



CUNA Setting the Record Straight

A glimpse of the cover of CUNA's new "Straight Talk" booklet. (CUNA graphic)

The real facts about credit unions—in answer to misstatements, innuendo, and outright fallacies about credit unions—are offered in "Straight Talk," a new 16-page, full-color booklet produced by CUNA and now being distributed on Capitol Hill and to other key constituencies in Washington.

The booklet succinctly makes the case that credit unions are staying true to their mission, said CUNA President/CEO Dan Mica, and lays out the case that bankers are attacking credit

unions for two reasons only—to impose taxes on credit unions, and (in so doing) to eliminate credit unions as a consumer alternative for financial services.

"The bankers' attacks are unprovoked, unrelenting and unfair," Mica said. "Credit unions are true to their mission, provide a safe and sound financial choice for all consumers, and invest in their members."

If the banks' outrageous claims are left unanswered, consumers >>

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Banker Attacks Top List of Insights

Bank attacks on credit unions secured the pinnacle spot on the list of the Top 10 *CU Environmental Scan (E-Scan)* Insights—which identifies the key trends and inferences significantly affecting credit unions in the coming years—and precedes the seven issue areas addressed in the report.

CUNA's 2004/2005 *E-Scan*, released in August, is the annual analysis of issues and trends affecting the financial services industry. It is used to prepare for strategic planning sessions, budgeting, product development, and new initiatives.

The top insights, as identified by *E-Scan* analysts, are:

▶ Banking interest groups will make concerted and coordinated political and legislative efforts to splinter the movement and impose new taxes on credit unions and their members.

▶ Managing interest rate risk is critical for credit unions as the economy grows and market interest rates increase.

▶ With many new financial products and services making their way into the market, it is imperative that credit unions pick the right mix to meet member needs and penetrate emerging/expanding markets.

▶ The proliferation of credit >>

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Credit unions dive into understanding these new accounts.

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7 | What Does Fed Rate Hike Mean?

Accumulative effect will be felt down the road by credit unions.



>> Governmental Affairs

Utah FOM Oral Arguments: Oct. 7

A U.S. District judge in Salt Lake City will hear oral arguments Oct. 7 in the Utah field-of-membership (FOM) case, *American Bankers Association, Utah Bankers Association, Bank of Utah, Liberty Bank, First Utah Bank, and Frontier Bank FSB v. NCUA*.

The Oct. 7 proceedings are expected to cover the issues of the validity of NCUA's actions in approving four Utah

credit unions' FOM requests, as well as taking judicial notice of many of the matters the bankers are trying to get into the record, according to CUNA General Counsel Eric Richard.

CUNA, the Utah CU League, four Utah credit unions and the National Association of FCUs have joined in the case as intervenor-defendants.

"We think our side has effectively

shown that the bankers' arguments are without merit," said Richard. "The record reflects a careful and attentive discussion of the relevant issues by the NCUA Board members."

NCUA approved applications the credit unions' applications to expand their FOMs to serve a broader community. ☛

 **Bank Attacks: CUs Fight Back!**
http://www.cuna.org/member/bank_attacks.html

CUNA Defends CUs on National Radio

Representatives from CUNA and the American Bankers Association (ABA) were featured on a national radio program Aug. 10, which explored the bankers' recent efforts against credit unions.

The segment about banks and credit unions was featured on the public radio program, "Marketplace," which is distributed by Public Radio International. It focused on the bankers' reaction to the growing success of credit unions, and included the ABA's "Operation CU."

"Consumers who choose to be members of credit unions deserve and get the best service and products possible," said CUNA's John McKechnie, senior vice president of governmental affairs, who was interviewed on the program.

A credit union member in Washington, D.C., when interviewed, said the credit union was "just a part of the fabric" of her life, citing her savings, checking, and second mortgage services.

But ABA's Ed Yingling said his association launched "Operation CU," in part, because "large credit unions have an unfair advantage" over smaller community banks. He said the ABA initiative is an educational campaign aimed at lawmakers.

McKechnie countered that beyond the products and services offered at each type of institution, credit unions are different than banks. "Credit unions are not-for-profit cooperatives in business to serve our members. Banks are in business to make a profit," he said.

A bank analyst interviewed for the story, Jane Durista, pointed out that part of the reason banks are attacking credit unions so fiercely is because banks are "looking around at getting rid of any competitor they can."

