 **Regulatory Advocacy**
http://www.cuna.org/reg_advocacy

Up To Speed On FACT Act?

Field this compliance question from CUNA’s December issue of *Compliance Challenge*:

▶ **What score must a credit union disclose to mortgage applicants when it pulls a “tri-merge” report? All three scores? Or just the middle score?**

Find the answer to this and other compliance related issues on CUNA’s website. It’s free for affiliated credit unions. 🏠

 **Compliance Challenge**
<http://www.cuna.org/compliance>

▶ Flexibility Sought On FCU Bylaws

CUNA told NCUA that federal credit unions should have more options when it comes to their bylaws, including the ability to draft their own bylaws consistent with guidance provided by the agency.

In its comments to NCUA on Nov. 29 concerning ways to update, clarify and simplify the Federal CU Bylaws, CUNA urged the agency to consider a new approach to the bylaws allowing federal credit unions to draft their own as long as essential and necessary provisions, as determined by the agency, are included.

Specifically, CUNA recommended to the agency that it retain its current bylaw standards, along with the options NCUA has approved, and continue to permit federal credit unions to submit nonstandard bylaws for approval, if they wish.

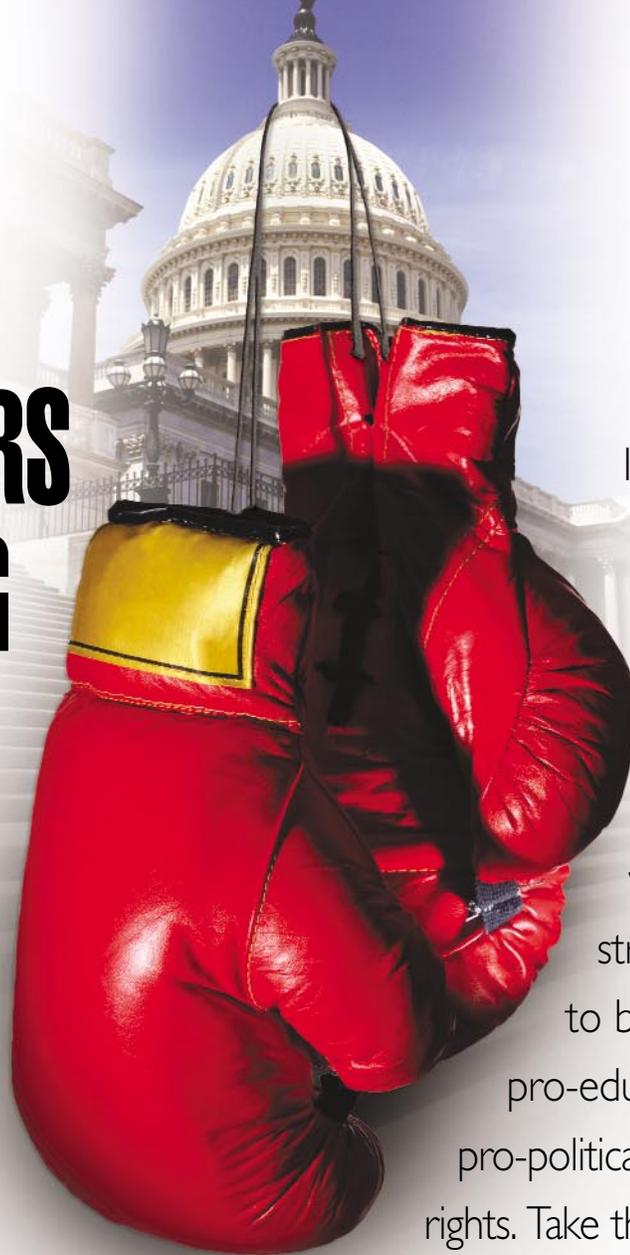
Additionally, however, CUNA recommended the bylaw drafting by federal credit unions follow the guidance that NCUA provides through a list containing specific issues and content requirements that a federal credit union must include.

