

Making the Case for CURIA



Sharon Custer, president/CEO of BMI FCU in Columbus, Ohio, testifies before the House Financial Institutions and Consumer Credit Subcommittee. (CUNA photo)

Sharon Custer, president/CEO of BMI FCU in Columbus, Ohio, strongly argued in favor of eliminating or increasing the limits on member business lending (MBL) from the current 12.25% to the 20% suggested in the CU Regulatory Improvements Act (CURIA, H.R. 3579).

Custer was testifying for CUNA July 20 on credit union regulatory improvements before the House Financial Institutions and Consumer Credit Subcommittee.

There was no safety and soundness reason to impose the current limits on member business loans (MBLs), as the historical record is clear that such loans

are not only safer than those in the banking industry, but also safer than other types of credit union loans, she said.

She also said the NCUA should be given the authority to increase the current threshold on MBLs from \$50,000 to \$100,00, as proposed in CURIA.

"Credit unions' cooperative structure creates a systemic incentive against excessive risk taking, so they may actually require less capital to meet potential losses than do other depository institutions," the credit union executive said of the prompt corrective action >>

▶ See page 2

National "Hike the Hill" Event Planned

Nearly every state credit union league is making plans to bring credit union representatives to Washington during "National Hike the Hill" month in September.

The event will enable credit unions to provide "straight talk" in face-to-face meetings with members of Congress to debunk anti-credit union banker rhetoric, according to CUNA President/CEO Dan Mica.

He pointed out that September is the last month Congress will be in session before the elections. "We are certain that the bankers are planning their own blitz before the end of that month," said Mica. "We cannot allow the bankers to have the final word before Congress leaves for the year."

Leagues are coordinating the scheduling of "Hike the Hills" for credit unions in their respective states. CUNA is coordinating the overall schedule in Washington, as well as some special events during the month.

"We hope to have as many credit union representatives as possible on the Hill, to make the point that credit unions have an impact on the legislative process, primarily through the 85 million who are credit union members nationwide," said Mica.

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

Inside

2 | Top Lawmakers Express CU Support

During hearing, House members note credit unions' difference.

3 | NCUA Board's Monthly Meeting

Action taken on conversion disclosures and health savings accounts.

6 | Democratic National Convention

Since 1988, CUNA works to connect with party faithful.

7 | Check 21

Final rule triggers new disclosure rules for credit unions.



>> Legislative Affairs

Top Lawmakers Express CU Support

During the July 20 hearing on credit union regulatory improvements, House Financial Institutions and Consumer Credit Subcommittee Chairman Spencer Bachus (R-Ala.) engaged witnesses in a dialogue about credit unions' market share of the financial services industry.

The results: The conclusion that credit unions do not pose a competitive risk to banks since credit union market share has remained very stable over the past 23 years.

Bachus also noted consumers' high satisfaction rating of credit union services.

Ranking Member Bernie Sanders (I-Vt.) discussed how U.S. credit unions are the most democratic financial institutions in the country and that credit unions provide low-cost services and loan rates to members.

He noted that credit unions do pay taxes (property, sales, payroll), although the bankers argue they do not. The bot-

tom line, he said, for the federal income tax exemption: Credit unions are non-profit institutions. ♣



Rep. Spencer Bachus (R-Ala.) (CUNA photo)



Rep. Bernie Sanders (I-Vt.) (CUNA photo)

► From page 1

system (PCA). "And because of their conservative management style, credit unions generally seek to be always classified as 'well' rather than 'adequately' capitalized."

CUNA believes that the best way to reform PCA would be to transform the system into one that is much more explicitly based on risk measurement.

However, Subcommittee Chairman Spencer Bachus (R-Ala.) noted that the dwindling days of this year's Congress meant that the hearing most likely

would set the stage for action on CURIA next year.

Other witnesses included NCUA Board Chairman JoAnn Johnson; Michigan Deputy Commissioner of CUs Roger Little; Xerox FCU President/CEO Bill Cheney; and William E. Jackson, III, associate professor of finance and economics, University of North Carolina, Chapel Hill. ♣

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

Options Explored to Fix Matricula Impasse

CUNA will continue to work with a broad coalition to find ways to eliminate language from a House spending bill that limits credit unions' ability to accept Matricula Consular Cards as a form of identification.

On July 19, CUNA President/CEO Dan Mica wrote to House Appropriations Committee—which approved the measure July 22—expressing "strong opposition" to the amendment language and asked for support in removing this provision during the full committee markup.

