

NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

IRS Will Halt Some UBIT Audits

CUNA has learned from Internal Revenue Service (IRS) sources that IRS auditors in three states have temporarily suspended auditing credit unions over unrelated business income tax (UBIT) revenues, citing a need for more guidance.

Despite a lack of clarity on the issue, the IRS has in recent months expanded its audits of credit unions over UBIT. Now au-

ditors in Alabama, Colorado, and Connecticut have requested technical advisory memorandums from IRS headquarters in Washington, D.C.

CUNA is working closely with CUNA Mutual Group, state leagues, and the National Association of State Credit Union Supervisors (NASCUS) to fight the UBIT threat. State credit union league presidents have set a funding

target of \$1 million this year and will help raise additional funds next year, if necessary, as part of a coordinated strategy to shield credit unions from unfairly having

to pay UBIT.

Credit unions contacted by the IRS are urged to call their leagues for advice, according to CUNA General Counsel Eric Richard. ♦

For More, CLICK HERE Regulatory Advocacy www.cuna.org



"While credit union efforts for clarification most likely contributed to the temporary suspension of audits, the real issue is the content of the future guidance, and we need to continue to push on that."

- Eric Richard
CUNA General Counsel

HIGH lights

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The 'Conference Formerly Known as Symposium' is more than just a conference.



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Ron McDaniel

Page 8 SBA marketing materials are available

Busy Fall Season Ahead for Congress

Congress returned to Washington last week to a busy fall agenda that includes more work on issues that impact credit unions.

New protections against identity theft and extending the Fair Credit Reporting Act (FCRA) is a top priority since important federal preemptions are set to expire Dec. 31. The full House and the Senate Banking Committee are expected to act on legislative initiatives in this area in the next couple weeks.

Providing for regulatory relief, reforming the bankruptcy system, enhancing the check clearing process, and providing for individual development accounts (IDAs) are some other issues yet to be dispensed with as well.

(Continued on Page 2)

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The CU Difference: Members' 'Devoted Support'

"You must remember...that banks will always have more resources than credit unions. Credit unions, however, will always have the devoted support of their members when it comes time to fight these battles in the halls of Congress," U.S. Rep. Maurice Hinchey (D-N.Y.) told Frank E. Berrish, president and CEO of the \$1.4 billion asset Visions FCU in Endicott, N.Y., following their recent meeting.

The lawmaker attributes this support to the services credit unions outline in Project Differentiation. The New York State CU League reported that Hinchey sees the value of completing Project Differentia-

tion's Statement of Commitment to Members.

Credit unions frequently use Project Differentiation documents with legislators to illustrate their differences with banks.

As of July 31, twenty-nine state leagues completed the Project Differentiation process. There are 1,136 credit unions that have completed and 267 credit unions that have almost completed their Statement of Commitment to Members. Approximately 98% of Montana's credit unions have completed the Project Differentiation program. ♦



For More,
CLICK HERE
Project Differentiation
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Busy Fall Season Ahead for Congress

(Continued from Page 1)

The Senate is trailing the House on bills regarding FCRA, regulatory relief, bankruptcy reform, and check truncation, although the Senate has approved its version of charity legislation that includes CUNA-supported tax provisions that encourage establishing IDAs.

Legislation to enhance the check truncation process enjoys the most support from both parties in the House and Senate. CUNA lobbyist Gary Kohn believes this bill has perhaps the most potential to pass this year.

CUNA also is hard at work trying to get regulatory relief for credit unions, to reform the abused bankruptcy system, and to ensure good tax provisions in IDA legislation this year. ♦

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Fed Report: ID Theft Affects Millions of Consumers

Nearly 10 million Americans were victims of identity theft last year, the results of which cost businesses and financial institutions nearly \$48 billion, according to a survey released by the Federal Trade Commission (FTC) Sept. 3.

These same consumer victims reported \$5 billion in out-of-pocket expenses. They are among the more than 27.3 million Americans victimized by identity theft during the last five years. The findings are based on a survey of almost 4,100 adults.

