

*NCUA Chief Financial Officer Dennis Winans reviews the quarterly performance of the National CU Share Insurance Fund with NCUA Board members. (CUNA photo)*

Based on projections from NCUA's quarterly National CU Share Insurance Fund (NCUSIF) report, it appears credit unions might not receive a dividend from the fund this year.

During NCUA's monthly board meeting on April 15, the board projected that the fund's equity ratio—the amount in the fund in relation to the amount of total federally insured shares—for year-end 2004 would be 1.25%. Dividends 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 currently is set at 1.3%.

The first quarter ended with the NCUSIF equity ratio at 1.29% based on Dec. 31, 2003, insured shares of \$478.5 billion.

Since the NCUSIF was capitalized in 1985, only one insurance premium has been assessed—in 1992. For six consecutive years beginning in 1995, the fund's equity ratio was above the required operating level in amount sufficient to allow the NCUA board to declare dividends. >>

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## Banker Priorities Called 'Outrageous'

CUNA President/CEO Dan Mica last week expressed outrage to Congress that bankers are more interested in taxing credit unions than fighting terrorism and backing ethical conduct.

Mica was responding to an American Bankers Association (ABA) list of "Government Affairs Priorities for 2004," which ranked "credit union taxation" as a "super priority" over such vital national issues as terrorism, accurate accounting and ethical corporate governance.

"When the bankers' 'Government Relations Priorities for 2004' came to my attention around the first of the month, I thought it was some sort of April Fool's prank," Mica said. "My staff quickly assured me it was no joke. From that point on, the list burned in my hands."

As a result, Mica has asked Congress to tell the bankers' group to stop its whining and get off the backs of America's credit union members.

The ABA's priority list for 2004 describes three levels of concern for the group: super priorities, priorities >>

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# >> Governmental Affairs

## Shelby, Others Applauded for 'No CU Tax' Words

"These words will have a very happy effect on the people who make up the credit union movement," CUNA President/CEO Dan Mica told Senate Banking Committee Chairman Richard Shelby (R-Ala.) in appreciation of the senator's reported backing of credit unions' tax status.

Mica was responding to stories that appeared in the April 8 *Dow Jones Newswires* and the *American Banker* in which Shelby came down squarely against taxing credit unions. It quoted the senator's response to a question about credit union taxation posed during a session with reporters that



Shelby



Hoyer



Levin



Brownback

followed a committee hearing on national bank regulation.

"I'm not for taxes," Shelby responded. "I'm not for taxing credit unions. You start taxing credit unions, you know who's going to pay the taxes—the members."

In his letter to Shelby, Mica reiterated, "the structure of credit unions—as cooperatively owned, not-for-profit fi-

nancial institutions that are democratically controlled—does indeed ensure that the focus of the institution is on the members."

"And, as you have wisely commented, a tax

on credit unions is a tax on the members—84 million consumers nationwide," said Mica.

Shelby joined other members of Congress who have voiced public support of credit unions' tax exemption: Rep. Steny Hoyer (D-Md.), Rep. Sander Levin (D-Mich.), and Sen. Sam Brownback (R-Kan.).

 **CUNA Governmental Affairs**  
[http://www.cuna.org/gov\\_affairs/index.html](http://www.cuna.org/gov_affairs/index.html)

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### Priorities Raise Red Flags

and "other issues to emphasize." The three super priorities are: Defending the Gramm-Leach-Bliley law, addressing FDIC issues and credit unions.

Beneath these are the priorities, which the ABA lists (among others) "fighting terrorism" and "accounting and corporate governance."

*"...The list burned in my hands."*

—Dan Mica,  
CUNA President/CEO

our nation," said Mica in a letter sent to all members of Congress. "For a national trade group which represents institutions that depend on the public's trust and confidence, this action must raise red flags as to their ability to properly evaluate and advocate public policy issues."

