



Stand Up Now and Be Heard

During the live national webcast on June 24, CUNA President/CEO Dan Mica explains to host Paul Berry the real and present danger of the bankers' threat. (CUNA photo)

CUNA President/CEO Dan Mica explained to the more than 1,100 registered participants tuned into CUNA's first live national webcast that the banker attacks on credit unions' tax status is serious and "credit unions must stand up and make themselves heard."

"There is no question in my mind that credit unions have a great story to tell. There also is no question that the bankers have orchestrated a campaign to overshadow our story," said Mica. "The bankers have been hard at work energizing their troops, talking to Congress, amplifying messages from credit union critics and pounding home their message that it is time to tax credit unions."

Former television news anchor Paul Berry hosted the webcast, which originated from Washington, D.C. Mica appeared live on the program, which was free to affiliated credit unions. It was sprinkled with videotaped segments that revealed the bank menace from the perspectives of Reps. Jack Quinn (R-N.Y.) and Marcy Kaptur (D-Ohio), Ohio CU League President/CEO Paul Mercer, CUNA Chief Economist Bill Hampel, and noted Washington lobbyist Mark Isakowitz.

Mica outlined five actions credit unions, working with their state leagues, could perform between now and the elections:

1. Do Project Zip Code, which match-

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CUNA Testifies for Reg Relief

Credit unions would "benefit greatly from reducing unnecessary and costly regulatory burdens...a savings that credit unions would pass along to their 85 million members," Marilyn James, president/CEO of NEPCO FCU, Pueblo, Colo., told the Senate Banking Committee during a June 22 hearing on regulatory relief.

She was CUNA's witness among regulators, credit union, bank and consumer representatives who testified.

James explained that credit unions are more heavily regulated than other financial institutions, and pointed out that last two regulatory relief bills that Congress passed did not include provisions specific to credit unions. She noted the importance of the CU Regulatory Improvements Act (H.R. 3579), which now is pending in the House.

"While [the CU Membership Access Act of 1998] did provide relief from an onerous Supreme Court decision, it also imposed several new, stringent regulations on credit unions, which, in spite of assertions to the contrary, are the most stringently regulated of insured financial institutions," said James.

The hearing was relatively uneventful, as bank witnesses apparently heeded

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Credit unions can activate members for the 2004 election.



>> Special Report

House Leader Supports CU Tax Status



Tom DeLay

In an interview with CUNA's *CU NewsWatch*, House Majority Leader Tom DeLay (R-Texas) discussed credit union member business lending, regulatory relief and taxation.

Q: Congress is in the process of considering tax legislation that would expand the ability of banks to become tax exempt by electing Subchapter S. CUNA has never objected to that provision, even in the face of strenuous banker attacks on the credit union tax exemption. What are your views on the current federal tax code, regarding financial institutions in particular?

A: Of course, Subchapter S status doesn't mean tax-exempt; it simply removes one of the two layers of taxation that are faced by C corporations. This double taxation of corporations, including incorporated financial service companies, is one of the most burdensome aspects of our current tax code. The removal of the double taxation of corporate income is a necessary step to-

ward fundamental tax reform. For that reason, I am a strong supporter of allowing a greater number of for-profit financial service companies to operate under Subchapter S of the tax code.

I am equally supportive of Americans' right to voluntarily pool their resources for their own benefit and not be taxed on such an effort. Credit unions embody this principle, and I firmly support the principle of their tax-exempt status.

Q: Credit unions have been making loans to small businesspeople for more than 90 years. What role do you see credit unions playing in helping small business continue to drive the U.S. economy?

A: Both credit unions and small businesses play special roles in the American economy. It has become a cliché, but it's nonetheless true that small businesses are the engine of the U.S. economy. Small businesses create three out of every four new jobs in America and account for more than half of private sector output annually.

