

CUNA Connects at Conventions

CUNA Vice President of Political Affairs Richard Gose (right) converses with Tennessee State Senate Republican Leader Ben Atchley, a member of the state's delegation, on the floor of Madison Square Garden during the Republican National Convention in New York. (CUNA photo)

Just as with the Democrats in Boston earlier this summer, CUNA and an entourage of state leagues, corporates, and credit unions mixed and mingled with attendees of the Republican National Convention (RNC) in New York City.

During the five-day event, CUNA's mission included gathering information on key issues of importance to credit unions, communicating credit unions' concerns about vital issues to lawmakers, and raising the profile of America's credit unions with members of Congress and state legislators.

CUNA and credit unions have been

involved in these events since 1988, pointed out John McKechnie, CUNA senior vice president of governmental affairs. "It's an opportunity to rub elbows with the leaders of both political parties during a time when people are more relaxed," he said.

During the convention, CUNA staffers participated in nearly 50 receptions, roundtables, and luncheons—many of which CUNA co-sponsored—including one for the House Financial Services Committee and another for the entire Tennessee delegation. >>

▶ See page 6

GAO Questions Need for Secondary Capital

The Government Accountability Office (GAO) released a study last week on credit union capital entitled "Credit Unions: Available Information Indicates No Compelling Need for Secondary Capital."

GAO recognized credit unions have expressed concern about the constricting effects of prompt corrective action (PCA) rules. "Despite these concerns," the GAO said, "available indicators suggest that the credit union industry has not been overly constrained as a result of the implementation of PCA." GAO said that as a group, credit unions are well capitalized.

GAO also raised the issue of who would purchase secondary capital instruments. "While outside investors would provide market discipline, this would raise concerns about the potential impact on the member-owned, cooperative structure of credit unions," the report stated. "Inside investors, however, could impose less discipline and raise systemic risk concerns if it resulted in a situation where weaker credit unions could bring down stronger credit unions due to secondary capital investments."

CUNA agrees that, for now, the majority of credit unions are not affected by PCA net worth >>

▶ See page 2

Inside

2 | Congress Is Back

Bankruptcy reform and regulatory relief might be long shots.

3 | Expanded Business Lending Supported

But the regulation needs more, says CUNA

6 | Get-Out-The-Vote Needs Sweat

New tools are critical in helping credit union members vote.

7 | Credit Union Ads Run Inside Beltway

The latest ad features letters from both presidential candidates.



Bankruptcy, Reg Relief Are 'Long Shots'

The fall legislative session for Congress is underway and finishing the fiscal year 2005 appropriations bills tops the priority list of work to complete.

The focus is to wrap up the year in early October in order to prepare for the November elections, says Gary Kohn, CUNA's vice president of legislative affairs and senior legislative counsel. Whether Congress returns after the election for a lame duck session is still up in the air, he said.

Congress must pass the 13 federal appropriations bills before adjourning for

the year, or pass a continuing resolution funding the federal government until it returns.

For credit unions, bankruptcy reform and regulatory relief are considered "long shots," said Kohn. However, CUNA continues to look for ways to get around the lack of floor time in the Senate for bankruptcy.

Sen. Michael Crapo (R-Idaho) requested comments from the industry on the financial services regulatory relief legislation he is crafting. Crapo may introduce a consensus bill this year, which

would be used as a launching pad for regulatory relief next year.

On the tax front, there is talk of completing some broad tax bills this year in which individual development account provisions may be attached.

"We will continue distributions of 'Straight Talk' on our individual congressional visits as well as through Hike the Hills this month," Kohn advised. CUNA anticipates nearly all 50 states will be taking part in its "National Hike the Hill Month" in September. ☙

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

▶ From page 1

GAO Report

requirements.

"However, upward of 15% of well-managed, well-capitalized credit unions are now sufficiently close to the PCA net worth cutoffs to be concerned that they could run into PCA issues in the mid- to near term," said CUNA President/CEO Dan Mica.



Brad Sherman

Rep. Brad Sherman (D-Calif.), who among others requested the GAO to study credit union capital issues, thanked the GAO for its work but said the report is "by no means the last word on the issue."