"This priority ranking is completely outrageous and is out of touch with the gravity of the real challenges facing our financial system and

### By the Way

► NCUA is encouraging low-income credit unions to apply for \$75,000 in Technical Assistance Grants (TAG) to provide members with free tax preparation help. This is the second year NCUA has combined efforts with the Internal Revenue Service to offer the funds, which are expected to average \$5,000 per credit union. The grants may be used to offset some administrative and operational costs associated with providing free tax preparation services. Applications must be submitted to the NCUA between May 1 and Aug. 31.

► Credit union and league representatives from 33 states already are scheduled to lace up their boots this year for CUNA's Hike the Hill program, which provides credit unions with the opportunity to visit Washington to educate decision makers on credit union issues. Last year, 45 Hike the Hill events happened, and this year's schedule should meet or exceed last year's numbers, said CUNA's Gretchen Graf, director of grassroots and political involvement.

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## Tax Resolution Underscores Resolve

The CUNA Governmental Affairs Committee (GAC) approved a resolution that supports a coordinated credit union response to counter bankers' renewed efforts aimed at revoking credit unions' tax status.



Juri Valdov

The GAC resolution backs a multi-faceted CUNA response plan, which brings together national and state efforts. It includes calls to action, grassroots activities, targeted lobbying, media, and coalition building.

Apparently sparked by a new American Bankers Association initiative called "Operation Credit Union" aimed at federal and state lawmakers, the issue of taxing credit unions erupted from a number of bank-bought advertisements and sources in Washington—including the chairman of the House Ways and Means Committee and Federal Deposit Insurance Corp. Chairman Don Powell.

So far, CUNA, league and credit union efforts have produced numerous positive

developments, including statements of support from several members of Congress, the Bush Administration, Democratic presidential hopeful Sen. John Kerry (D-Mass.) and consumer groups.

Despite these successes, the bankers' threat shows no signs of abating, according to CUNA GAC Chairman Juri Valdov, president/CEO of Northwest FCU, Herndon, Va. He said the overwhelming sense of his committee is that the threat is of a magnitude that will require a strong and coherent response by the credit union movement.

"The banking industry has launched a highly funded, well-coordinated national effort to persuade legislators at the state and federal levels to raise new taxes on credit union members," he said.

Valdov emphasized that credit unions must address the bankers' motivation and stress the difference between credit unions and banks. "This will plainly show the bankers' true intentions," he said. 🏠

## Grassroots Yields More CURIA Co-Sponsors

U.S. Reps. Tammy Baldwin (D-Wis.) and Michael Michaud (D-Maine) joined 37 of their congressional colleagues and signed on to the CUNA-backed CU Regulatory Improvements Act (CURIA-H.R. 3579).

CURIA was introduced last November by Reps. Ed Royce (R-Calif.) and Paul Kanjorski (D-Pa.), and was co-sponsored originally by two other senior members of the House Financial Services Committee, Reps. Steve LaTourette (R-Ohio) and Carolyn Maloney (D-N.Y.).

The addition of the two newest co-sponsors follows CUNA's effort to encourage state credit union league representatives to contact their federal representatives during the lawmakers' recent trips to their home states for spring recess.

CUNA had urged members to show support for CURIA and the movement's tax-exempt status. CUNA estimates that two-thirds of state leagues were active in their grassroots efforts during the congressional recess.

Among its provisions, CURIA would increase the limit on credit union member business loans to 20% of assets, up from 12.25% of assets, and reform the prompt corrective action system to take into account more accurate risk assessments.

## ▶ Crapo To Lead Senate On Reg Relief

Senate Banking Committee Chairman Richard Shelby (R-Ala.) asked Sen. Mike Crapo (R-Idaho) to take the lead in crafting regulatory reform legislation for credit unions and banks.

In a statement, Crapo noted that the House overwhelmingly passed in March the Financial Services Relief Act of 2003 (H.R. 1375), which eased some regulatory burdens for credit unions and banks. "Part of our role in this committee is to periodically review and, if necessary, change banking and credit union statutes that have outlived their usefulness," he said.