CUNA said its recommendation recognizes that a sizeable group of federal credit unions, particularly smaller ones, may generally want to use the bylaws NCUA develops and thus be assured their bylaws conform to legal requirements.

 **Regulatory Advocacy**
http://www.cuna.org/reg_advocacy

THE BANKERS ARE TRYING FOR A TKO!

The gloves come off this February at the CUNA Governmental Affairs Conference (GAC) in Washington, DC. Heavyweight bankers are sparring for an advantage over America's credit unions...and you can be a part of the defense.



In past rounds, we have made significant points politically, but credit unions can't let up — we must use our strength in numbers to be pro-active... pro-educational...and pro-political. Exercise your rights. Take the initiative, deliver a one-two punch, and send a strong message. Register today.

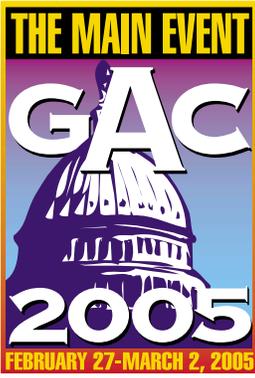


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GAC2005


CUNA
Credit Union
National Association



Register today

STEP 1: Hotel Reservations (see below)

STEP 2: Conference Registration (next page)

HOTEL RESERVATIONS

Housing opens November 16, 9:00 a.m. EST

ONLINE HOTEL ROOM RESERVATIONS AVAILABLE

Visit www.cuna.org, click on GAC 2005 and click on Housing Information/Reservations — 24 hours a day, 7 days a week — starting November 16 at 9:00 a.m. EST. This will link you to the CUNA Housing Bureau web page. Once on the web page, just follow each easy step.

OR

Call **800-492-7886** Monday through Friday from 9:00 a.m. – 5:00 p.m. EST, starting November 16.

- A \$200 per room deposit, payable by major credit card is required for **ALL** reservations at the time of booking. A \$50 per room cancellation fee will be charged for all cancellations at any time.
- Your credit card will be charged immediately, and the room confirmation will come directly (via e-mail) from the Housing Bureau.
- Your initial method of payment for your deposit cannot change at a later date. If it does for any reason, it will be considered a cancellation and a \$50 fee will be charged.
- Hotel rates listed are subject to a 14.5% sales tax.
- FAX RESERVATIONS ARE **NOT** ACCEPTED ON OPENING DAY, NOVEMBER 16 ONLY. After that day, you can fax your reservation to: 847-940-2386.
- A limit of 10 room reservations per call will apply to all hotels.
- To give more credit unions the opportunity to stay at the conference headquarters, under no circumstances will any one group be allowed to book more than 10 rooms at the Hilton Washington & Towers regardless of how many calls or online reservations are made.
- Any cancellation made prior to or on Tuesday, January 4, should be directed to the CUNA Housing Bureau and will be charged a \$50 per room cancellation fee. The remaining deposit of \$150 will be refunded.

HOTEL A:

Conference Headquarters
Hilton Washington & Towers
 1919 Connecticut Ave., NW
 Hotel: \$189/Single
 \$219/Double
 Towers: \$307/Single
 \$327/Double

HOTEL B:

Capital Hilton*
 16th & K Streets
 Hotel: \$193/Single
 \$219/Double

HOTEL C:

Courtyard by Marriott
 1900 Connecticut Ave., NW
 Hotel: \$173/Single
 \$189/Double

HOTEL D:

The Jury's Normandy Hotel
 2118 Wyoming Ave.
 Hotel: \$148/Single
 \$163/Double

HOTEL E:

Omni Shoreham Hotel*
 2500 Calvert St., NW
 Hotel: \$187/Single
 \$207/Double
 \$227/Triple
 \$247/Quad

HOTEL F:

**The Churchill Hotel
 (formerly Sofitel)**
 1914 Connecticut Ave., NW
 Hotel: \$160/Single
 \$160/Double

HOTEL G:

**Marriott Wardman Park
 Hotel***
 2660 Woodley Rd., NW
 Hotel: \$214/Single
 \$214/Double
 \$244/Triple
 \$274/Quad

* Shuttle bus service will be provided between these hotels.