Sherman pledged to continue working with his colleagues on the House Financial Services Committee as well as credit unions to address the capital needs.

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

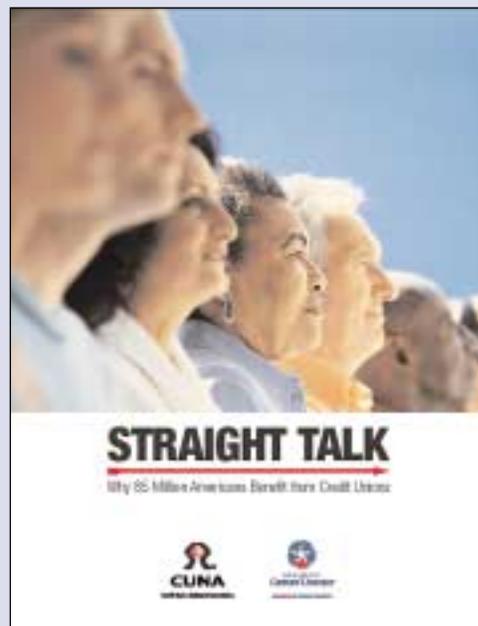
'Straight Talk' Hardcopies Now Available

Credit unions now can order full-color, glossy reproductions of CUNA's new "Straight Talk" booklet. This option is in addition to the free downloadable pdf format available on CUNA's website.

Unexpected demand for high-quality, printed copies prompted the additional printing of the booklet, which presents the real facts about credit unions in answer to bankers' misstatements, innuendo, and outright fallacies about credit unions, according to CUNA President/CEO Dan Mica.

The booklet also will be distributed during CUNA's National "Hike the Hill" this month, when more than 1,000 credit union representatives will visit Washington and carry their message to the Hill.

To order printed copies of "Straight Talk," or to download free, visit CUNA's website. To order by phone, call 800-356-8010, press 3, and ask for stock #26243-NW



"Straight Talk"
<http://buy.cuna.org/detail.php?sku=26243>

Expanded Business Lending Supported

Changes to NCUA's proposed rule on member business loans (MBLs)—designed to clarify the rule's impact and to include all federally insured credit unions under all aspects of the rule—have been suggested by CUNA in its comment letter to the agency.

Noting that it strongly supports the rule, and urges adoption, CUNA told NCUA that it should take two additional

steps. First, CUNA urged the agency to “make it clear” that the new authority outlined in the proposal applies to the Small Business Administration's 504 and 7(a) Loan Programs.

Second, CUNA urged the agency to roll into the regulation a recent legal opinion on MBLs that states loan maturity limits, usury ceiling, and prepayment penalties are terms of Small Business Ad-

ministration's (SBA) lending programs, and thus federal credit unions may rely on SBA's rules in these areas.

CUNA told NCUA that it agrees with the analysis of the opinion, but not the scope, and urged NCUA to broaden the rule to include all federally insured credit unions. ■

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

SEC Proposal on CU Exemption Supported

CUNA's Brokerage Activities Task Force (BATForce) Chairman Juri Valdov praised the proposed Regulation B developed by the Securities and Exchange Commission (SEC) but suggested some changes as well.

The proposal would implement provisions of the Gramm-Leach-Bliley Act regarding exemptions for commercial banks from broker requirements under the Securities and Exchange Act of 1934. Despite the fact that Congress did not direct them to do so, at the request of CUNA and others, the proposal provides limited exemptions for credit unions, among other provisions.

“If the SEC does not adopt this regu-

latory approach, inequities will arise among different types of financial institutions offering brokerage services, and the regulatory burden for broker-dealers working with banks and credit unions will increase,” Valdov told the SEC.

The letter supported the proposal's exemptions for credit unions regarding three securities activities: networking arrangements with broker-dealers; sweep accounts; and investments undertaken for the credit union's own account or as a trustee or fiduciary.

CUNA opposes any additional limitation on credit unions entering into such activities that do not also apply to banks.