Mike Crapo

Three weeks ago, CUNA President/CEO Dan Mica urged the Senate Banking Committee to move forward on a regulatory relief package for credit unions. "CUNA supports efforts to reduce the regulatory red tape that prevents credit unions from serving their membership and reaching out to underserved and unbanked communities," Mica told the committee.

Gary Kohn, CUNA's vice president of legislative affairs concurred. "We are grateful that regulatory relief appears to be a priority for the committee and will continue working with the chairman and Sen. Crapo in an effort to include provisions to help credit unions better serve their members."

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



## Dollar to Senate Committee: CUs Are Safe and Sound

NCUA Board Chairman Dennis Dollar and his regulatory colleagues—including Federal Reserve Board Chairman Alan Greenspan—testified April 20 before the full Senate Banking Committee about the state of the U.S. financial services industry.

“The state of the credit union industry remains strong and healthy, with all indicators clearly portraying a safe and sound industry serving over 82 million Americans,” said Dollar, who will step down from his post on April 30.

Dollar testified that 8% of American households use only credit unions, while 13% use credit unions as their primary financial institutions. He assured the committee



CUNA President/CEO Dan Mica greets NCUA Board Chairman Dennis Dollar as Dollar prepares to testify before the Senate Banking Committee. Looking on is James Gilleran, director of the Office of Thrift Supervision. (NCUA photo)

that NCUA’s \$6 billion National CU Share Insurance Fund is healthy and growing with a 1.29% equity ratio as of March 30. Dollar indicated that he supported some level of risk-based capital for credit unions.

He also noted the average net worth-to-asset ratio of all federally insured credit unions stands at 10.72%, return on average assets is 0.99%, and overall delinquency ratio remains steady at 0.77%.

NCUA is monitoring a number of emerging risks and challenges for the industry, said Dollar, including interest rate risk and net margin compression, increased competition for consumer lending and information systems and technology risks. ♣

## Down to the Last for Dollar

Outgoing NCUA Board Chairman Dennis Dollar tapped the gavel twice and ended his final board meeting on April 15 to a standing ovation. Dollar steps down from the board on April 30.

Following consideration of the agenda items, Dollar exercised a point of privilege as the retiring chairman to reflect on his seven-year tenure at the agency.

He thanked his fellow board members—Vice Chair JoAnn Johnson and Board Member Debbie Matz—and the “tremendous” staff at the agency. Dollar said his position was an opportunity to make a difference for credit unions and the agency, and expressed gratitude to the credit union system for its support.

In turn, Johnson and Matz thanked Dollar for providing leadership, support, and collegiality during his tenure. Matz commented on Dollar’s southern expressions.

“When you say, ‘that dog won’t hunt,’ I know it is time to move on to another approach,” Matz remarked to the chairman. “When you say, ‘I am fixin’ to do something,’ I know it will get done!”

Until the White House names a replacement for Dollar, the NCUA Board will operate with two members. ♣

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## NCUSIF Dividend Unlikely In 2004

NCUSIF gross income was \$30.3 million and total expenses were \$20.2 million during the first quarter of 2004, including \$872,095 added to the provision for loan losses to cover anticipated losses from three credit union failures that have occurred this year. With the \$.9 million added, NCUSIF reserves were \$79.9 million at March 31, 2004.

In April 2004, credit unions with



share growth during the last six months of 2003 will submit \$96 million, representing the required semiannual 1% NCUSIF deposit adjustment. The fund has returned \$46 million to credit unions that experienced insured share declines in the final six months of 2003. ♣

**Regulatory Advocacy**  
[http://www.cuna.org/reg\\_advocacy/index.html](http://www.cuna.org/reg_advocacy/index.html)

## ▶ Take CUNA's Compliance Challenge

**Q:** As of April 15, Regulation B requires each credit applicant to indicate at the time of application that he or she wishes to apply for joint credit. What evidence will be sufficient to establish a joint applicant’s intent to apply for credit?

