

## Capitol Hill Runs With CUs

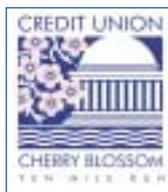


*CUNA Chairman Dick Ensweiler and National Association of FCUs Chair Diane Furnas, president/CEO of Southwest Airlines FCU, Dallas, hold the victory banner as race winner Nelson Kiplagat crosses the finish line in 48 minutes and 12 seconds. (CUNA photo)*

More than 500 congressional staffers—and some members of Congress—were among the 8,000 runners who thundered across the starting line for the 32nd annual running of the CU Cherry Blossom 10-Mile Run.

Sponsored for the third straight year by a partnership of credit unions and affiliated organizations (including CUNA), the April 4 event raised more than \$325,000 for the Children's Miracle Network.

Among the runners were several representing CUNA, including President/CEO



Dan Mica. And, cheering them on, were more than 500 credit union volunteers, including a contingent from CUNA's Washington office.

"It is truly an inspiration to run in this event for such a worthy cause, and among so many fine members of the credit union family," said Mica. "Much-needed funds are raised for children's hospitals; credit union people enjoy a day out together—and we all get a chance to spend some close, personal time with members of Congress and their staffs. It is a winning situation all around." 🏆

## Consumer Groups Back CU Tax Status

The Consumer Federation of America (CFA) and Consumers Union—publisher of *Consumer Reports* magazine—joined forces in a letter to Federal Deposit Insurance Corp. Chairman Donald E. Powell, expressing "deep concern and disappointment" regarding statements Powell made calling for the taxation of the nation's credit unions.

The groups urged the FDIC head to refrain from any further similar comments.

The consumer advocates said federal and state tax exemptions should be preserved for all credit unions, regardless of size, noting the credit union movement's not-for-profit nature and its history of providing affordable, high-quality financial services.

The letter indicated taxation would not only significantly weaken the capital position of credit unions...it would severely limit their ability to serve their members in the future," wrote Stephen Brobeck, executive director of CFA and Janell Duncan, regulatory counsel of Consumers Union. >>

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Her term begins immediately.



## Mica to House: CUs Ready to Defend Tax Status

Calling on all 435 members of the U.S. House of Representatives to “reassure credit unions and their members,” CUNA President/CEO Dan Mica wrote to each asking the lawmaker to spurn bankers’ demands for taxing credit unions, and he urged them to speak out publicly.

And while Mica was hopeful a major political clash during an election year could be avoided, he reminded that credit unions are more than ready and willing to defend themselves—“with maximum constituency involvement.”

Mica’s letter pointed out that the latest “gambit” by the bankers to impose taxes on not-for-profit, cooperatively owned credit unions is merely

*“A tax on credit unions is a new tax on 85 million Americans.”*

—Dan Mica  
CUNA President/CEO

to “eliminate the ‘competitive threat’ brought by credit unions.”

Further, Mica said the credit union tax exemption is valid today, and will continue to be so in the future: A tax on credit unions is a new tax on 85 million Americans, and such a

tax would free banks to be more anti-consumer.

“Consumers reap a ‘better deal’ on loans and savings because of the not-for-profit, cooperative structure of credit unions, which allows them to focus on service to members,” Mica wrote. “Changing the tax status would eliminate credit unions’ incentive to maintain this structure—and focus on service.”

He added that, if credit unions were eliminated from the marketplace, “imagine how expensive other lenders would make credit cards, or auto loans, if they did not have to face lower credit union rates in juxtaposition to their own.”

News Now

<http://www.cuna.org/newsnow/newsnow.html>

## More Co-Sponsor CURIA

Four more House members became co-sponsors of the CUNA-backed CU Regulatory Improvements Act (CURIA—H.R. 3579), bringing the total number to 37.

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

CURIA was introduced Nov. 21 by Reps. Ed Royce (R-Calif.) and Paul Kanjorski (D-Pa.). The other original co-sponsors of the bill are Reps. Steve LaTourette (R-Ohio) and Carolyn Maloney (D-N.Y.). All four are senior members of the House Financial Services Committee. The new co-sponsors include:

- Rep. Thomas Allen (D-Maine)
- Rep. Robert Cramer (D-Ala.)
- Rep. Donald Payne (D-N.J.)
- Rep. Thomas Tancredo (R-Colo.)

Hearings on the legislation are expected sometime this month, according to CUNA Vice President of Legislative Affairs Gary Kohn.