▶ Take the Compliance Challenge

True or false: A credit union that does not offer share draft accounts does not have to comply with the Check 21 Act.

Answer: The answer is false. Although it may come up infrequently, there are certain situations in which the Check 21 regulations would apply to credit unions even if they do not have share draft accounts.

If a member deposits a check into his share account, and that check is returned unpaid, the check may be returned to the credit

union in the form of a substitute check. This will trigger all the requirements under Check 21, which requires the credit union to provide a Consumer Awareness Disclosure to the member, which explains the member's expedited recredit rights.

Check 21 applies to anyone who provides or receives a substitute check.

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



▶ 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:

▶ Study on Investigations of Disputed Information

Agency: Federal Reserve
Due date: Sept. 17

▶ Mergers and Changes of Insured Status

Agency: NCUA
Due date: Sept. 27

 **Comment Calls**
http://www.cuna.org/reg_advocacy/index.html

▶ Conversion of Insured Credit Unions to Mutual Savings Banks

Agency: NCUA
Due date: Oct. 1

▶ Agency Review to Reduce the Burden of Consumer Protection Rules

Agency: NCUA
Due date: Oct. 6

▶ Financial Literacy and Education Commission National Strategy

Agency: Treasury
Due date: Oct. 31



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- Maximizing Your Creative Genius
- A Disaster Preparedness Simulation
- Xtreme Team



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- **From Inspiration to Innovation** – *Andy Stefanovich*, CEO of PLAY, uses creativity to develop solutions in branding and leadership.
- **CU Sound-Off** – *Kate O'Beirne and Bill Press*, two Washington insiders, offer lively updates on national politics.
- **The Power of Storytelling** – *Kevin Carroll*, "Katalyst" for Nike, uses stories to foster creativity, individual learning, and change.
- **Credit Union Real Stories Live!** – *Patrick Adams*, EVP, St. Louis Community CU, brings to life the "people helping people" philosophy.



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Andy Stefanovich



Kevin Carroll

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Innovation is one of the keys to beating the odds and seeing your credit union succeed. This interactive workshop investigates strategies, tools, and skills being used by leading organizations. You'll learn the strategies General Motors, Mattel, Oscar Mayer, Harley Davidson, TBS Superstations, and Timberland use to continually re-invent themselves. **Andy and Kevin will provide a compass to help you discover your creative potential.**



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CU's Sweat Needed in GOTV Campaigns

CUNA's Get-Out-The-Vote programs, including its new early and absentee voter turnout program, are valuable political tools, but credit unions' assistance is needed to make them successful.

Credit union friend David Huffman, a credit union volunteer, last month conceded his race for North Carolina's 10th congressional district after having lost the recount in the runoff for the GOP nomination by a mere 85 votes.

"The credit union movement could certainly benefit from the early voting tools given the tightness of some races these days," says CUNA Political Director Karen Kincer. "We did run radio ads and pulled out all the stops to help Huffman, but in the end, people need to show up and vote."

CUNA's early and absentee voting system can help credit union-friendly candidates win their races, Kincer said. "The Huffman race demonstrates that leagues and CUNA can do all that's possible, but it comes down to credit unions in the end. Hopefully we'll make better use of the early voting program and win the next close race."

"This can be a very valuable tool in raising the overall percentage of credit union members who vote and certainly in making it easy for our members to vote in races that are important to credit unions," Kincer added. "In upcoming races, we'd like the website for early voting delivered right to credit union members' mailboxes." ■

Early and Absentee Voting
<http://cuna.helpingamericansvote.org/home1.asp>

▶ From page 1

Convention

In addition, CUNA co-sponsored a Tavern on the Green restaurant reception honoring New York Gov. George Pataki (R) and U.S. Rep. Tom Reynolds (R-N.Y.). CUNA lobbyists also had opportunities to meet with Reps. Jo Ann Emerson (R-Mo.) and Shelly Moore Capito (R-W.Va.), a member of the Financial Services Committee.

CUNA's Gary Kohn, vice president of legislative affairs, said the atmosphere of a political convention, while frenetic, allows for more frank discussion in an informal atmosphere. "In fact, it's almost a 'policy-fest' where issues are freely discussed with vigor," he said.