Meanwhile, during a separate Aug. 15 radio program, CUNA President/CEO Dan Mica discussed the ongoing bank/credit union tax battle on Capitol Hill during the 30-minute

WTOP Radio talk show "Of Consuming Interest." He also addressed recent initiatives in the Washington, D.C. area to bring Hispanics into the financial mainstream.

WTOP is a radio network for the Washington, D.C., area offering news, traffic, and weather.

From left, CUNA President/CEO Dan Mica and WTOP Radio "Of Consuming Interest" host Shirley Rooker. (CUNA photo)



Bankruptcy Needs Legislative Direction

While no clear path has been established for completing bankruptcy reform this year, there is still support for the measure among Republicans and Democrats in Congress, according to CUNA Vice President of Legislative Affairs Gary Kohn.

He said CUNA continues to work with lawmakers on the bill, The Bankruptcy Abuse Reform and Consumer Protection Act (H.R. 975).

Credit unions are strong supporters of bankruptcy reform legislation. Credit unions have suffered record levels of bankruptcies for several years and have observed that too many members walk away from their debts, although many have an ability to pay back some or all of their debts.

On March 19, the House of Representatives passed bankruptcy reform by a vote of 315-113. The Senate has yet to act. ☛

 **Governmental Affairs**
http://www.cuna.org/gov_affairs/legislative/issues/bankruptcy.html

IRS Gives Low-Down on Health Savings Accounts

Internal Revenue Service (IRS) officials and CUNA Mutual experts discussed credit unions' fiduciary duties and employer duties in offering health savings accounts (HSAs) during a live audio-conference call hosted by CUNA.

Dennis Zuehlke, CUNA Mutual Group senior compliance manager, began the discussions by giving an overview of health savings accounts, including a background on the creation of HSAs and the recent NCUA final rule providing federal credit unions with the authority to serve as trustees or custodians of HSAs.

IRS guidance, as it pertains to HSA trustee and custodian obligations, including the model agreements and reporting requirements, was discussed by the IRS's Elizabeth Purcell, assistant branch chief of the Health and Welfare Branch in the Office of Division Counsel and associate chief counsel.

Shoshanna Tanner, an attorney-advisor with the IRS Office of Chief Counsel, discussed the IRS guidance provisions covering employers that offer HSAs as a stand-alone plan or through a cafeteria plan.



From left, Internal Revenue Service attorneys Elizabeth Purcell and Shoshanna Tanner in Washington, D.C., prepare to discuss health savings accounts during CUNA's nationwide audio conference. (CUNA photo)

Beth Myers provided practical advice for credit unions that would like to offer high deductible health plans and help fund the HSAs of their employees. Myers is a senior law specialist at CUNA Mutual Group.

For more information about HSAs, access CUNA's e-Guide online. 🏠

👉 **CUNA's e-Guide: Health Savings Accounts**
http://www.cuna.org/compliance/member/eguide/eguide_hsa.html

CUNA Advises Fed on Overdraft Protection

Overdraft protection service disclosures proposed by the Federal Reserve are supported by CUNA as strengthening full and fair information consumers need—as long as those disclosures are not too burdensome, CUNA told the Fed in a comment letter relating to its proposed changes to Reg DD (Truth in Savings) on the adequacy of information that is provided to consumers in overdraft protection services.

CUNA said it supported disclosure, but noted its one concern was that the proposal contains a requirement for “cumulative disclosures” for overdraft and returned item fees for both the statement period and the year to date.

CUNA proposed that if the final rule contains the cumulative disclosures, then the Fed allow a “mandatory compliance date” of one year after the amendments are issued. 🏠

👉 **CUNA Comment Letters**
http://www.cuna.org/reg_advocacy/index.html

Electronic Applications, Signatures Just As Valid

Federal law generally provides that electronic documents and signatures have the same validity as paper documents and handwritten signatures, NCUA told a state credit union in an Aug. 5 opinion letter.

The credit union inquired whether an electronic membership application may rely exclusively on the member's electronic signature.

And if this is permissible, the credit union asked if it may retain as its permanent file copy only the electronic version of the application.

Both are permissible, according to NCUA.

Clinton to Highlight PALS Workshop

U.S. Sen. Hillary Rodham Clinton (D-N.Y.) is scheduled to be the keynote speaker at NCUA's free Oct. 11 Partnering and Leadership Successes (PALS) workshop in Rochester, N.Y. The workshop is about credit unions serving the underserved without losing their bottom line.



U.S. Sen. Hillary Rodham Clinton (D-N.Y.)

“Credit unions continue to be great partners in reaching out to the underserved, helping small businesses, families and individuals with the financial assistance they need,” said Clinton. “Workshops like this are truly valuable in connecting industry members with each other and with the communities they serve.”