During the past 12 months, 3.23 million consumers discovered that new accounts had been opened, and other frauds—such as renting an apartment or home, obtaining medical care or employment—had been committed in their name. In those cases, the loss to businesses and

financial institutions was \$10,200 per victim on average. Individual victims lost an average of \$1,180.

The FTC noted that complaints to the agency about identity theft have nearly doubled each year since the program's inception in 1998.

The findings prompted House Financial Services Committee Chairman Michael Oxley (R-Ohio) to urge Congress to pass the Fair and Accurate Credit Transactions (FACT) Act (H.R. 2622), which contains identity theft provisions. CUNA supports the measure, which the House Financial Services Committee passed in July.

The FTC said consumers can file complaints by calling its toll-free hotline at 1-877-IDTHEFT or through the FTC's identity theft Web site. ♦

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GAO Study: Enforced Private Insurance Disclosures Not Required

Congress should not require NCUA to enforce a disclosure requirement that privately insured credit unions do not provide federal deposit insurance, the General Accounting Office (GAO) recommended to Congress in a recent report.

The GAO study responds to congressional concerns that provisions in Section 43 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) are not being enforced.

Since 1991, Section 43 has required, among other things, that depository institutions lacking federal deposit insurance conspicuously disclose that deposits in these institutions are not federally insured, although Congress has never appropriated funds to enforce this law.

"Congress may wish to con-

sider modifying [Section 43] to clarify the Federal Trade Commission's (FTC) jurisdiction and to provide the FTC with flexibility in administering these requirements by giving the agency authority to consult with other primary regulators, such as NCUA, or FDIC, or partner with states," GAO said.

CUNA supports funding FTC enforcement. CUNA's long-standing position is also to support private insurance provisions in regulatory relief legislation, as part of its overall support for dual chartering.

The GAO is expected to issue its broader study on credit unions this month. The study will include an analysis of safety and soundness of providing private insurance. ♦

The NCUA Board has announced its 2004 meeting schedule. Credit union officials, trade groups, media, and the general public are invited to attend open meetings of the NCUA Board to witness the discussion and decision-making process that affects most credit unions and NCUA operations.

"The NCUA Board understands the interest of our stakeholders in the actions we take at each month's board meeting," said NCUA Chairman Dennis Dollar. ♦



2004 Schedule

Jan. 22	July 22
Feb. 19	No August Meeting
March 18	Sept. 23
Apr. 22	Oct. 21
May 20	Nov. 18
June 24	Dec. 16

For More,
CLICK HERE
[Regulatory Affairs](http://www.cuna.org)
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CUNA Staffer Named to Fed Advisory Group

CUNA Assistant General Counsel Jeffrey Bloch will serve a three-year term as the trade group's representative to the Bank Secrecy Act Advisory Group (BSAAG) for the U.S. Treasury Department's Financial Crimes Enforcement Network.

Congress established BSAAG in 1992 to enable the financial services industry and law enforcement to advise the Secretary of the Treasury on ways to enhance the usefulness of the Bank Secrecy Act (BSA) reports.

The group has served as a forum about how suspicious activity reports and other BSA reporting requirements can be improved, especially since the enactment of the USA PATRIOT Act of 2001. ♦



Jeff Bloch
CUNA Assistant
General Counsel

MBL Workshop Coming Soon

The Maryland, Pennsylvania, and Virginia/District of Columbia credit union leagues, as well as CUNA, will be cosponsoring NCUA's free member business lending (MBL) workshop in Washington, D.C., Oct. 16 for federal and state credit unions. The league presidents will be moderating workshop panels.

The hot topic of the event will be NCUA's new MBL regulation, which the agency said it will approve at its Sept. 18 board meeting.

CUNA President Dan Mica will help kick off the event. In addition, various CUNA staff and members will be serving on the panels.

Registration is available on NCUA's Web site. Among other things, participants will receive an MBL toolbox from NCUA. ♦

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Bearing Interest

Banks Develop Habit for Hypocrisy

Banks again have proven themselves to be habitual hypocrites on taxes—this time reports reveal “abusive” accounting strategies employed by several large banks to avoid paying taxes.