**A:** The submission of a joint financial statement by one of the applicants.

**B:** The joint applicant’s signature on a promissory note.

**C:** The joint applicant’s signature or initials on the loan application.

**D:** A and B.

**E:** All of the above.

**Find the answer on page 5**

# Supreme Court Sides With Fed On Fees

The Supreme Court April 21 overturned a lower court ruling that a credit card over limit fee constitutes a finance charge under the Truth in Lending Act (TILA). A U.S. Sixth Circuit Court of Appeals had made that ruling even though the Federal Reserve Board specifically exempted such fees as finance charges in Regulation Z.

The Supreme Court ruling is good news for credit unions in the jurisdiction of the Sixth Circuit, covering the states of Ohio, Michigan, Kentucky, and Tennessee, which had been affected by the lower court ruling, according to Mike McLain, CUNA senior compliance counsel.

"This ruling now gives credit unions a uniform definition of over limit fees consistent with Reg Z," said McLain. "Credit unions need only look to Reg Z for the interpretation about over limit fees."

McLain added that if the Sixth Cir-

cuit's decision had not been reversed by the Supreme Court and instead had been followed by other circuits, credit unions could have faced even greater non-uniform treatment of over limit fees.

In its opinion in the case, "Household Credit Services, Inc. v. Pfnennig," the Supreme Court noted, "Congress has expressly delegated to the (Federal Reserve) Board the authority to prescribe regulations containing 'such classifications, differentiations, or other provisions' as, in the judgment of the Board, 'are necessary or proper to effectuate the purposes of [TILA], to prevent circumvention or evasion thereof, or to facilitate compliance therewith."

The opinion was written by Justice Clarence Thomas. 🏠

## 🖱️ CUNA's eGuide

<http://www.cuna.org/compliance/member/eguide/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:

### Agency Review to Reduce the Burden of Consumer Protection Rules

Agency: NCUA  
Due date: May 4

### New Proposed Model Form on Furnishing Negative Information to Credit Bureaus.

Agency: Federal Reserve  
Due date: May 9

### HMDA Public Disclosure Revisions

Agency: Federal Reserve  
Due date: May 10

### Procedures for Handling Critical Infrastructure Information

Agency: Dept. of Homeland Security  
Due date: May 20

### FACT Act Medical Information Rule

Agency: NCUA  
Due date: 30 days after publication in the Federal Register

### Student Credit Unions Made Eligible for Community Development Loans

Agency: NCUA  
Due date: May 21

### Changes to Calculation of Fixed Assets & Fixed Asset Waivers

Agency: NCUA  
Due date: June 21

## 🖱️ Comment Call

[http://www.cuna.org/reg\\_advocacy/member/reg\\_call/2004\\_comment\\_calls.html](http://www.cuna.org/reg_advocacy/member/reg_call/2004_comment_calls.html)

## ▶ Compliance Challenge Answer

(Answer to the question on page 4)



**Answer:** The correct answer is "C." A joint applicant's intent may be expressed individually on the loan application in the form of initials or a signature. As of April 15, it is not sufficient for only one applicant to indicate that the application is for joint credit. Each applicant will be required to indicate "at the time of application" that he or she wants to apply for joint credit.

In February of 2003, the Federal Reserve Board clarified Section 202.7(d) of Regulation B to add the following language: "A creditor shall not deem the submission of a joint financial statement or other evidence of jointly held assets as an application for joint credit."

Additionally, the Reg B Commentary states "a person's intent to be a joint applicant must be evidenced at the time of application. Signatures on a promissory note may not be used to show intent to apply for joint credit." Therefore, "A," "B," "D" and "E" are incorrect.

Signatures or initials on a loan application affirming the applicants' intent to apply for joint credit may be used to establish intent to apply for joint credit. However, signatures evidencing intent to apply for joint credit must be separate and distinct from the signatures on the application that affirm the truth of the applicants' financial information and statements in the application.

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



# >> Candidate's Corner



**Deb Mathern**  
President/CEO  
Fargo Public  
Schools FCU  
Fargo, N.D.

>>Democratic candidate for  
lieutenant governor of North Dakota

>>North Dakota state senator from  
1998 to 2002

## CEO on Gubernatorial Ticket

Deb Mathern is president/CEO of Fargo Public Schools FCU in Fargo, N.D., as well as number two on the state Democratic ticket for governor. A successful bid would make her the state's lieutenant governor to Joe Satrom, who is running for governor.