Speakers will describe many needed services to reach the underserved, including risk-based loans, payday loan alternatives, financial education, microbusiness loans, affordable mortgages, volunteer income tax assistance, and international remittances. 🏠

👉 **NCUA PALS information**
<http://www.ncua.gov/PALS/Index.htm>



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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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Bankers Use Technology to Advocate Against CUs

Like credit unions, many constituencies are using the August congressional recess to step up efforts to educate lawmakers about their issues. But in addition to their own issues, bankers are attempting to explain credit unions' as well.

CUNA facilitates credit union contact with members of Congress using its Grassroots Action Center. Through CUNA's website, credit unions can send customized messages urging support for

credit union initiatives, such as the CUNA-backed CU Regulatory Improvements Act (CURIA, H.R. 3579), the tax exemption, access to remittance services, and more.

The America's Community Bankers (ACB) has employed a similar technology to not only push bank issues, but also to oppose credit unions. ACB's website includes an "Action Alert" that asks bankers to write Congress to oppose CURIA.

The last word on credit union issues should not be left to the bankers, said CUNA's John McKechnie.

"The banks are not letting credit union people have the grassroots playing field all to ourselves during this August recess," the senior vice president of government affairs observed. ☝

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

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union conversions to community charters is challenging credit unions to develop and execute new strategies for managing sizeable field of membership expansions.

▶ Educating members and potential members about the credit union difference and the basics of personal finance is essential to reinforce and improve our collective market position.

▶ Credit unions need to step it up a notch if they want to stay ahead of banks.

▶ Employee training, education, and leadership development will be critical to ensure a high-quality, high-functioning work force.

▶ Security issues and internal controls will permeate all aspects of credit union operations.

▶ Electronic payments are evolving at a rapid pace with debit cards emerging as the point-of-sale instrument of choice.

▶ Credit unions that want to grow and thrive will look to serve emerging and underserved markets such as the Hispanic/Latino population and small business owners.

For more information or to order CUNA's 2004/2005 CU Environmental Scan, visit CUNA's website or call 800-356-8010, press 3, and ask for stock number 23118-PR (report), 23199-PR (PowerPoint), or 30005-PR (video). ☝

CUNA's 2004/2005 CU Environmental Scan
<http://buy.cuna.org/detail.php?sku=23118>

CUNA Converges on Conventions



(From left) Maryland CU League President/CEO Mike Beall and Rod Staatz, president/CEO of SECU in Linthicum, Md. join (from right) CUNA Vice President of Legislative Affairs Gary Kohn and one of their Maryland representatives in the House, Democratic Whip Steny Hoyer (D-Md.), during a CUNA-sponsored event to honor the Democratic whips at the Democratic National Convention in Boston in late July. Senate Democratic Whip Harry Reid (D-Nev.) also attended. CUNA will participate in and sponsor various events as well at the Republican National Convention in New York City later this month. CUNA's News Now will provide full coverage. (CUNA photo)

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

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will lose in the long run, explained Mica. "This booklet is designed to counter those claims in plain, straightforward language," he said. "It is, indeed, straight talk—for members of Congress, consumers and credit union advocates—to read, understand and use in supporting credit unions."

Mica added that the booklet would also be distributed during CUNA's Na-

tional "Hike the Hill" month in September, when more than 500 credit union representatives will visit Washington and carry their message to the Hill.

The "Straight Talk" booklet is available free on CUNA's website for CUNA-member credit unions and leagues to download. ☝

"Straight Talk"
http://www.cuna.org/member/ba_resources.html



>> Notes Bearing Interest

Rate Hike Has Accumulative Effect for CUs

The Federal Reserve's 25 basis point rate hike, to 1.5%, doesn't mean that the Federal Open Market Committee ignored recent weak economic results, says CUNA Economist Mike Schenk.

Instead, it shows "the Fed has thought long and hard, and reached the conclusion that if it didn't raise rates it would be sending a signal that it was overly concerned with the recent weak economic results," said Schenk.

"For credit unions, a 25 basis point increase won't make much difference

one way or the other," he said. "However, the accumulative effect of all rate increases will be felt and there will be significant influences down the road—but not at this time."

When rates increase, liabilities tend to re-price faster than assets due to earnings pressures. "The good news for credit unions is that credit unions are entering the period with high levels of capital and with fairly healthy earnings," Schenk says.