When making your room reservations either by phone, online or fax, please be ready with the following information:

- | | |
|---|---|
| 1. Name of conference—CUNA's Governmental Affairs Conference | 7. Names of all occupants in room |
| 2. 1 st , 2 nd , and 3 rd choices of hotels listed above | 8. Arrival time |
| 3. Arrival and departure dates | 9. Credit card type, name on credit card, number, and expiration date |
| 4. Number of rooms required | 10. Individual's organization |
| 5. Type of room needed—single or double, smoking/non-smoking | 11. Address of each person |
| 6. Number of persons staying in room | 12. Telephone number of each person |
| | 13. Fax number of each person |
| | 14. E-mail address for each person (required for confirmations) |

Continuing Professional Education (CPE) Credits

CUNA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State Boards of Accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Nashville, TN 37219-2417. Telephone: 615-880-4200. Web site: www.nasba.org.

CPE Credits: You can earn 15 CPE credit hours for the GAC.

CAPITOL HILL VISITS

CAPITOL HILL VISITS ARE AN IMPORTANT PART OF THE GAC EXPERIENCE. BE SURE TO JOIN YOUR CREDIT UNION COLLEAGUES IN "HIKING THE HILL" ON WEDNESDAY, MARCH 2.

GAC CONFERENCE REGISTRATION FORM — February 27 - March 2, 2005

Attendee's legal name _____
 Name preferred on badge _____
 Title _____

Check One: Credit Union Staff League Staff Credit Union Director
 League Director Other

PLEASE NOTE: Those leagues or organizations registering attendees (e.g., directors) must provide the attendee's CU name and CU address.

CU name _____
 CU mailing address _____
 City _____ State _____ Zip _____
 CU phone number (_____) _____
 CU fax number (_____) _____
 E-mail (required) _____
 (Important confirmation and program information will be sent electronically.)

CUNA/LEAGUE AFFILIATED:

Yes No

Please note: Affiliation with CUNA/League is required for attendance, but limited exceptions may apply. Please contact CUNA prior to making travel arrangements to confirm eligibility.

FOR DIRECTORS AND VOLUNTEERS ONLY:

(Provide the following to have program information mailed to your home.)

Home mailing address _____
 City _____ State _____ Zip _____
 Home phone number (_____) _____

IN CASE OF EMERGENCY, please contact:

Day contact name _____
 Day phone (_____) _____
 Night contact name _____
 Night phone (_____) _____

Check here if you have a disability that requires special services.
 Check here if this is your first CUNA Governmental Affairs Conference.

If CUNA requires more registration information, who may we contact?

Name _____
 Telephone _____ Fax _____
 E-mail (required) _____

CPE CREDITS:

Check here if you are interested in receiving CPE credits.

SPOUSE/GUEST INFORMATION:

Guest full name (As preferred on badge—only if attending conference.)

Guest mailing address Home CU

Street _____
 City _____ State _____ Zip _____

E-mail (required) _____
 (Important confirmation and program information will be sent electronically.)



REGISTRATION INFORMATION

PAYMENT AND FEES:

Postmarked by January 21 \$729 \$779
 Postmarked after January 21
Conference Registration Fee \$729 \$779
 GACDC05

Spouse/Guest Program

GASDC05
 Tours & Social Events \$325 \$350
 Social Events ONLY \$225 \$250

Total amount enclosed \$ _____

TAX EXEMPTION/ CONFERENCE AIRLINE:

Federal credit union tax exemption information and airline discount procedures will be sent with confirmation.