A report in the *American Banker* (Aug. 27) shows five large U.S. banks disclosed that they have been audited by the Internal Revenue Service (IRS) or state tax au-

thorities for participating in “leverage leasing deals.” The IRS says the shelters are “abusive” and have no real economic value other than to create a tax benefit.

“It seems like there’s a new revelation almost every week. At this rate the banking industry’s apparent habit of using questionable tax avoidance schemes may soon rival the frequency of their calls for new

taxes on credit unions,” observed CUNA President Dan Mica.

CUNA and the leagues plan to add this latest report to the growing pile of information they will share with policymakers in Washington and in “every state capital where bankers have been calling for additional taxes on credit unions.” ♦

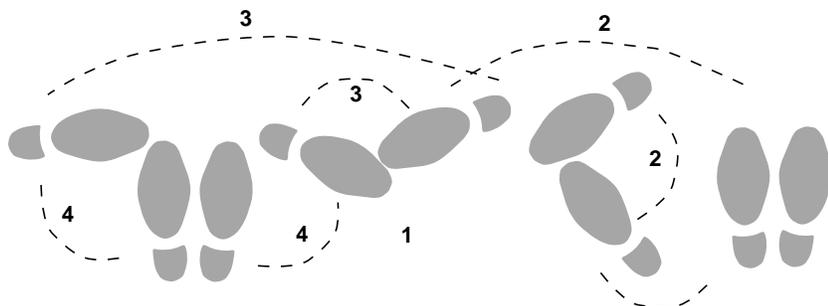
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Learning the Bankers’ Song and Dance

A new dance is all the rage with bankers and their trade associations at statehouses across the U.S.A. It’s called “The Bankers’ Two-Step.” (In some parts of the country, it’s called the “Hypocrite’s Hop” or “Doin’ the Doubletalk.”)

Lest audiences be fooled by the bankers’ latest song and dance, CUNA reveals the basic dance steps behind the bankers’ fancy footwork.

Your last edition of *NewsWatch* outlined “The Tax Shelter Tango.” This week it diagrams two simultaneous steps in a bankers’ move called, “The La-La Lawsuit Swing.”



The La-La Lawsuit Swing

MOVE PERFORMED IN STEP 1:

On July 15, bankers file a lawsuit in federal court in Salt Lake City against NCUA. They ask the court to declare the field of membership alterations for three Utah credit unions “unlawful, null and void,” claiming that NCUA acted capriciously in approving the changes. The bankers additionally claim that the competition to local banks resulting from the changes would be “unlawful and ruinous.”

WHILE AT THE SAME IN STEP 2:

On Sept. 4, the FDIC reports that banks reaped \$30.2 billion in profits during the second quarter of 2003—the largest quarterly earnings total ever reported by the industry.

This amount breaks the previous quarterly high of \$29.4 billion set in the first quarter of the year.

By the Way...

• The NCUA Board will meet next on Thurs., Sept. 18. NCUA Chairman Dennis Dollar has said that the Board will vote to issue a final rule governing member business lending. CUNA has actively lobbied for expanded member business lending opportunities for credit unions and wrote in support of NCUA’s proposed rule.

• NCUA’s third annual public budget briefing is set for Mon., Nov. 10, at NCUA headquarters in Alexandria, Va. The general public is invited to appear at the briefing or to submit written comments on the agency’s proposed Fiscal Year 2004 budget.

• Approximately half of the 46 Hike the Hill visits scheduled this year will take place in the final weeks of this congressional session, from when Congress returned to Washington from its August recess after Labor Day until it adjourns for the year. CUNA Political Affairs VP Richard Gose says CUNA and the leagues want Congress to know right to the end of this session that credit unions are active. ♦



Financial Literacy Award Winners Announced

Three leagues and three credit unions have been recognized this year for their leadership within the credit union movement on behalf of youth financial literacy. Seven other credit unions and leagues have been awarded honorable mentions for their efforts in youth financial education.

The Maine CU League, the New Jersey CU League and the Texas CU League were selected as league winners of the Desjardins Youth Financial Education Award. New Jersey has the distinction of being the only repeat league winner from 2002.