Mathern has been part of the credit union scene since 1981 when she started working as a part-time member service representative in a community credit union. She later took a position as loan

officer and later an operations officer. In 1991 she became CEO of Job Service CU in Bismarck, N.D. She was hired as president/CEO of Fargo Public Schools FCU in 1994.

**Q: How did you become interested in public office?**

"In 1997 I testified about a credit union bill on shared service centers. People heard me speak and suggested I get involved. Enough said it that I started to believe it. I got really excited and started thinking, 'I could do this.'"

**Q: How has the credit union movement supported your efforts?**

"North Dakota has a part time legislature. During my four years as state senator, my credit union board of directors granted me a leave of absence to fulfill my public duties. And my excellent staff picked up the work I couldn't handle. I received help from other credit unions, too. My operations manager was treasurer for my campaign even though we have different party affiliations."

**Q: What's your campaign outlook right now?**

"Democrats don't have the stronghold in North Dakota, but it was hard work that landed me as state senator, and hard work could do the trick again this time. Someone once told me, 'You don't know what you can't do,'—that the same attitude may serve me in this election." 🗳️

**CUNA Campaign Schools**  
[http://www.cuna.org/gov\\_affairs/political/index.html](http://www.cuna.org/gov_affairs/political/index.html)

### Top 20 Political Action Committee (PAC) Contributors to Federal Candidates, 2003-2004\*

PAC Name	Total Amount
National Assn of Realtors	\$1,501,800
Wal-Mart Stores	1,290,500
National Assn of Home Builders	1,245,500
Assn of Trial Lawyers of America	1,103,999
Intl Brotherhood of Electrical Workers	1,099,950
National Auto Dealers Assn	1,066,750
Laborers Union	1,040,750
Carpenters & Joiners Union	1,034,500
United Parcel Service	1,021,135
SBC Communications	988,116
<b>Credit Union National Assn.</b>	<b>986,605</b>
National Beer Wholesalers Assn	980,500
Machinists/Aerospace Workers Union	968,000
Service Employees International Union	880,500
American Fedn of St/Cnty/Munic Employees	813,689
American Bankers Assn.	803,518
Air Line Pilots Assn	762,000
Teamsters Union	729,450
American Hospital Assn	727,803
United Auto Workers	\$710,100

Totals include subsidiaries and affiliated PACs, if any.

\*For ease of identification, the names used in this section are those of the organization connected with the PAC, rather than the official PAC name. For example, the "Coca-Cola Company Nonpartisan Committee for Good Government" is simply listed as "Coca-Cola Co."

Based on data released by the Federal Election Commission on 3/29/04.



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

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



# >> Serving the Community

## Intermediate Spanish Class Offered to CUs

Seven of 10 Hispanic immigrants cannot speak English upon arrival in the United States, according to CUNA's *Hispanic Resource Guide*. This makes Spanish language training essential for credit unions to serve this vastly underserved—but fastest growing—market.

With this in mind, CUNA added an intermediate level class to its Spanish eSchool offerings to help credit union staff more effectively use Spanish language skills with Hispanic members.

“Spanish for CUs eSchool: Intermediate” is comprised of eight Thursday afternoon classroom sessions from June 3 to July 22. Lessons will cover sentence structure; articles and adjectives; pronouns and verbs; present and perfect tense; interrogatives; object pronouns; vocabulary and more. Previous knowledge of basic Spanish pronunciation is helpful, but not required.

Additionally, a fourth session of the

popular “Spanish for Credit Unions eSchool: Beginning” was also added as classes continue to sell out. The eight classroom sessions, meeting every Wednesday from June 16 to August 4, include lessons on alphabet, pronunciation, and greetings; days, months, and seasons; times and numbers; credit union terms; and developing conversations.

Both classes are designed for a variety of credit union staff, including tellers, loan officers, member service representatives and managers.