Summary and Status  
[http://www.cuna.org/gov\\_affairs/legislative/issues/curia.html](http://www.cuna.org/gov_affairs/legislative/issues/curia.html)

## By the Way

▶ NCUA is encouraging low-income designated credit unions to apply for \$350,000 in technical assistance grants to cover the operational and administrative costs specifically associated with establishing and/or maintaining programs in the areas of financial education assistance, homeownership assistance and staff training assistance.

▶ CUNA’s John McKechnie, senior vice president of government affairs, was interviewed April 5 on the nationally syndicated “Small Business Advocate,” hosted by Jim Blasingame. McKechnie noted that credit unions are increasingly becoming a source for credit for small business to consider. He pointed out a report released last month by the Small Business Administration indicates credit to small businesses is increasingly coming from sources other than banks.



John McKechnie

▶ April is youth financial education month, and credit unions are at the forefront of providing financial education tools to consumers. The House and Senate have introduced resolutions supporting the goals and ideals of financial literacy month. Among those goals are providing products and services that allow individuals and families to build homes, buy cars, finance educations, start businesses and meet everyday needs.



## Candidate Kerry Backs CU Tax Status



Sen. John Kerry

Sen. John F. Kerry (D-Mass.), the presumptive Democratic presidential nominee, said in a March 31 letter to CUNA President/CEO Dan Mica that he “supports America’s credit unions and will oppose any efforts to change the existing tax-exempt status of credit unions.”

Kerry took note of the unique cooperative nature of credit unions, and wrote, “Today, credit unions help working families—that do not have easy access to credit—pool their savings to make loans available at competitive interest rates. This provides new opportunities in low- and moderate-income communities and

has helped countless members avoid predatory loan practices from unscrupulous lenders.”

He told Mica: “Credit unions’ focus on member service means that your organization is constantly evolving to expand and enhance products and services for your members.”

Mica commended Kerry for understanding that credit unions’ tax status stems from their structure as financial cooperatives that put people over profit.

“With Treasury Secretary (John) Snow’s recent reaffirmation of the Bush Administration’s position, we now have both major party presidential candidates firmly in favor of the tax-exempt status of credit unions,” said Mica. 🏠

## Mica Named Among Top Lobbyists

CUNA President/CEO Dan Mica was again named one of Washington, D.C.’s top lobbyists by *The Hill*—a weekly newspaper covering Congress and its members.

Mica was among the 37 association advocates singled out from the more than 25,000 registered federal lobbyists. The paper also reported “CUNA won a huge victory as the House passed the Financial Regulatory Relief Act of 2003.”



Dan Mica

Other top lobbyists named to the list include those for the banking industry, U.S. Chamber of Commerce, motion picture industry, aerospace, pharmaceuticals and manufacturers. Mica was the only credit union lobbyist named to the list.

The annual list is compiled through conversations with members of Congress, their office and committee staffs and other lobbyists, according to the March 24 edition of *The Hill*.

This is the second year on the list for Mica, who has been president of CUNA since 1996. He was a member of Congress from Florida for 10 years.

## ▶ Hastert Caps Active Month at CU House

An appearance by House Speaker Dennis Hastert (R-Ill.) topped off a month of heavy activity at Credit Union House on Capitol Hill, which involved leadership from Congress and a state official.

Hastert attended a political event for Rep. Max Burns (R-Ga.) held March 31 at CU House. Rep. Spencer Bachus (R-Ala.), chairman of the House Subcommittee on Financial Institutions and Consumer Credit, also attended.

On March 30, CUNA’s John McKechnie, senior vice president of government affairs, hosted an event for Rep. Deborah Pryce (R-Ohio). Pryce chairs the House Republican caucus and is a senior member of the House Rules Committee. CU House also hosted Rep. Mark Udall (D-Colo.).

Earlier in March, CU House was the site of separate events for Rep. Earl Pomeroy (D-N.D.), Indiana Gov. Joe Kernan with the Democratic Governors’ Association, and Rep. Mike Thompson (D-Calif.).