CUNA specifically opposed the amendment language that prohibits the Secretary of the Treasury from expending any funds to "publish, implement, administer or enforce regulations that permit financial institutions to accept the Matricula Consular Identification card as a form of identification."

"Many credit unions in the United States already use Matricula identification cards to open financial accounts for non-U.S. citizens, providing a safe alternative for Mexican nationals who otherwise would be forced to use expensive payday and predatory lenders for check-cashing and remittance services," Mica said. "Recognizing the legal authority supporting this documentation not only provides financial institutions with a measure of protection against fraud, but serves a broader purpose of integrating immigrants into the mainstream of American life." ♣

House Members Support CU Tax Status



Hensarling

U.S. Reps. Jeb Hensarling (R-Texas) and Marcy Kaptur (D-Ohio) last week pledged to help maintain credit unions' tax-exempt status.

Hensarling, a member of the House Financial Services Committee, wrote CUNA Chairman and Texas CU League President/CEO Dick Ensweiler that "as member-owned financial cooperatives, credit unions enjoy a unique status among financial institutions, including being exempt from federal income taxes. I strongly support maintaining their current tax exempt status."



Kaptur

Kaptur expressed her support for credit unions' tax status following testimony by fellow-Ohioan Sharon Custer, CEO of the BMI FCU, Columbus, Ohio.

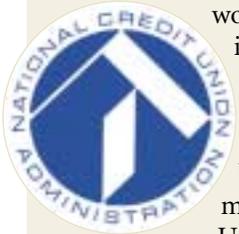
"Unlike the large banks that are owned by a wealthy few, credit unions are not-for-profit, democratic, financial cooperatives, owned by their members," said Kaptur. "In fact, credit unions' boards of directors serve as unpaid volunteers, elected by members."

Kaptur pointed out that bankers are asking Congress to tax credit unions. "The truth is, a tax hike on credit unions is a tax hike on all American consumers," she said.



More Conversion Disclosures Proposed

The NCUA Board unanimously during its July 22 monthly meeting approved a proposed rule that would require a converting credit union to provide its members with additional disclosures about the conversion before conducting a member vote.



Under the proposed rule, NCUA would continue to allow a converting credit union to communicate with its members as it sees fit, but would require that members receive a short, simple disclosure prepared by NCUA. This disclosure would address:

- ▶ Ownership and control of the credit union;
- ▶ Operating expenses and their effect on rates and services;
- ▶ The effect of a subsequent conversion to a stock institution; and
- ▶ The costs of conversion.

This information would have to be placed in a prominent place with each written communication that a credit union sends to its members regarding the conversion and credit unions must take specific steps to ensure that the disclosure is conspicuous to the member.

The proposal also would require that the vote be by secret ballot and be conducted by an independent entity. NCUA also proposes guidelines for conducting a fair vote that it states will help credit unions comply with the regulatory standards for voting.

Finally, the proposal would require a federally insured state credit union to provide NCUA with information about how the laws of the state where it is chartered relates to NCUA's conversion rule.

NCUA Chairman JoAnn Johnson said that this proposal is intended to make it easier for members to understand the conversion process. Board Member Debbie Matz indicated that every mem-

ber has the right to vote for conversion to a mutual savings bank, but the members should be fully informed. In that regard, the proposal's provisions providing for clear and uniform disclosures are essential.



NCUA Board Chairman JoAnn Johnson poses a question about health savings accounts to NCUA staff attorney Ross Kendall. (CUNA photo)

FCUs Can Provide Health Accounts

The NCUA Board unanimously approved as a final rule amendments that would authorize federal credit unions to serve as trustee or custodian for health savings accounts (HSAs) established by members of the credit union.

The agency is issuing this final rule so that federal credit unions and their members can utilize the authority granted in the Medicare Prescription Drug Improvement and Modernization Act of 2003 (Medicare Act). The Medicare Act authorizes the establishment of HSAs by individuals who obtain a qualifying high deductible health plan and specifies that an HSA may be established and maintained at a federal credit union.

NCUSIF Dividend Unlikely

According to NCUA, the National CU Share Insurance Fund's (NCUSIF) equity ratio for year-end 2004 is projected to be 1.25%, indicating that a dividend based on the Year 2004 Fund equity level is highly unlikely.

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%.

There have been 13 credit union failures so far in 2004 and only 251 credit unions now have CAMEL ratings of 4 or 5.