It's not always easy to pinpoint exactly

what makes a small business successful. Sometimes small-business success results from taking a chance in an underserved neighborhood or establishing personal relationships with customers. These kinds of things can't always be captured through a computerized financial model or in a company's financial statements. And that's where credit unions come in. Credit unions are unique in that they maintain very personal relations with their members, relationships that allow credit union lenders to look beyond the financials to the intangibles that often result in success.

So, I think credit union lending to small businesspeople will continue to be a core requirement for economic growth in the United States.

Q: CUNA, the Texas CU League, and credit unions across the country were enthusiastic supporters of H.R. 1375, the Financial Services Regulatory Relief Act, which passed the House through your leadership in March. Can credit unions expect this important piece of legislation to pass the Senate and reach the president's desk this year?

A: Well, as you know, the House passed that bill, sponsored by Rep. Shelley Moore Capito (R-W.Va.) more than three months ago, by a vote of 392-25. It's hard to send a stronger signal of support from the House than that. It's an important piece of legislation because it removes several regulatory barriers currently facing financial services companies including credit unions.

I certainly hope that Sen. Richard Shelby (R-Ala.) and the Senate leadership see this bill as important, just as the House has. But the Senate moves at its own pace. However, even if we aren't able to send this bill to the president this year, I fully expect similar legislation to be introduced and move quickly next year. ⬆

By the Way

▶ NCUA will conduct a conference call about its Technical Assistance Grant (TAG) initiatives on July 6, at 3 p.m. ET. The toll-free call will teach participants more about technical assistance available for low-income designated credit unions creating or enhancing homeownership, financial education, international remittance, underserved areas, and Individual Development Account programs.

NCUA's CU Development
<http://www.ncua.gov/CreditUnionDevelopment/Index.html>



▶ CUNA will conduct a webinar called, "Sexual Harassment for Frontline Staff." It's scheduled for July 20 from 3-4:30 p.m. ET, and designed for tellers, member service representatives and other operational staff who work directly with members. The webinar will discuss legal definitions of harassment, the importance of reporting harassment, and how to protect the credit union from the ramifications of harassment.

CUNA webinars
<http://training.cuna.org>

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



▶ CUNA Testifies for Reg Relief

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Sen. Mike Crapo's (R-Idaho) warning not to use their testimony to bash credit unions.

Other credit union witnesses included NCUA Chairman JoAnn Johnson; Bill Cheney, president/CEO, Xerox FCU, El Segundo, Calif., who testified on behalf on the National Association of FCUs; and Roger Little, deputy commissioner, CU Division, Michigan Division of Financial Institutions, on behalf of the National Association of State CU Supervisors.

Johnson testified, among other things, that NCUA supports a statutorily mandated, risk-weighted prompt corrective action system.

During questioning, Ranking Member Paul Sarbanes (D-Md.) asked Johnson about NCUA's proposed legislative fix to the pooling of merged credit union assets, which CUNA supports. However, Sarbanes' questions suggested that instead of legislation, he favors a solution based on an agreement between NCUA and the Financial Accounting Standards Board.

The consumer groups testified that they support credit union efforts to expand remittance and check-cashing services to non-members.

Crapo said he hoped to craft some type of regulatory relief legislation before the end of the 108th Congress. 🏠



CUNA witness Marilyn James, CEO, NEPCO FCU, Pueblo, Colo., testifies before the Senate Banking Committee, while other witnesses listen: From left, American Bankers Association witness Bradley Rock, Bank of Smithtown; and Eugene Maloney, Federated Investors, Inc. (CUNA photo)

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

▶ From page 1

es credit union members' zip codes (without using their names) to congressional districts.

2. Energize credit union members by making sure they know their credit union is a member-owned, not-for-profit financial cooperative that earns its tax exemption every day.

3. Educate Congress by meeting with representatives and senators before the November elections.

4. Join CUNA's petition drive by having credit union members sign in support of maintaining the status of credit unions.

5. Take part in the national "Hike the

Hill Month" in Washington, D.C. scheduled for September to bring credit unions face-to-face with their lawmakers.