House Speaker Dennis Hastert (R-Ill.), left, is greeted by CUNA’s Gary Kohn, vice president of legislative affairs. (CUNA photo)

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



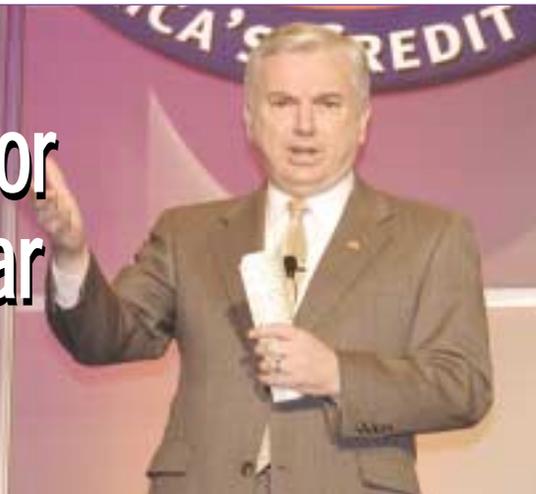
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on CUNA’s website  
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# >> Regulatory Affairs

## No Successor Yet for Dollar



NCUA Chairman Dennis Dollar spoke during the 2004 CUNA Governmental Affairs Conference. (CUNA photo)

NCUA Chairman Dennis Dollar's announcement that he will resign his post effective April 30 is expected to give the White House additional impetus to name a successor, according to some observers.

The White House is known to be considering several candidates, but until a successor is named and confirmed by the Senate (or unless there is a recess appointment), the agency will operate as a two-member board after Dollar's departure.

Dollar has served on the NCUA Board beyond his term, which expired in April 2003. He was appointed to the board in October 1997 and was named chairman by President Bush in October 2001. Before coming to Washington, he was president and CEO of Gulfport (Miss.) VA FCU.

"Having served over a year past the official end of my term, I feel the timing is right for me and my family that I transition from NCUA to the next chapter of my professional life," said Dollar.

CUNA President/CEO Dan Mica praised Dollar's work on the NCUA board, and was hopeful that the Bush Administration soon would make a decision on a replacement.

"While he is indeed a hard act to follow, we urge the Administration to name a replacement who possesses similar credit union experience and understanding that Chairman Dollar has applied so well during his tenure on the NCUA Board," said Mica.

Dollar would preside over his last NCUA board meeting, scheduled for April 15. 🏠

## New Law Boosts SBA 7(a) Loans

President George W. Bush signed legislation April 6 that would increase loan authority for the U.S. Small Business Administration's (SBA) flagship 7(a) loan program by more than \$3 billion.

The 30% increase in small business loans for the current year will allow the SBA to lift a three-month-old cap of \$750,000 on 7(a) loans and drop restrictions on piggyback loans.

The new law increases the 7(a) program's lending authority for this year to \$12.5 billion, and allows the SBA to immediately remove the \$750,000 cap on 7(a) loans, returning it to its previous \$2 million level.

The bill also raises the maximum on SBA Express loans to \$2 million and allows the SBA to raise the maximum guaranty on loans up to \$2 million to 75%. 🏠

## NCUA May Consider More MBL Changes

The NCUA said in a March 29 letter to CUNA President/CEO Dan Mica that it would consider during its 2004 regulatory review process possible revisions to member business loan rules.



The letter from NCUA Chairman Dennis Dollar was in response to CUNA's request that NCUA look at member business loan regulations to better enable credit unions to participate in the Small Business Administration's (SBA) 7(a) program to guarantee small business loans.

Dollar wrote, "The agency remains committed to reviewing the issues you have raised and plans to consider them either through interpretation or rulemaking, as appropriate." He reiterated the agency would consider better aligning "our regulations with SBA's lending programs through future amendments to the member business loan rule."

Mica asked the agency in late March to address differences between SBA and NCUA lending regulations that limit or preclude credit union involvement in the field of small business loans.

Mica also asked the agency to review its 80% loan-to-value ratio requirement and its loan maturity requirements that are in conflict with SBA rules. He suggested that NCUA could exempt SBA guaranteed loans from certain requirements of NCUA's member business loan rule.

Mica's letter followed a day-long discussion by a focus group on small business lending assembled by CUNA at the SBA's request.

🏠 CUNA Member Business Resources  
[http://www.cuna.org/initiatives/business\\_seg/index.html](http://www.cuna.org/initiatives/business_seg/index.html)



## Privacy Disclosure Changes Not Supported by CUNA

CUNA told regulators last week that proposed changes to privacy rules may not achieve the goal of assuring meaningful disclosure.

“We do not at this time support changes in the privacy rules or statutes that would require changes in the language and format of the current notices,” wrote Jeffrey Bloch, CUNA assistant general counsel, in a comment letter to federal financial regulators.