From left, NCUA General Counsel Bob Fenner and NCUA Board Member Debbie Matz, who, during discussion of the campus credit union issue, noted her college-bound son's need for financial education. (CUNA photo)

Student CUs Brought in on CDRLF

The NCUA Board unanimously approved a final rule that amends the Community Development Revolving Loan Fund (CDRLF) program for credit unions to permit student credit unions to participate in the program.

The CDRLF achieves its purpose by making low interest loans and providing technical assistance to those credit unions that send an application and are selected by the program.

Historically, NCUA has taken the position that although student credit unions are designated as low-income credit unions for purposes of receiving nonmember deposits, they do not qualify to participate in the CDRLF because they are not specifically involved in the stimulation of economic activities and community revitalization. 🏠



BRILLIANT. BOLD. CREATIVE. AND WAY OUT THERE.

Put on your sunglasses...adjust your attitude...and take off for Hawaii. Come to CUNA's Future Forum 2004! It's more than an ordinary credit union gathering. It's a voicing of ideas, a venue for discussion, and a platform for exploration. From a discussion of authentic leadership, to the power of organizational story-telling, CUNA's Future Forum 2004 is brilliant, bold, and creative. *And it's all waiting out there.*



A BRILLIANT START TO YOUR LEARNING EXPERIENCE

Arrive in Hawaii early to attend these thought-provoking sessions.

Experience This!

- **Juli Lynch** will present a high energy, interactive session on the beach. Meet and greet your fellow participants in this exciting, pre-opening event.

PRECONFERENCE WORKSHOPS

- Lessons in Leadership from the Links
- Maximizing Your Creative Genius
- A Disaster Preparedness Simulation
- Xtreme Team

BOLD KEYNOTE SPEAKERS INSPIRE INNOVATION

- **The Leader's New Clothes** – *Gary Heil*, author of "The Leader's New Clothes," describes a CEO's journey to become an authentic leader.
- **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.



Preconference Sessions • October 23-24, 2004 / **Conference**

FOR INFORMATION: E-MAIL: futureforum@cuna.com **OR CALL:** 800-356-9655, ext. 5700



THE PERFECT FIT: SESSION TOPICS CUSTOMIZED TO YOUR VISION

The Future Forum has breakout sessions dedicated to senior management and directors, but **there's something for everyone**. CEOs, directors, volunteers, marketers, lenders, and operations staff will all find exciting learning opportunities.

The Board Governance Process

What lessons have we learned about organizational governance post Enron?

Inventing Tomorrow: A Look at Innovation in the Credit Union Industry

"The best way to predict the future is to invent it!" – Alan Kay

Does Asset Size

Really Matter?

So who should you benchmark your CU against?

Emerging Trends in Financial Services

Discover insights from this year's Credit Union Environmental Scan.

Servant Leadership – Creating a High Engagement Workplace

Is your staff fully engaged?

Trends and Implications in Electronic Banking – The Value of Information

Are you up to speed on EFT issues?

Building a Strategy for Residential Mortgage Lending

When your members shop around for mortgage loans, do they buy into your program?

The Economy and its Impact on CUs

Get advice for coping with these turbulent economic times.

Incentives and the Balanced Scorecard

Are you ready to translate strategy into action?

Catch Me if You Can, Is Your Identity Safe?

According to the FBI statistics, identity theft is currently our nation's fastest growing crime. Learn what you can do to raise the level of protection for your credit union and your members.

Should Our Credit Union Explore Small-Business Lending?

The record growth of small businesses and the trend toward home offices can offer BIG opportunities.

Are You Ready for Check 21?

Understand the new rule for substitute checks.

Board Succession Planning

Does your board represent your membership?

REGISTER NOW!

• October 24-27, 2004 / **Hilton Hawaiian Village** • Honolulu, HI



REGISTER ONLINE: training.cuna.org



CUNA, Leagues Connect with Democrats

CUNA and an entourage of state leagues, corporates and credit unions mixed and mingled with attendees of the 2004 Democratic National Convention in Boston last week. Their mission: Communicate with policymakers, gather information, and raise the profile of America's credit unions with Democratic members of Congress and state legislators.

CUNA and credit unions have been involved in these events since 1988, pointed out CUNA's John McKechnie, senior vice president of governmental affairs. He said it's a festive atmosphere where people are more relaxed.