Mica answered questions emailed live from around the country. He applied his experience from five-terms as a congressman in answering why credit unions shouldn't conserve their political energy until a bill is actually introduced in Congress.

"Credit unions cannot wait for a bill to be introduced," explained Mica. "If we wait, we're already behind the eight-ball. If we don't answer, Congress only hears the bankers." 🏠

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

CURIA Co-Sponsors Continue to Grow

Reps. Timothy Bishop (D-N.Y.), Randy Cunningham (R-Calif.), Nick Lampson (D-Texas), Tom Lantos (D-Calif.), John Larson (D-Conn.), Jeff Miller (R-Fla.), Grace Napolitano (D-Calif.), and Loretta Sanchez (D-Calif.) have signed on as co-sponsors of the CU Regulatory Improvements Act (H.R. 3579), bringing total co-sponsors to 59.

The bill was introduced Nov. 21 by Rep. Ed Royce (R-Calif.). CUNA expects the House Financial Services Committee to conduct a hearing on the bill in late July, although an official date has not yet been set.

"Building support for legislation to expand credit unions' regulatory environment is a top priority for CUNA," said Gary Kohn, CUNA's vice president of legislative affairs.

The bill would increase the maximum lending level for member business loans to 20% and reform the prompt corrective action system, among other things. 🏠

Urge Congress to Support CURIA
<http://capwiz.com/cuna/home/>

▶ UPDATE: Conversions

If bankers truly believe credit unions have such a sweet deal, then CUNA invites them to switch to a credit union charter.





>> Regulatory Affairs

NCUA Board Decides on MBLs, Conversions, More

Member Business Loans

At its June 24 monthly meeting, the NCUA Board unanimously approved a new member business loan (MBL) proposal that allows federally insured credit unions to make Small Business Administration (SBA) guaranteed loans under SBA's less restrictive requirements rather than under NCUA's more restrictive MBL rule.

FACT Act

The NCUA Board proposed a rule to implement the affiliate marketing rules that are required under the Fair and Accurate Credit Transactions (FACT) Act regarding restricting a credit union from using certain information about the consumer that was obtained from an affiliated credit union service organization (CUSO) for purposes of marketing products and services.

The rule will prohibit federal credit unions from using such information received from the CUSO, unless the consumer is given a notice and an opportunity to "opt-out" of these types of solicitations.

Change In CU Executive

The NCUA Board proposed a rule amending the requirements that federally-insured credit unions that are newly chartered or troubled must file a notice with NCUA prior to adding or replacing a board or committee member or em-

ploying or changing the duties of a senior executive officer.

The intent is to eliminate inconsistency in the current rule, which allows a director, committee member, or senior executive officer to serve temporarily until notified in writing of NCUA's approval or disapproval.

Collateralized Mortgage Obligations

The NCUA Board issued a final rule amending its regulation on investments in collateralized mortgage obligations (CMOs). Credit unions may now invest in exchangeable collateralized mortgage obligation securities representing interests in one or more stripped mortgage backed securities.

CU Conversion to Community Charter

The NCUA Board approved a request from U.S. FCU in Burnsville, Minn., to convert to a community charter to serve persons who live, work, worship, attend school in, and businesses and other legal entities located in the Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties, of Minnesota.

The population of the proposed area is over 2.6 million. 🏠



ID Theft Rule Supported

CUNA supports the Federal Trade Commission's (FTC) proposed rule that will provide definitions beyond those in the Fair and Accurate Credit Transactions Act (FACTA) for "identity theft," "identity theft reports," and "appropriate proof of identity" and will set the duration of the "active duty alerts" at 12 months, which may be extended.

CUNA's comment letter was developed by CUNA with input from credit unions, credit union leagues, and CUNA's Consumer Protection Subcommittee.