The requirement to deliver privacy notices in their current form on an annual basis is unnecessary, especially for credit unions that are not required to provide their members with the right to opt-out of certain information-sharing, Bloch said.

The regulators, including NCUA, jointly issued a privacy proposal

intended to make notices more accessible, readable, and useful. Bloch noted the regulators’ proposal to shorten privacy notices is at least partly in response to criticism that certain financial institutions currently issue lengthy disclosures.

“We believe this does not apply to credit union privacy notices,” Bloch wrote, adding that any changes to privacy regulations would require a “significant amount of time” to implement and would need to be phased in over the course of an annual privacy notice cycle.

CUNA’s entire comment letter is available online for affiliated credit unions. 

 Comment Letter  
[http://www.cuna.org/reg\\_advocacy/member/comment\\_letters/cl\\_032604.html](http://www.cuna.org/reg_advocacy/member/comment_letters/cl_032604.html)

## Fed Revises Reg Z Rule

The Federal Reserve revised Regulation Z, which implements the Truth-in-Lending Act, and its staff commentary on the rule.

The changes include a new definition of numerical ‘amount’ in disclosure requirements. Revisions to the staff commentary provide guidance on consumers’ exercise of rescission rights for certain home-secured loans, which took effect April 1.

When these changes were proposed in December, the Fed also proposed a uniform definition of “clear and conspicuous” for disclosures required under Regs Z, B, E, M, and DD. In these revisions to Reg Z, the Fed announced that they will not adopt this uniform definition in response to opposition from CUNA and others. 

## ▶ 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:

### Share Insurance Expanded

Agency: NCUA  
Due date: April 26

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

Agency: NCUA  
Due date: May 4

### 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

 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)

## HUD Yanks Changes to RESPA Rules

The U.S. Dept. of Housing and Urban Development (HUD) on March 22 withdrew its proposed revisions to rules governed by the Real Estate Settlement Procedures Act (RESPA), sending the agency’s overhaul plan back to the drawing board.

The agency cited “extensive concerns from Members of Congress, consumer groups and the business community” for its decision.

“HUD’s decision is good news,” said CUNA Assistant General Counsel Jeff Bloch. “Although we agree that RESPA needs simplification, the changes originally proposed by HUD will not achieve this goal. We look forward to working with HUD to provide

input as they move forward in revising the RESPA proposal.”

CUNA contended in meetings with HUD and in a written comment letter that major changes proposed to RESPA would be unduly burdensome for credit unions and with very few corresponding benefits for consumers.

In early March, HUD asked the Office of Management and Budget (OMB) to take an extra 30 days to review recommended changes to the rules because of the complexity of the plan. HUD had not released specifics on its proposed overhaul. 

*“HUD’s decision is good news.”*

—Jeff Bloch,  
CUNA Assistant General Counsel

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

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# >> Notes Bearing Interest

## Payday Lenders Target CUs

Naming the credit union movement as its No. 1 enemy, the Community Financial Services Association of America—the largest payday-lending industry trade group—has hired a crisis management company to fight charges that their loans are predatory and to challenge the motives of some of that industry's critics.

According to an article in the March 30 *American Banker*, payday lenders say the credit union movement is behind efforts to drive them out of several states and to end partnerships with community

banks, all in an effort to gain share in the lucrative market for short-term loans.

Addressing that charge, CUNA's John McKechnie, senior vice president, government affairs, said, "If they are accusing us of giving consumers a fair-price alternative, then we plead guilty."

Bill Hampel, CUNA's chief economist, pointed out that credit unions would like to see more members taking advantage of the short-term small credit options available from credit unions to save members the extremely high charges of payday loans. 🏠

## Mayo Elected to CUNA Board

Grace Mayo, president/CEO of Telesis Community CU in Chatsworth, Calif., was elected to a seat on the CUNA Board for a term ending in October of this year. Her term begins immediately.

Mayo was elected to the seat on the board for District 6, Class B, which represents credit unions with 16,000 to 58,999 members in the West and Pacific states.

She replaces Ron McDaniel, who resigned the seat earlier this year after taking a CEO position at a credit union outside of the class criteria.

Mayo's term lasts through October of this year; she is eligible for reelection at that time.