During the five-day convention, CUNA staffers participated in more than 19 receptions, roundtables, and luncheons—14 of which were sponsored by CUNA. One CUNA-sponsored event was a late night show for U.S. Democratic senators featuring the Goo Goo



CUNA and the state credit union leagues teamed up during the Democratic National Convention in Boston to demonstrate credit unions' political and grassroots activism. Massachusetts CU League President/CEO Dan Egan, along with CUNA staff, joined the state's delegation on the floor of the FleetCenter. (CUNA photo)

Dolls, while another feted House and Senate Democratic leaders.

During that event called "DNC 2004 Adventurer," an Indiana Jones look-alike and Indiana Jones-style servers and supporting characters were all part of an occasion to honor the Senate Assistant Minority Leader Harry Reid (D-Nev.) and House Democratic Whip Steny Hoyer (D-Md.).

CUNA also made a splash with its partnership with the National Child Identification Program. The trade association showcased credit union efforts to keep kids safe by distributing child identification kits in each convention goodie bag. More than 30,000 kits were distributed at the Democratic convention.

Security during the conven-

tion was tight. Access to the FleetCenter, where all the major speeches occurred and the delegates from the 50 states gathered and voted to nominate Sens. John Kerry (D-Mass.) and John Edwards (D-N.C.) as presidential and vice presidential candidates, respectively, was limited and access to the convention floor activities was even more limited. CUNA made the most of its network to make sure credit unions had access, said Gary Kohn, CUNA vice president of legislative affairs.

"CUNA staff attended the FleetCenter events from Monday through Thursday and made valuable contacts and got reacquainted with legislators and congressional staff where relationships

already exist," said Kohn.

During one meeting, Michigan Gov. Jennifer Granholm (D) told Kohn that credit unions have an opportunity to fulfill a niche in the financial services market, particularly in the state's cities.

She said credit unions are a great alternative to check casher organizations and other companies that are predatory. She said the state tried to bring these groups under state regulation last year, which did not succeed.

At that same meeting, Kohn discussed with Michigan delegates the uniqueness of credit unions, the work they do in serving the underserved, the recent bank attacks, and predatory lending.

CUNA will be participating in the Republican National Convention happening in New York City Aug. 29 through Sept. 2. 🏠



John McKechnie, CUNA senior vice president of governmental affairs, Senate Banking Committee Ranking Member Paul Sarbanes (D-Md.), and Gary Kohn, CUNA vice president of legislative affairs, during the Democratic National Convention in Boston. (CUNA photo)

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

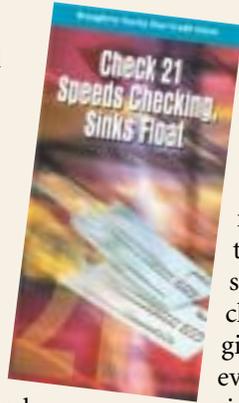


>> Notes Bearing Interest

Check 21 Triggers New Disclosure Rules

CUNA has posted on its website an analysis of the Federal Reserve Board's final rule that implements the Check Clearing for the 21st Century Act (Check 21), which will become effective on Oct. 28.

The final rule is substantially similar to the proposed rule issued in December, but it differs in four key respects, according to CUNA Assistant General Counsel Michelle Profit. The final rule follows CUNA's suggestion to eliminate



the concept of a "purported substitute check," but does not automatically deny legal equivalence to substitute checks that have errors on the MICR line.

The rule also shortens the model consumer awareness notice, and requires a financial institution to provide another disclosure to a consumer when it gives them a substitute check, even if that institution has provided a disclosure to the consumer previously.

"Although most credit unions trun-

cate and those that do will have limited contact with substitute checks, all credit unions with share draft accounts will use substitute checks in certain ways that trigger the new disclosures and liability rules," said Profit.

The CUNA Payments Subcommittee has been working with the Federal Reserve to craft the new regulations, said Profit. She pointed out that CUNA offers several resources to help credit unions understand and comply with the new regulations.

A complete analysis is available on CUNA's website. 

 **Final Rule Analysis**
http://www.cuna.org/reg_advocacy/index

High CU Profile at State Lawmaker Confab

Credit unions hosted the most popular information booth at the annual convention of the National Conference of State Legislatures (NCSL), according to Salt Lake City's *Deseret Morning News*, which CUNA's Colleen Kelly said raised the image of credit unions—and kept bankers at bay.

"The 'laptop' bags we gave away—emblazoned with the 'America's Credit Unions' logo—were on just about everybody's shoulders," said Kelly, vice president of state governmental affairs. "Credit unions clearly had a high profile at this meeting of state legislators."

Kelly said a year of intense preparation by state credit union leagues and CUNA to ensure a high credit union profile at the

meeting played a key role in staving off any anti-credit union policy proposals by the banks at the meeting.

