

FCUs Get \$9 Million Back



During the Nov. 18 monthly meeting, NCUA Board Chairman JoAnn Johnson (left) and Board Member Debbie Matz discuss the agency's operating fee structure with NCUA Chief Financial Officer Dennis Winans. (CUNA photo)

The NCUA board concluded a busy meeting Nov. 18, approving a \$9 million refund to federal credit unions, a 1.29% budget decrease for 2005, a reduced overhead transfer rate of 57%, a final rule to further protect against identity theft, a proposed rule updating its lending regulations and establishing an Office of Small CU Initiatives.

CUNA supports the NCUA's budget actions and has long advocated containment of costs and increased accountability to credit unions on how credit union dollars are spent.

"Through its actions, the board is clearly striving to hold down expenses while ensuring adequate resources to

meet safety and soundness obligations," said CUNA President/CEO Dan Mica.

"We commend the board for refunding operating fees, bringing the staff numbers in line with the proper level of credit union supervision required and taking action for small credit unions," Mica added.

\$9 Million Refund to Credit Unions

The one-time \$9 million refund to federal credit unions is the result of excess cash not used during the operating cycle for the agency in 2004.

Federal credit unions will receive a refund for the operating fee paid in 2004, approximate-

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CUs Make Most of 'Lame Duck' Session

CUNA and state leagues are making the most of the "lame duck" session of Congress to meet with new members, cement relationships with those re-elected, and maintain close contacts with the leaders on both sides of the aisle.

During a New Democrat Network (NDN) event hosted at the Washington home of U.S. Sen. Mary Landrieu (D-La.), CUNA staffers met with a number of new and continuing members of Congress. Among those attending the NDN event were Sen.-elect Ken Salazar (D-Colo.), Sen.-elect Barack Obama (D-Ill.), Sen. Tom Carper (D-Del.), Rep. Jane Harman (D-Calif.), and Rep. Ruben Hinojosa (D-Texas).

CUNA's Gary Kohn, vice president of legislative affairs, said CUNA's membership in the NDN gives credit unions greater exposure to the centrist wing of the Democratic Party.

"This gives us the ability to discuss issues of importance to credit unions in more intimate and meaningful settings," said Kohn. "This particular event was a way to welcome new members that we supported to Congress and assure them of our interest in continuing to work together."

Salazar acknowledged that the Colorado CU League and its credit unions played a very

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Congress Wraps-Up With CU Funding

Congress was expected to pass a fiscal year 2005 omnibus appropriations bill on Nov. 19 to fund a variety of domestic and international credit union programs in the coming year. CUNA and the World Council of CUs Inc. (WOCCU) worked together, along with a related coalition, to enhance funding for some of these credit union programs.

Final microenterprise funding for the U.S. Agency for International Development (USAID) was expected at \$200 million.

CUNA and WOCCU successfully encouraged congressional negotiators to include language in the statement of managers for the omnibus bill that would shift \$30 million of the microenterprise funding to the central office in USAID.

In recent years, the central office at USAID faced severe funding cuts, as low as \$7.8 million in fiscal year 2004. CUNA and WOCCU believe that restoring the budget of the central office will ensure greater opportunities for WOCCU and other

non-government organizations to compete for new project funding.

Additionally, Congress was expected to establish the Central Liquidity Facility cap at \$1.5 billion. For the Community Development Revolving Loan Fund, Congress was poised to allocated \$1 million—a cut of \$200,000 from fiscal year 2004.

At press time on Friday, a final spending level had not yet been set for the Community Development Financial Institutions Fund. The House recommended funding the program at \$60.64 million; whereas, the Senate wanted it at \$55 million.

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important role in his election, noted Kohn.

Also last week, CUNA lobbyist Katie Herberger attended a reception at the home of House Minority Leader Nancy Pelosi (D-Calif.) to meet both new Democratic members of Congress and continuing Democratic members of the House.

Among those attending were Reps. Robert Matsui (Calif.) Joe Crowley (N.Y.), Brad Sherman (Calif.), Mike Honda (Calif.), Rick Larsen (Wash.), Dave Obey (Wis.), and Rep.-elect Allyson Schwartz (Pa.).

Schwartz thanked Herberger for credit unions' support during the campaign.

Political Involvement
http://www.cuna.org/gov_affairs/political/index.html



CUNA's Gary Kohn (left) talks about credit unions with Sen.-elect Ken Salazar (D-Colo.) at the New Democrat Network event last week in Washington. (CUNA photo)

Congressional Leaders Are Strong CU Supporters

Senate Democrats last week chose Sen. Harry Reid (D-Nev.) to succeed Sen. Tom Daschle (D-S.D.) as their new minority leader for the 109th Congress, which convenes in early January. Sen. Richard Durbin (D-Ill.) will be the Democratic whip.



“While credit unions have lost a good friend in former Minority Leader Tom Daschle, we are glad that the new Senate leadership, with Harry Reid and Dick Durbin at the top, are strong credit union supporters,” said CUNA's Gary Kohn, vice president of legislative affairs and senior legislative counsel. “We look forward to continuing our efforts together in the 109th Congress.”