"The term 'identity theft' should include attempted identity theft and the element that the person's identifying information has been used without lawful authority and without the person's knowledge," CUNA told the FTC.

CUNA also believes an FTC affidavit should be included in the 'identity theft report,' along with the law enforcement report. The affidavit will provide more specific information, which will facilitate compliance with the requirements regarding the filing of these reports.

The association recognized that the process may be abused by consumers who file identity theft reports as a means to block unfavorable information on a credit report or for other fraudulent means.

CUNA Comment Letters
http://www.cuna.org/reg_advocacy/member/comment_letters/comment_letters04.html

▶ Guidance Issued on SAR, Civil Liberties

NCUA, the Financial Crimes Enforcement Network, and the other federal financial institution regulators have issued an advisory in connection with a recent federal court decision, *Whitney National Bank v. Karam*, regarding protections against civil liability when financial institutions submit Suspicious Activity Reports (SARs) to regulators and law enforcement agencies.

The agencies require financial institutions to file SARs whenever the institution knows or suspects suspicious transactions or potential criminal activity.

Federal law and regulation protects the institution and its employees, officers, and directors from liability for filing a SAR or for making disclosures in a SAR.

In the *Whitney* case, individuals sued a bank, claiming that the bank wrong-

fully accused them of illegal lending activities by filing the SAR and sought discovery of any communications that the bank had with law enforcement concerning the suspecting illegal conduct and the filing of the SAR. The individuals did not request a copy of the SAR itself, which is prohibited under the Bank Secrecy Act.

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

Two Charged In Phony CU Scams

Canadian authorities arrested two men in Ontario as suspects in a multi-million-dollar boiler-room scam involving bogus U.S. credit unions.

Leslie Card, 35, and Kevin Card, 33, both Jamaican nationals, were arrested and booked on 22 felony charges, including defrauding the public in an operation involving the so-called "America's Choice" and "Heartland" credit unions. Canadian authorities estimate the ongoing scam averaged \$10,000 per day.

NCUA has been cooperating with Canadian authorities for the past 10

months after people in 23 states reported they were bilked by fraudulent advertisements placed by scam artists claiming to be legitimate credit unions. CUNA had been working with the Department of Justice and the FBI, providing documentation of the ads as incidents occurred.

The scamsters reserved ads in newspapers throughout the U.S. with information from stolen credit cards. The ads posted toll-free 866 telephone lines so victims could call and apply for a loan. ☰

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

Loan Participations Addressed

CUNA explained to the Financial Accounting Standards Board (FASB) why credit unions should not be brought under FASB's contemplated guidance on loan participations. Currently, FASB is working on a project to amend Financial Accounting Statement (FAS) 140, which sets requirements that a transfer in a loan participation must meet to be considered a sale under Generally Accepted Accounting Principles (GAAP).

The board is considering amending FAS 140 to disallow sales treatment for loan participations marked by rights of setoff. Instead, the transaction would be reflected on the originating credit union's financial statements as a secured borrowing.

CUNA is concerned that under this type of treatment, more assets would have to be recorded on the originating credit union's financial statement, possibly triggering a need to increase net worth in order to meet prompt corrective action standards and, in the case of member business loans (MBLs), pushing the originating credit union closer to the statutory MBL cap.

New Labor Regs Effective Aug. 23

During a June 22 CUNA audio conference with credit unions, attorney Teresa Burke Wright discusses whether a credit union employee is entitled to overtime pay as part of the new U.S. Department of Labor (DOL) Fair Labor Standards Act (FLSA) regulations that go into effect Aug. 23. She advised credit unions to conduct a review of non-exempt and exempt positions to determine whether any positions should be reclassified as a result of the new regulations, and review payroll practices for exempt employees to ensure no improper deductions are taken from exempt employees' salaries. (CUNA Photo)