CUNA made a splash with its partnership with the National Child Identification Program by distributing more than 40,000 inkless ID kits in New York City at the RNC. More than 30,000 kits were distributed during the Democratic convention in Boston. At the Republican convention, the New York delegation, along with credit unions, honored their commitment to protecting children through the program at Montauk CU in New York City.

Among the special guests at the reception was Ed Smart, a nationally recognized advocate for child abduction prevention. Smart is the father of Elizabeth Smart, the victim of an infamous child abduction case perpetrated in 2003.

U.S. Rep. Vito Fossella (R-N.Y.), a member of the House Financial Services Committee and father of three, recognized credit unions for their efforts in distributing the kits. ■

Political Involvement
<http://www.cuna.org/gov-affairs/political/index.html>

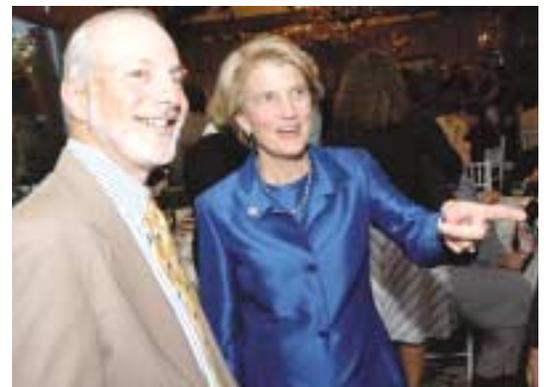
CUNA Vice President of Legislative Affairs Gary Kohn and Shelly Moore Capito (R-W.Va.), original sponsor of The Financial Services Regulatory Relief Act of 2003 (H.R. 1375). (CUNA photo)



House Financial Services Committee Chairman Mike Oxley (R-Ohio) and CUNA President/CEO Dan Mica chat during the Republican National Convention in New York. (CUNA photo)



CUNA Senior Vice President of Government Affairs John McKechnie greets House Majority Leader Dennis Hastert (R-Ill.) during the RNC. (CUNA photo)





>> Notes Bearing Interest

Latest CU Ad Runs Inside Beltway

Working cooperatively, CUNA and a group of other credit union organizations have begun placing a third round of advertisements in key Washington publications to bring attention to credit unions' role in serving consumers.

The first round of ads ran in the Washington, D.C.-area during May.

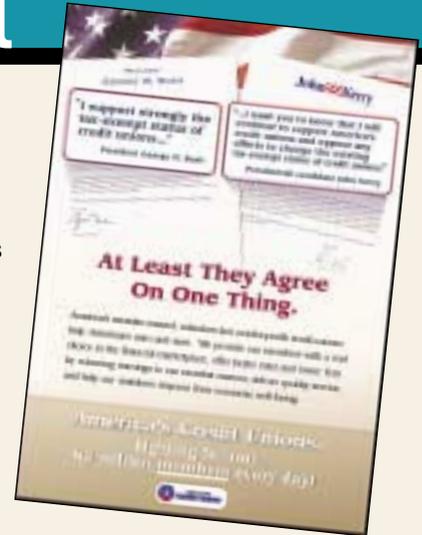
The ad features letters to CUNA from the Republican and Democratic presidential candidates. Both letters support credit unions' tax exemption—an issue upon which both candidates agree, says the ad.

“These credit union ads take the high

road in elevating awareness of the 85 million credit union member/owners, as well as why credit unions are different from other financial institutions,” said Richard Gose, CUNA vice president of political affairs.

CUNA and the leagues, CUNA Mutual Group, U.S. Central and the National Association of FCUs have placed the ads in publications that circulate primarily within the Congress, Capitol Hill and the Washington lobbying community. They will continue to run for the foreseeable future.

Visit CUNA's website to view the full-sized ad.



BANK ATTACKS: CUs Fight Back!
 http://www.cuna.org/member/ba_resources.html

1,000 CU Reps Expected in Washington

Nearly 1,000 credit union representatives from across the United States will begin treading the halls of Congress throughout September to counter anti-credit union efforts by bankers on Capitol Hill.