"We knew that, with the Utah capital as the venue—ground zero in the struggle between credit unions and banks—there was great symbolism for both credit unions and the banks. The solid work by the leagues, with CUNA's coordination, ensured the bankers could not take advantage of the venue."

Last year, at the NCSL meeting in San Francisco, bankers had advanced a policy for NCSL adoption decrying the credit union tax exemption. 

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

Access Across America Event Scheduled

NCUA Chairman JoAnn Johnson has scheduled an Access Across America Economic Empowerment Summit in Albuquerque, N.M., on Sept. 13.

The free, one-day event will focus on federal resources available to credit unions. Credit unions in New Mexico, Arizona, Colorado, Oklahoma and Texas are invited to participate.

The summit is designed for credit union CEOs and/or managers, as well as board volunteers. The purpose of this summit is to enhance the abilities of those credit unions to expand financial services to their members and with a special emphasis of partnering with other agencies and non-profit organizations.

"The summit will provide an overview of resources available to credit unions, which may assist them in their outreach efforts to promote financial education, homeownership, and member business lending," said Johnson. 

 **Access Across America**
<http://www.ncua.gov/AWS/AWSIndex.htm>

PALS Best Practices Website Enhanced

NCUA Board Member Debbie Matz has enhanced NCUA's Partnering and Leadership Successes (PALS) Best Practices Website with a new search feature that allows state-by-state searches of over 300 innovative programs offered by nearly 200 credit unions in 40 states.

"PALS best practices offer credit unions the opportunity to learn from their colleagues what works in trying to reach out to new members—especially the underserved—and to improve services to existing members," said Matz, who launched her PALS initiative in February 2003 and unveiled the PALS Best Practices Website in February.

The next free PALS workshop happens following CUNA's Future Forum, Oct. 27 in Honolulu. It will focus on "New Ideas to Reach New Members."

 **PALS Best Practices**
<http://www.ncua.gov/PALS/BP/bestpractices.htm>



>> The Innovators

New Business Services Resource Guide for CUs

Credit unions responding to members' desire for member business services can look to CUNA's new CU Member Business Services Guide for strategic information.

The guide examines a number of different business services issues, including:

- ▶ Member business checking accounts;
- ▶ Commercial loans;
- ▶ SBA loans;
- ▶ Lending considerations;
- ▶ Loan participations;
- ▶ Staffing; and
- ▶ Deposit accounts.



In addition, it offers credit union managers and boards strategic considerations and tips for success when considering these types of services.

This new resource is a result of work conducted by national and state business services committees, as well as a small group of experienced credit union business lenders in conjunction with the staff of CUNA's Center for Research & Advice.

"The guide concentrates on the strategic and operational issues involved in making the decision to offer business services

and provides a variety of perspectives on the decision," said Kevin Lytle, vice president of strategic and executive development for CUNA. "It also provides a 'roadmap' of considerations for management and directors as they investigate the myriad details of offering member business services."

A PDF file format of the guide is available online. It also includes a number of individual files and appendices from *TowerGroup* research reports to information on regulations, job descriptions, policies and pricing.

Credit unions can order a PDF zip-file directory containing this wealth of information at thepoint.cuna.org, click on the link to the "Member Business Services Guide." The cost is \$195. Subscribers to *The Point for Research & Advice* pay only \$50.

The Point currently reaches more than 1,200 credit union subscribers. To obtain a free 30-day trial, go to thepoint.cuna.org and click on the "Free Trial Subscription" link. A one-year subscription is available for \$250. Team pricing for a group of five or more subscriptions is available for \$1,000. 📄

The Point for CU Research & Advice
<http://thepoint.cuna.org/>

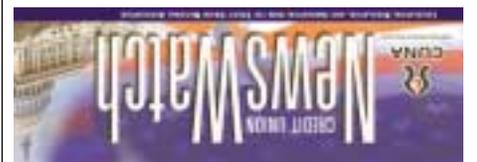


RETURN SERVICE REQUESTED

FIRST CLASS TIME SENSITIVE MATERIAL

AUGUST 2, 2004

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



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
 CUNA E&S, P.O. Box 431, Madison, WI 53701-0431; or call (608) 232-8045
 To get free instant e-mail delivery instead of regular mail, log on to www.cuna.org
 and click Permission E-mail Service. Create your profile and check the box for
 Newsletter - NewsWatch.
 © Copyright 2004 Credit Union National Association, Inc. ISSN 0899-5597



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