 **CUNA 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:

Disposal of Consumer Report Information

Agency: NCUA
Due date: July 12

Definition of "Deposit" with Regard to Stored Value Cards

Agency: Federal Deposit Insurance Corp.
Due date: July 15

FTC Study on Credit Reports

Agency: Federal Trade Commission (FTC)
Due date: July 16

FACT Act Affiliate Marketing Rule

Agency: Federal Trade Commission (FTC)
Due date: July 20

Fed Study on Prescreened Solicitations for Credit or Insurance

Agency: Federal Reserve
Due date: July 23

Study on Requiring Disclosures on Debit Card Fees

Agency: Federal Reserve
Due date: July 23

Revisions to Policy Statement on Payments System Risk

Agency: Federal Reserve
Due date: July 26

Proposed Guidance on Overdraft Protection Services

Agency: NCUA
Due date: Aug. 6

Comment Call

 http://www.cuna.org/reg_advocacy/member/reg_call/2004_comment_calls.html



**If Credit Unions Don't Vote,
Credit Unions Don't Count.**

 **Register to vote
on CUNA's website**
<https://electionimpact.votenet.com/cuna/>



>> Political Affairs

CUs Can Help 'Get-Out-The-Vote'

As part of the 2004 election effort, CUNA is making available a fresh set of free artwork and online programs to help credit unions encourage their members to vote.

Karen Kincer, CUNA's political director, said credit unions can download any of the five designs at no cost from CUNA's website and use it for posters or brochures. She pointed out that extra space in the artwork would enable credit unions or leagues to insert their own logos.

"The artwork contains links that direct credit union members to easy-to-use web resources," she added. "Our goal is to po-

litically activate as many of the 85 million credit union members as possible."

The artwork complements an online voter registration program and absentee voting programs facilitated for credit unions by CUNA.

CUNA also will bolster credit union campaign activism this year by participating in this summer's Democratic and Republican National Conventions happening in Boston and New York, respectively. 



Get Out The Vote

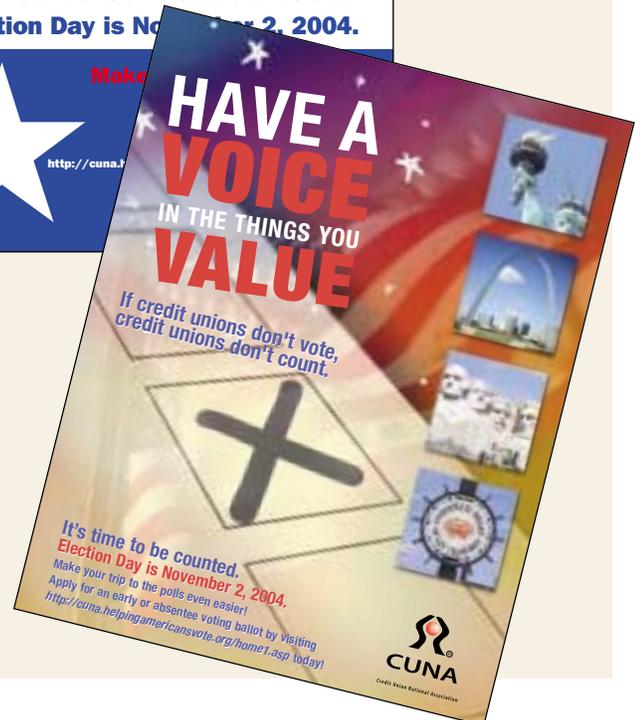
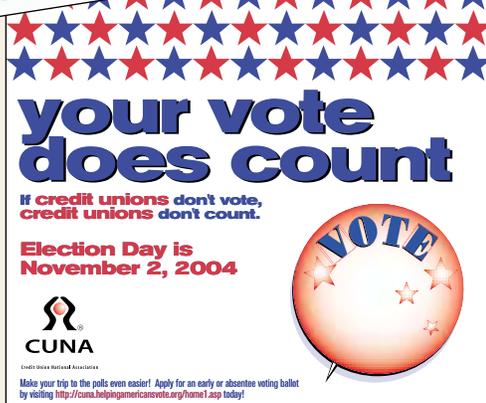
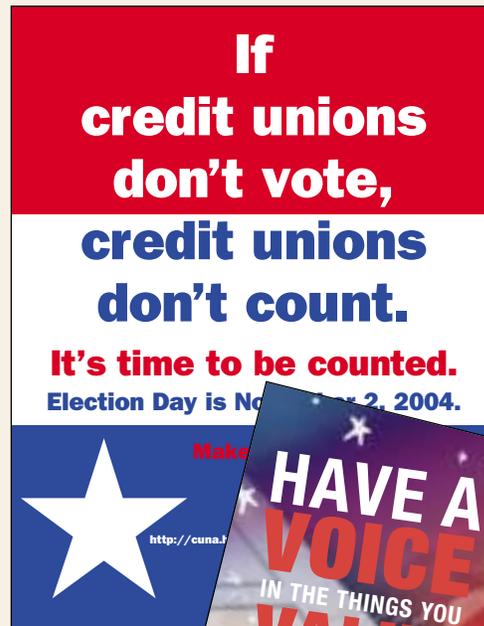
http://www.cuna.org/gov_affairs/political/gotv/gotv_posters.html