At a recent Economics and Invest-

ment Summit, Schenk says he heard a number of comments about holding tight. "Even though rates are going up, it doesn't make sense to sit on the sideline or leave money on the table," he says. "Continue to pursue lending opportunities and explore possibly lengthening investments, but avoid getting caught with a huge balance in cash or cash equivalents in low-yielding assets that are long term." ■

 **CUNA Economics & Statistics**
<http://www.cuna.org/econ/index.html>

World CU Growth Outpaces U.S.

Credit unions around the world and the World Council of CUs Inc. (WOCCU) experienced remarkable growth last year, according to the recently released 2003 Statistical Report from WOCCU.

In 2003, credit union membership jumped to more than 123 million from 2002 statistics of 118 million. Five new member countries were added during 2003 for a total of 84 countries.

Total savings, capital and assets all climbed more than 10%, with assets worldwide topping US\$758 billion at year-end.

For the past four years, membership grew in the range of 3% to 5% a year, while all other growth indicators more than doubled membership growth, says WOCCU.

The number of credit unions in the world is still growing, despite a steady increase in mergers in the more mature markets such as the U.S. and Canada. In those two markets, the number of credit unions is decreasing by 3% to 6% per year, according to WOCCU's statistics. ■

CUNA Board Election Ballots Due Sept. 1

Sept. 1 is the deadline for the return of ballots for the CUNA Board elections in three districts. Ballots are due to the independent auditing firm before the close of business on that day.

Elections are being held for Districts 1A, 3C and 4A. Candidates for these contested elections are:

District 1 Class A:

- ▶ Diana L. Roberts (incumbent), president/CEO, Hershey (Pa.) FCU; and
- ▶ Robert D. Steeves, CEO/board member, Essex County Teachers FCU, Bloomfield, N.J.

District 3, Class C:

- ▶ Tom Dorety (incumbent), president/CEO of Suncoast Schools FCU,

Tampa, Fla.; and

- ▶ H. Greg McClellan, MAX FCU, Montgomery, Ala.

District 4, Class A:

- ▶ Janet Honse (incumbent), president/CEO, Rolla (Mo.) FCU;
 - ▶ Jim Roche, president/CEO, Premier CU, Palatine, Ill.;
 - ▶ Pat Wesenberg, president/CEO, Point Plus CU, Stevens Point, Wis.; and
 - ▶ Dean Wilson, president/CEO, Wauwatosa CU, Menominee Falls, Wis.
- Election results will be announced Sept. 3 in News Now and on CUNA's website.

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

Check-Up on Check 21

As the effective date nears for Check 21, CUNA is adding more webinars to handle the high demand for education regarding the new substitute check law.

The first webinar is 2-3:30 p.m. CDT Sept. 2. It is aimed at front-line staff interested in understanding and implementing Check 21 regulations in their credit union.

Another Check 21 webinar for managers, CEOs, compliance staff and volunteers is set for Sept. 7 from 2 to 3:30 p.m. CDT.

In October, "Current Deposit Account Issues and Check 21 Webinar" will be featured in one session of the Regulatory Compliance Update eSchool. It will cover Check 21, certificate documentation and Treasury check regulation changes. It will be from 2 to 4 p.m. CST.

Check 21 regulations go into effect Oct. 28. Access CUNA's website for more information and to register. ■

 **CUNA's Check 21 resources**
http://www.cuna.org/compliance/member/eguide/eguide_check21.html



>> Political Affairs

Imagine Life Without CUs

What might happen to consumers if there were no credit unions?

That's one of the scenarios explored by the September edition of *CU Magazine* in a supplement called "Act Now: A Call to CU Political Action."

The 12-page piece gauges the current intensity of bank attacks, offers a snapshot of how current and future legislative environments could impact credit unions' tax status, and shows how easy it is to get credit union members politically involved. It also features four credit union candidates who currently are mounting campaigns for public office.

Among its topics, "Act Now" reveals:

- ▶ Capitol Hill's current perception of credit unions;



- ▶ Greed is the bankers' untold story; and
- ▶ Credit unions save members about \$6.3 billion a year. (That's \$76 per member or \$149 per household.)

The report provides links to free downloadable Get-Out-The-Vote artwork and shows how members can register to vote online or get absentee voting ballots.

In addition to finding it in *CU Magazine*, credit unions can download "Act Now" from CUNA's website for free. Additional printed copies can be ordered from CUNA's website, or by calling 800-356-8010, press 3. "Act Now" is stock #26227-NW. 📄

▶ **"Act Now: A Call to CU Political Action"**
<http://buy.cuna.org/detail.php?sku=26227>



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