Also running for the seat Mayo won were Dean Christensen, president/CEO of Coast Central CU, Eureka, Calif., and Chris Loseth, president/CEO of Potlatch No. 1 FCU, Lewiston, Idaho. 🏠



Grace Mayo

## Expect Membership Growth to Double

Credit unions can expect the rate of membership growth to be nearly double last year's 1.1% rate as the job market and economy bounce back, says the second periodic update to CUNA's 2003-2004 *CU Environmental Scan (E-Scan)*.

Economic growth eventually will allow the Federal Reserve to raise short-term interest rates, forcing credit unions to contend with increased competition from other financial institutions, especially in mortgage lending and related services, says the update. Also, credit unions must adjust for mounting interest-rate risk from rapid first-mortgage portfolio growth.

"Moving forward, credit unions should review the array of mortgage product offerings available and focus on matching products to member needs," says Vicki Joyal, vice president of research services for CUNA. "Look to encourage use of adjustable-rate mortgages through member education and fee reduction, and consider offering nonstandard mortgages to first-time homebuyers."

*The E-Scan Update: March 2004* was e-mailed recently to credit union and other E-Scan subscribers. 🏠

📄 2003-2004 CU Environmental Scan  
<http://advice.cuna.org/reports/index.html>

▶ From page 1

## Consumer Groups Back CU Tax Status

"The justification for the credit unions' tax status lies in their structure as not-for-profit financial institutions, cooperatively owned by their members. Because of their not-for-profit, cooperative character, credit unions have a history of providing consumers with affordable, high-quality financial services," the groups' letter said.

It continued, "Chairman Powell, we are puzzled as to why you would take a public position on an issue that seems unrelated to your role as a federal regulator and insurer of the U.S. banking system and would in fact work to the detriment of one important component of that system."

CUNA President/CEO Dan Mica expressed appreciation for the consumer groups' support on the tax issue.

"Consumers get it," said Mica. "Credit unions' tax status lies in their structure as not-for-profit and cooperatively owned financial institutions, which are democratically controlled and provide affordable, quality financial services."

## ▶ UPDATE: Conversions

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





# >> The Marketplace

## 90 Million Calendars Mark Time

On a cost-per-exposure basis, calendars are the most cost-effective advertising tool available to credit union marketers.

That, according to CUNA Product Manager Doug Tangwall, is one of the factors that have contributed to their popularity, as CUNA recently marked the release of its 90 millionth calendar to a credit union member. The next 90 million will include an expanded product line for more choices.

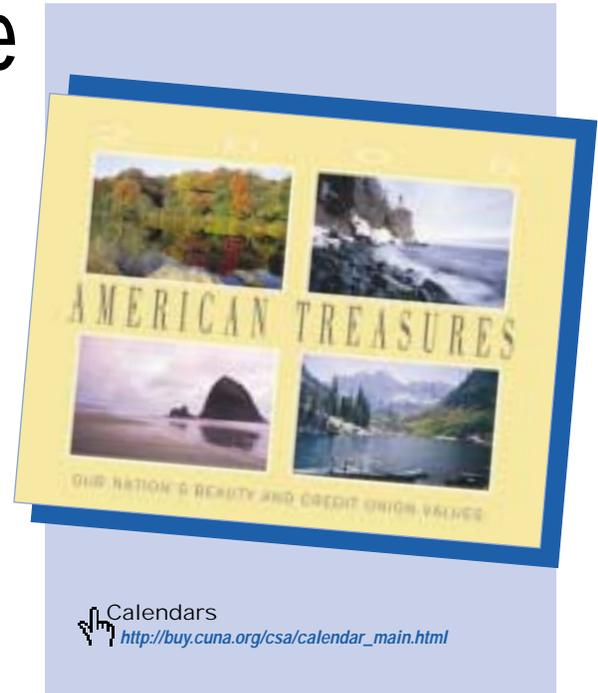
"Industry surveys show that the average person uses a calendar five to 12 times a day," said Tangwall. "Compare the price and frequency of exposure of an imprinted calendar to that of a standard newspaper ad, and the effectiveness of calendars as a

marketing tool is apparent."

The 2005 calendar line will include lifestyle calendars and year-round, nondated business tools such as notepads and thank-you cards, along with the five popular credit union-specific styles of calendars.

Plus, CUNA offers the only credit-union-specific calendars in the industry, added Tangwall. The *American Treasures* line offers images depicting the nation's beauty, combined with information about credit union values, philosophy, membership benefits and financial tips for members.

CUNA offers discounts for 2005 calendars on orders received through May 1. Check the website, or call 800-356-8010, press 3. ☎



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