The credit union representatives will be taking part in CUNA's National Hike the Hill Month, which will reach a crescendo the week of Sept. 20 when representatives from more than 40 individual states will gather on Capitol Hill to visit their congressional delegations.

Additionally, on Sept. 22, CUNA will host a special Election Fair.

National Hike the Hill Month 2004



It will feature an analysis of credit union political strength by political analyst Charlie Cook, author of, “The Cook Report,” as well as informational booths. Key lawmakers have been invited to address the group attending the Election Fair.

CUNA's Hike the Hill
 http://www.cuna.org/gov_affairs/grassroots/index.html

CUNA Board Election Results Finalized

Two incumbents reclaimed their positions in the three contested elections for the CUNA Board of Directors. Voting, which closed Sept. 1, resulted in the following successful candidates:

▶ Diana L. Roberts (incumbent), president/CEO, Hershey (Pa.) FCU, District 1, Class A;

▶ Tom Dorety (incumbent), president/CEO of Suncoast Schools FCU, Tampa, Fla., District 3, Class C; and

▶ Pat Wesenberg, president/CEO, Point Plus CU, Stevens Point, Wis., District 4, Class A.

Of the 13 nominations submitted and verified for eight available board seats, the five who ran unopposed in their districts and were elected by acclamation are:

▶ Joseph Bergeron, president of the Vermont CU League, in District 1, Class D;

▶ William Herring, president/CEO of Cincinnati (Ohio) Central CU, District 2, Class B;



Diana L. Roberts



Tom Dorety



Pat Wesenberg

▶ Robert S. Walls Sr., president/CEO of the Delaware CU League, District 2, Class D;

▶ Harriet May, president/CEO, Government Employees CU of El Paso, Texas, District 5, Class C; and

▶ Grace Mayo (incumbent), president/CEO, Telesis Community CU, Chatsworth, Calif., District 6, Class B.

All newly elected board members will serve three-year terms that officially begin Oct. 26, immediately following CUNA's Annual General Meeting during the 2004 Future Form in Honolulu.

CUNA Board of Directors
 <http://www.cuna.org/cuna/index.html>



>> The Innovators

CU Newsletters Still Reign

Despite members' growing use of on-line resources and Internet banking, it's still the old "tried and true" paper-based newsletter that most members turn to for information about their credit union's rates, services and special promotions. This is according to CUNA's benchmarking database of member survey clients.

Credit unions' websites ranked a surprising seventh on the list of information sources—well behind a host of other alternatives, including statement stuffers, direct mail pieces and in-lobby sources, according to Jon Haller, CUNA's director of market research. "Part of the low website reliance could be accounted for by both the size of the potential market and effort," he says. "In other words, how much effort do your mem-

bers need to exert to obtain your rate, product and promotion information online?"

In terms of the "market size" issue, 78% of credit union members are on-line, according to a recent CUNA study.

As for the effort issue, paper-based newsletters, statement stuffers, and direct mail are "pushed" to members. "At most, members simply open an envelope," says Haller. "But unless credit unions are 'pushing' an e-newsletter to members, obtaining information via the website requires them to 'pull' the information out—that takes more effort."

Haller says credit unions might want to consider creating an e-newsletter—ideally with additional content (above and beyond a paper-based version) with links to credit union product informa-

Members' Sources of Information About the Credit Union

▶ Newsletter	52%
▶ Statement Stuffer	38%
▶ Direct Mail	27%
▶ Lobby Materials	19%
▶ CU Staff	17%
▶ Word of Mouth	13%
▶ CU's Website	12%
▶ Advertisements	10%
▶ Info. At Workplace	7%

Source: CUNA Research member survey benchmarking database

tion, rates and special promotions—that credit unions can "push" to members.

Will reliance on credit unions' websites as an important information source rise through time? "Logic says yes, but only time will tell," noted Haller. ▲

Custom Research
http://advice.cuna.org/custom_research/index.html



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FIRST CLASS TIME SENSITIVE MATERIAL

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