SUBSTITUTION/REFUND POLICY:

Substitutions will be accepted and refunds will be issued until February 11, 2005, minus a \$75 administration fee. All cancellations and substitutions must be submitted in writing either by fax 608-231-4327 or e-mail at gacinfo@cuna.com. No refunds will be issued after February 11, 2005.

CONFIRMATION:

Upon receipt of your registration, a confirmation letter will be sent to your attention via e-mail. Please allow up to five business days to receive this information. Spouse/guest program registrants will also receive a confirmation letter via e-mail.

FOR MORE INFORMATION:

For registration information, call 800-356-9655, ext. 5700, or e-mail gacinfo@cuna.com. For specific program information, visit www.cuna.org and look for GAC 2005, or call 800-356-9655, ext. 6763.

THREE WAYS TO REGISTER

FAX: 608-231-4327

Charge \$ _____ to my Visa MasterCard
 Credit card # _____ / _____ / _____ / _____
 Expiration date _____
 Print name as it appears on card: _____
 Signature _____

MAIL:

Mail registration form with payment to:
 Credit Union National Association, Inc.
 P.O. Box 78546, Milwaukee, WI 53278-0546
 Payment MUST be sent at the time of registering. Checks payable to Credit Union National Association, Inc.

WEB SITE:

Visit www.cuna.org. Look for GAC 2005.

FOR OFFICE USE ONLY:

12

Customer # _____
 Parent # _____
 Authorization _____
 Order # _____
 Confirm date _____

Please be advised that CUNA reserves the right to photograph any and all program attendees and guests during program activities and meetings and reprint such photographs, in whole or in part, for future CUNA promotional uses.



>> Notes Bearing Interest

Brand Shifts Attitudes About CUs

Northern Nevada credit unions' second year of cooperative advertising has shifted public perceptions away from banks and towards credit unions, according to a new public awareness survey. It also has increased the number of consumers who would consider joining a credit union.

The survey, conducted in Northern Nevada this fall, tested the advertising campaign's effect in public awareness. The campaign, funded by and coordinated by nine Nevada credit unions in partnership with the California and Nevada CU Leagues, alternated the use of "Public Education," "Comfort Zone," and "Switch" series of the National CU

Brand series of ads.

In the follow-up survey funded adapted from a 2000 benchmark survey, the percentage of consumers who are not currently members of a credit union but who say they'd consider joining one increased to 39% from 25% in the initial survey in 2000.

Consumers who associated positive characteristics to credit unions also increased and their perceptions of services offered by credit unions, compared with banks, shifted significantly. Consumers who associated "returning earnings to users" and "low rates" with credit unions more than

tripled since 2000.

Strata Research, a subsidiary of San Diego-based Directions in Research Inc., conducted the survey. ▲



Mica Observes Ukraine Elections, Welcomes Reforms

Election reforms by the Ukraine parliament should be helpful to curtailing many of the voting abuses in the presidential runoff elections in that former Soviet republic this month, observed CUNA President/CEO Dan Mica.

Mica traveled to the Ukraine the weekend before Thanksgiving as part of a delegation by the U.S. Association of Former Members of Congress, under the direction of the U.S. Agency for International Development and the U.S. State Department.



Dan Mica

"The reforms passed by parliament, particularly those restricting absentee voting—which was widely abused during the Nov. 21 election—should be very helpful in ensuring a more fair election," Mica said. "That, and the fact that world attention and more election observers will be watching the Dec. 26 elections intently," Mica noted that virtually all official international observers, except Russia, found that the Nov. 21 balloting was neither free nor fair.

Mica said he considered it an "honor and privilege" to be involved as an observer in the Ukraine elections.

Joining Mica in his party of observers were the former: Sen. Joe Tydings (D-Md.); Sen. Larry Pressler (R-S.D.); Rep. Jay Rhodes (R-Ariz.); and Rep. Bob Schaeffer (R-Colo.). As a five-term member of Congress representing his home state in Florida from 1979 to 1989, Mica served on the House Foreign Affairs Committee, and chaired a review panel on the Ukrainian famine.