There were no leadership changes to House Republicans or Democrats, nor to the Senate Republican Leadership.

“We have had enthusiastic support from these leaders in the past and have every expectation that they will continue their strong support of credit unions, including maintaining the credit union tax exempt status,” said Kohn. 📧

CUNA Legislative Affairs
http://www.cuna.org/gov_affairs/index.html



>> Regulatory Affairs

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ly 15% of the amount they paid. NCUA will send pre-notification letters to federal credit unions on Nov. 24, indicating how the agency will pay the refund.

The federal credit union can receive the refund via electronic fund transfer or paper check by mid-December.

► Spending Falls by 1.29%

The NCUA board approved a final 2005 budget representing a 1.29% decrease over the 2004 budget. CUNA offered several recommendations to improve the NCUA budget during the agency's budget briefing in October.

NCUA Board Chairman JoAnn Johnson indicated the final budget for fiscal year 2005 (totaling \$147,996,144) incorporated the input of the various stakeholders that offered information during the agency's October 2004 public budget meeting.

► Overhead Transfer Rate

The NCUA board unanimously approved the reduction of the overhead transfer rate (OTR) from 59.8% in 2004 to 57.0% for 2005. The decline in the rate is primarily due to a decline in the level of insurance-related work that was reported by examiners in a recent survey.

NCUA Chairman JoAnn Johnson stated that the formula used to calculate the OTR developed in 2003 has been a great first step to ensure that the OTR is set as objectively as possible. There have been no major changes to the methodology since that time.

► New ID Theft Protections

A final rule was approved concerning the proper disposal of consumer information derived from consumer reports, in accordance with the FACT Act and the Fair Credit Reporting Act.

NCUA Board Chairman JoAnn Johnson noted that the new requirements of this final rule should not be burdensome for credit unions given that they are already obligated to dispose properly of member information.

Compliance will be required by July 1, 2005. Federal credit unions will have until July 1, 2006, to amend contracts with serv-

ice providers to incorporate the necessary requirements regarding the proper disposal of consumer information.

No specific methods for disposal will be required but once disposed, records should be unreadable, such as by shredding or other means. As for computer-based records, credit unions will need to note that residual information often remains after data is erased and additional methods may be needed to dispose of the information.

► Three Lending-Related Regs Codified

The NCUA board issued for a 60-day comment period a proposed rule that will revise the agency's lending regulations to incorporate a number of Office of General Counsel interpretations regarding loans guaranteed under state or federal loan guarantee programs, mobile homes and manufactured homes.

► Small CU Office Established

NCUA established the Office of Small CU Initiatives in an effort to bolster its small credit union initiative and acknowledge the important role that small credit unions play in the lives of their members and communities.



CUNA's Mary Dunn, senior vice president of regulatory advocacy, and NCUA Board Member Debbie Matz after the November monthly NCUA Board meeting. (CUNA photo)

The office will reassign existing resources and positions to the Office of CU Development, which was renamed the Office of Small CU Initiatives. These resources will be devoted to focusing on small credit unions and their unique safety and soundness concerns.

Board Member Debbie Matz proposed the office to help small credit unions "survive and thrive." She noted that many small credit unions are in neighborhoods where there are no other insured financial institutions, they provide alternatives to predatory lending and they serve people of modest means. ☛

 **CUNA Regulatory Advocacy**
http://www.cuna.org/reg_advocacy/index.html

CU Exec Named to Fed Council

The Federal Reserve Board last week announced six new members of its Thrift Institutions Advisory Council, including Jeffrey Farver, president/CEO of San Antonio FCU. CUNA nominated Farver to serve on the panel.

The council is an advisory group made up of twelve representatives from thrift institutions. The panel was established by the Federal Reserve Board in 1980 and includes members from savings and loans, savings banks and credit unions.

"Jeff will join Eldon Arnold, president/CEO of Citizens Equity First CU in Peoria, Ill., and together we have every expectation that they will provide exceptional representation for credit unions to the council," said CUNA President/CEO Dan Mica.

Farver begins his duties on the council on Jan. 1. He will replace Olan Jones, president/CEO of Eastman CU in Kingsport, Tenn.

The council meets three times each year with the Board of Governors to discuss developments relating to thrift institutions, the housing industry, mortgage finance and certain regulatory issues.

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STEP 2: Conference Registration (next page)

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

- 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.
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- 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.
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HOTEL C:

Courtyard by Marriott
 1900 Connecticut Ave., NW
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 \$189/Double

HOTEL D:

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 Hotel: \$148/Single
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HOTEL E:

Omni Shoreham Hotel*
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 \$227/Triple
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* Shuttle bus service will be provided between these hotels.

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7. Names of all occupants in room
8. Arrival time
9. Credit card type, name on credit card, number, and expiration date
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13. Fax number of each person
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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:

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

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Name _____
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SPOUSE/GUEST INFORMATION:

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

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GASDC05
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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.

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 Payment MUST be sent at the time of registering. Checks payable to Credit Union National Association, Inc.