**IF CREDIT UNIONS DON'T VOTE,
CREDIT UNIONS DON'T COUNT.
IT'S TIME TO BE COUNTED.**

ELECTION DAY IS NOVEMBER 2, 2004.

MAKE YOUR TRIP TO THE POLLS EVEN EASIER!
APPLY FOR AN EARLY OR ABSENTEE VOTING BALLOT BY VISITING
<http://cuna.helpingamericansvote.org/homes.asp> TODAY!





>> Notes Bearing Interest

Five Nominated So Far For CUNA Board

CUNA has received five nominations for CUNA Board seats so far. Nominations have been received and verified for:

- ▶ District 1, Class A: Incumbent Diana L. Roberts, Hershey (Pa.) FCU;
- ▶ District 4, Class A: Dean Wilson, Wauwatosa CU, Menomonee Falls, Wis.;
- ▶ District 4, Class A: Pat Wesenberg, president/CEO, Point Plus CU, Stevens Point, Wis.;
- ▶ District 5, Class C: Harriet May, president/CEO, Government Employees CU of El Paso (Texas); and
- ▶ District 6, Class B: Incumbent Grace Mayo, president, Telesis Community CU, Chatsworth, Calif.

Nomination forms can be downloaded directly from CUNA's website. Nominations must be received by July 9, and should include name, credit union name, mailing address, district and class, and can be submitted via:

- ▶ E-mail: thanson@cuna.coop
- ▶ Phone: 800-356-9655, ext. 4013
- ▶ U.S. mail: CUNA Corporate Secretary, P.O. Box 431, Madison, WI 53701-0431

CUNA Directors and Bylaws
<http://www.cuna.org/cuna/index.html>

CUNA Calls for AGM Resolutions

In preparation for CUNA's Annual General Meeting (AGM) in October, CUNA's Corporate Governance Committee is asking member credit unions and leagues to submit resolutions no later than Aug. 31.

Resolutions deemed appropriate by the committee will be presented for discussion and vote at the AGM on Oct. 26, in Honolulu.

Adopted resolutions will move forward as recommendations to the CUNA board.