The CUNA leader said he has been asked to return to observe the Dec. 26 election, but he has not yet decided if he can do so. ▲

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CUs Get Bowl Game

America's Credit Unions to be aired on television during the broadcast.

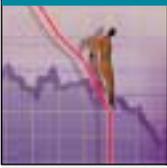
According to CUNA President/CEO Dan Mica, the exposure of the credit union brand before the millions in the television and radio audiences is a potentially significant boost to the recognition of credit unions.

"In innovative ways such as this, CUNA is striving to bring the image and ideas of credit unions before consumers so they more easily and clearly recognize the credit union difference," said Mica.

In exchange for the branding and sponsorship, CUNA has agreed to help support fundraising activities in support of the Hula Bowl, although CUNA has no financial obligation. For example, credit unions could help raise funds to sponsor Hula Bowl football players from their communities. Individual leagues will be working with credit unions in their states to coordinate fundraising activities.

The agreement between CUNA and the organizers of the Hula Bowl is for up to three years.

National CU Brand
http://www.cuna.org/initiatives/cu_brand



>> The Marketplace

Small CU Staff Turnover Plummetts

Credit union staff turnover rates—particularly for front-line personnel—are the lowest they have been in recent years, according to the latest CUNA survey.

Overall, full-time turnover or replacement rate of staff dropped to 13% in 2003 from 18% in 2002, according to the recently released *2004 Small CU Staff Salary Survey*. The survey is designed for use by credit unions with less than \$20 million in assets.

Turnover of front-line staff (including tellers, member service representatives and cashiers) had stayed fairly static at about 28% from 2000 to 2002. However, it plummeted to 18% in 2003. This figure is even lower than the average front-line turnover rate of 22% among all credit unions with \$1 million or more in assets.

The survey analyzed full-time, front-line positions at small credit unions in 2003. Among its findings:

▶ The 29% replacement rate for front-line personnel working at credit unions for an average salary of \$15,000 to \$19,999 was down from 38% the year before;

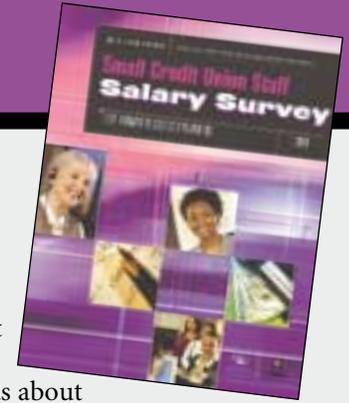
▶ The replacement rate for front-line personnel working at credit unions for an average salary of \$20,000 to \$24,999 was about 16% in 2003, down from 22% in 2002; and

▶ There was only an 8% replacement rate (compared with 6% in 2002) for front-line staff working at credit unions where they are paid an average of \$25,000 or more.

In addition to base salaries and ranges, the report details the average incentives, bonuses, and total cash compensation for the 14 full-time positions most commonly found in small credit unions. It also includes hourly wage and variable-pay data for eight part-time positions.

This report is provided in a money-saving PDF format. For more information or to order CUNA's *2004 Small CU Staff Salary Survey*, visit CUNA's website, or call 800-356-8010, press 3. Refer to stock #25733P. 📄

2004 Small CU Staff Salary Survey
<http://buy.cuna.org/detail.php?sku=25733P>

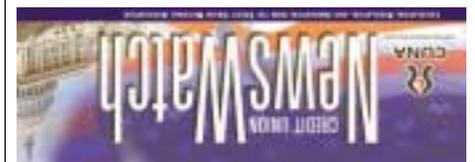


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Published 23 times per year by Credit Union National Association, Inc.,
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Editorial: (202) 508-6767 • Editorial Fax: (202) 638-7716 • newswatch@cuna.coop
CUNA E&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045
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FIRST CLASS TIME SENSITIVE MATERIAL