An eSchool is an interactive classroom session that features live, real-time instruction from industry experts via the Internet and a telephone conference call. Students can interact with the instructor and other participants via online chats and live discussion. ■

**CUNA eSchool Schedule**  
[http://training.cuna.org/elearning/vclass\\_schedule\\_04.html](http://training.cuna.org/elearning/vclass_schedule_04.html)

## Four Statement Stuffers In Spanish

Credit unions now can use any one of four statement stuffers to connect with Spanish-speaking members. Order online or call 800-356-8010, press 3.



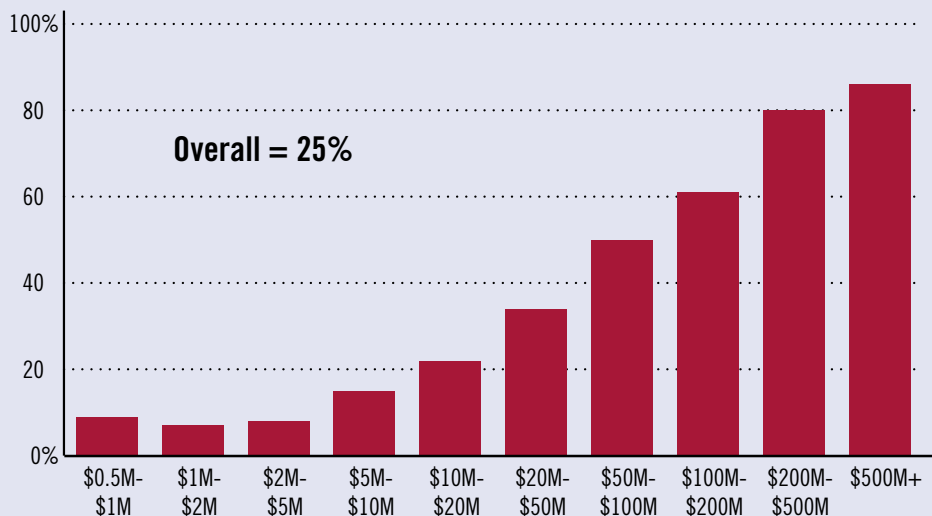
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## Credit Unions With Spanish-Speaking Employees (by asset size)



Source: CUNA's 2002 Credit Union Services Profile as published in the 2003-2004 CU Environmental Scan, #20583

**Serving the Hispanic Market**  
<http://www.cuna.org/initiatives/hispanic/index.html>



# >> The Innovators



## 'Ask Eva' Tackles Tech Security Spending

Subscribers to *The Point for CU Research & Advice* are able to use *The Point's* 'Ask Eva' query tool to ask operational questions.

Subscribers receive answers to their questions from a CUNA researcher within five business days. One subscriber recently asked this question: How much do credit unions spend on Internet security?

**The answer:** The vast majority of credit unions with websites have some network security measures in place, such as anti-virus protection and firewalls. But use of other network security measures, such as encryption, intrusion-detection systems, virtual private networks, and dual-firewall systems are less prevalent.

Credit unions with websites spend an average \$13,922 annually to secure their networks, according to CUNA's

2002/2003 *Technology & E-Commerce Survey Report*, the most recent available. That breaks down by the following asset categories:

- ▶ **\$362** for credit unions with less than \$5 million in assets;
- ▶ **\$744** for credit unions with \$5 million to \$10 million in assets;
- ▶ **\$1,484** for \$10 million to \$20 million credit unions;
- ▶ **\$3,696** for \$20 million to \$50 million credit unions;
- ▶ **\$6,192** for \$50 million to \$100 million credit unions;
- ▶ **\$16,691** for \$100 million to \$200 million credit unions;
- ▶ **\$33,653** for \$200 million to \$300 million credit unions;
- ▶ **\$30,047** for \$300 million to \$500 million credit unions; and
- ▶ **\$67,310** for credit unions with more than \$500 million in assets.

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FIRST CLASS TIME SENSITIVE MATERIAL

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