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 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

Campaign Schools Put CU Friends In Office

CUNA's Campaign Schools are the latest manifestation of how central the credit union movement is becoming to the political process in every state. The schools helped put three credit union friends in local elective offices this election cycle.

"I truly believe that your seminars helped me 'blend in' with the pros," said Sharon Frederick, who won a seat on the State of Nevada Board of Education with 70% of the vote. "I didn't feel like such a novice."

Iowa's Bob Kressig, chairman of John Deere Community CU in Waterloo, was elected to the Iowa State House with



Bob Kressig

slightly more than 50% of the vote, with the Iowa CU League heavily weighing in with support. Electing a credit union leader to the Iowa Legislature has been a vision of the Iowa CU League since they narrowly defeated legislation imposing a tax increase in 2003. "With several practicing bankers in the Iowa Legislature willing to disadvantage credit unions, it was essential for credit unions to work hard to elect candidates who favor our industry," said Justin Hupfer, the league's vice president of government affairs and internal counsel.

In addition, Betty Ireland, who participated in the CUNA Campaign

Schools, was elected West Virginia's Secretary of State.

"The success of this year's batch of campaign schools is not surprising given the quality of the programs and the active engagement of league and credit union people. What is surprising, however, is how quickly the schools are paying dividends," said CUNA's John Mckechnie, senior vice president of governmental affairs.

The campaign schools (14 schools held in eight states this cycle) teach candidates about writing campaign plans, fundraising, developing a message and Getting Out the Vote. 🏠

Political Involvement

http://www.cuna.org/gov_affairs/political/index.html

Sound-Off on NCUA's FCU Bylaws Proposal

The NCUA Board is requesting comments on ways to update, clarify, and simplify the federal credit union bylaws. The changes would be limited to specific areas.



own bylaws, without NCUA approval, as long as the bylaws meet requirements set by NCUA and include necessary provisions.

To view the bylaw changes and to generate comments on NCUA's bylaws proposal, CUNA has again revived "Operation Comment." This site is designed to provide credit unions and leagues with resources to review the proposal and help develop their responses.

Comments are due by Nov. 29. 🏠

Operation Comment

http://www.cuna.org/reg_advocacy/member/operation_comment/index.html

Take the Compliance Challenge

Question: Will credit unions have to comply with Fair and Accurate Credit Transactions Act (FACTA) provisions that require regulations if the agencies have not yet finalized those regulations in December?

Answer: There are many provisions that are scheduled to become effective on Dec. 1 and some on Dec. 4 (as required by statute to become effective one year from enactment). However, it will be impossible for credit unions to comply with some of these requirements since they are still waiting for a number of implementing regulations.

CUNA and other trade associations have requested that the NCUA, Federal Trade Commission and the banking regulators coordinate a formal announcement to clarify that compliance with FACTA provisions that are subject to agency rulemaking is not required until the compliance date specified in final regulations adopted by the designated agencies.

CUNA has also requested that the agencies state that they recognize the compliance difficulties posed by the Dec. 1 effective dates and that they will take these difficulties into account in considering whether to bring enforcement actions under these provisions.



CUNA Compliance Resources

<http://www.cuna.org/compliance/index.html>



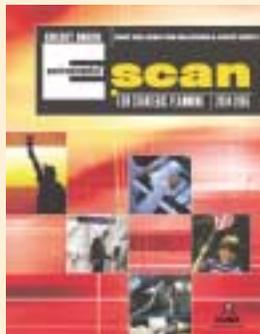
>> The Innovators

Healthy Increases in CU Lending Predicted

Gradually rising interest rates should spell more healthy returns for credit unions during the next 18 months, but credit unions will need to find innovative lending strategies to attract borrowers, says an updated economic forecast from CUNA.

The forecast also predicts that loan growth increases—12% this year and 10% in 2005—will shrink credit union investment portfolios, since savings will grow by only 6% this year and 7% in 2005.

As widely expected, Federal Reserve policymakers voted Nov. 10 to increase the fed funds target rate, an overnight



bank lending rate, by another quarter percentage point—to 2%. It was the fourth rate increase this year, which means credit unions will see increased pressure on their bottom lines, according to CUNA Chief Economist Bill Hampel.

When the fed first began its hikes in July, Hampel noted that a 25-basis point change

in one meeting doesn't do much to credit unions' bottom lines. However, he said, a cumulative effect of several such increases would place upward pressure on rates credit unions pay on certificates of deposit and money market accounts. The cumulative effect also would automatically adjust home-equity loan rates

tied to the prime rate, and new- and used-car loan rates would drift up.

These and other observations for the economy and credit union outlook; anticipated use of Health Savings Accounts (HSAs); the credit union advantage; matriculas and regulatory relief are covered in the first periodic update to CUNA's 2004-2005 CU Environmental Scan (E-Scan), recently e-mailed to credit union and other E-Scan purchasers.

For more information or to purchase 2004-2005 E-Scan resources, visit CUNA's website or call 800-356-8010, press 3 and ask for stock number 23118-NW.

2004-2005 CU Environmental Scan
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