Suggested resolutions can be sent to:

E-mail: thanson@cuna.coop

Fax: 608-231-4874

Mail: Office of the Corporate Secretary
 Credit Union National Association

P.O. Box 431

Madison WI 53701-0431

CUNA Board Elections

Credit Unions <small>(Class is based on number of members as of December 31, 2003)</small>	Class	District 1 Connecticut Maine Mass. N. Hampshire New Jersey New York Pennsylvania Rhode Island Vermont Puerto Rico Virgin Islands	District 2 Delaware D.C. Indiana Kentucky Maryland Ohio Virginia W. Virginia	District 3 Alabama Arkansas Florida Georgia Louisiana Mississippi N. Carolina S. Carolina Tennessee	District 4 Illinois Iowa Michigan Minnesota Missouri Wisconsin	District 5 Arizona Colorado Kansas Montana Nebraska New Mexico North Dakota Oklahoma S. Dakota Texas Utah Wyoming	District 6 Alaska California Hawaii Idaho Nevada Oregon Washington Am. Samoa Guam
Up to 15,999 Members	Class A	2004 ***Diana Roberts	2006 Jim Oliva	2005 Sandy Lingerfelt	2004 ***Janet Honse	2005 Mary Shipe	2006 Don Larsen
16,000 to 58,999 Members	Class B	2005 John Prumo	2004 ***Patrick McGrady	2006 Laida Garcia	2005 Allan McMorris	2006 Kris Mecham	2004 ***Grace Mayo
At Least 59,000 Members	Class C	2006 Patrick Calhoun	2005 Juri Valdov	2004 ***Tom Dorety	2006 Paul Parish	2004 ***Chris Jillson	2005 Richard Ghysels
Leagues	Class D	2004 ***John Murphy	2004 ***Ken Watts	2005 Gary Wolter	2005 Tom Griffiths	2006 Dick Ensweiler	2006 Gene Poitras

*** Seats up for election in 2004 for 3-year terms



>> Serving the Community

CUs Begin To Hatch In Afghanistan

The World Council of CUs Inc. (WOCCU) says its new \$1.1 million Afghanistan project has entered its first stages of implementation as a credit union pilot project.

The project—the Pilot Financing of Microfinance Investment and Support Facility for Afghanistan—is funded by the World Bank through the Kabul-based Microfinance Investment Facility of Afghanistan (MISFA). CUNA is helping WOCCU seek funding and congressional support for this and other international credit union development projects.

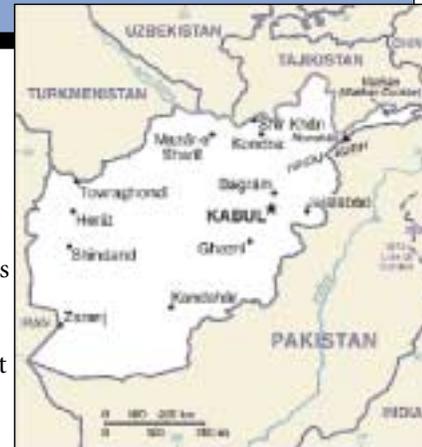
Edgar Comeros, a 30-year development veteran who worked in the Philippine credit union and cooperative movement, is the WOCCU-Afghanistan project manager.

WOCCU signed a lease for the first credit union office in Mazar-I-Shariff and expects to sign a lease for a second credit union office soon. The project calls for three credit unions to be created in 18 months. The other credit unions will be in Pul-I-Khumrie and Hirat. WOCCU says it chose the locations because they have thriving economies with busy public markets, factories, agriculture, access by car or plane, and progressive government

leaders willing to support such activity.

Currently Afghanistan has no legislation, regulatory body, laws or framework to help credit unions begin, but WOCCU says it will work toward these issues with government bodies to introduce legislation. In the meantime, WOCCU will incorporate proposed draft legislation into credit union bylaws.

WOCCU says this development project will be among its most difficult because of staffing issues. Basic primary-educated individuals, with at least a third-grade education are difficult to locate, and WOCCU even has considered Afghanistan refugees in Pakistan to fill the roles of credit union manager, accountants and tellers—people who have basic math experience and can type. ♣



Credit Union Issues 2004

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



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FIRST CLASS TIME SENSITIVE MATERIAL

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