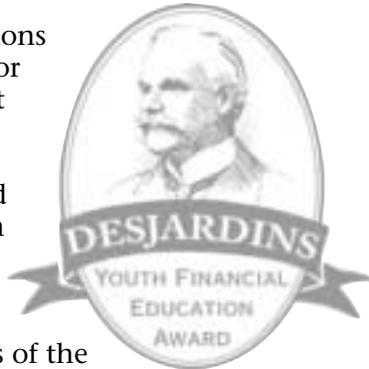
Credit union winners of the Desjardins award included CP FCU, Jackson, Mich.; Linn-Co FCU, Lebanon, Ore.; and Synergy One FCU, Manassas, Va. CP Federal and Linn-Co Federal were repeat winners from the 2002 recipients.

Honorable mentions went to the California CU League; the South Carolina CU League; the Northwest Chapter of the Ohio CU League; Alternatives FCU, Ithaca, N.Y.; Jeffco Schools CU, Golden, Colo.; Miller Electric CU, Appleton, Wis.; and Palmetto Citizens FCU, Columbia, S.C.

The national awards committee of CUNA named the winners and honorable mentions of this year's Desjardins Youth Financial Education Award.

The Desjardins Award is named in honor of Alphonse Desjardins, the founder of the North American credit union movement. It considers all activities supporting the personal finance education of young members and nonmembers, including, but not limited to, face-to-face teaching, publicity, lobbying for curriculum requirements, teacher and volunteer training and promotion and use of the National Endowment for Financial Education's (NEFE) "High School Financial Planning Program."

The awards will be presented to the winners at CUNA's Governmental Affairs Conference, Feb. 22-25 in Washington, D.C. ♦



McDaniel Elected to CUNA Board Vacancy

Ron McDaniel, president/CEO of Point Magu FCU, Oxnard, Calif., was elected in a special election to fill a one-year vacancy on the CUNA Board of Directors, announced CUNA President Dan Mica.

McDaniel will represent District 6 (West & Pacific), Class B (credit unions with 15,000-55,999 members) in a term that will expire after CUNA's 2004 Annual General Meeting.

He will replace CUNA Chairman Barry Jolette in the seat. Jolette is leaving the CUNA board Oct. 1 to pursue volunteer interests at the international level.

McDaniel ran against Chris Loseth, president and CEO of Potlatch No. 1 FCU, Lewiston, Idaho. ♦



Ron McDaniel

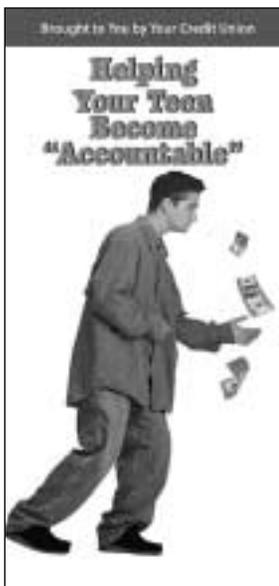
Disaster Recovery, CEO Pay Are Among Topics for Volunteers

Three new self-study courses are available for credit union volunteers through CUNA's Volunteer Achievement Program (VAP):

- **Business Recovery Plans and Policies (V418M)**—Reviews the business recovery responsibilities of directors in the event of a disaster.
- **CEO Compensation Programs (V419M)**—Helps the board to understand the innovative forms of compensation to consider for your CEO's salary and benefits.
- **Credit Union Growth Strategies (V420M)**—During these uncertain economic times, this course offers strategies to aid in the growth of credit union membership, loans and asset base.

In addition, VAP testing is now offered online through the CUNA Web site. Test scores are available within minutes of submitting an online exam.

Credit unions should contact their leagues to order these or any VAP courses. Reference should be made to the course numbers when ordering. Credit unions in Alaska, California, Texas, and Nevada should call CUNA Member Service at (800) 356-8010, press 3. ♦



This statement stuffer helps parents teach teens to be accountable. To order, call 1-800-356-8010, press 3, and ask for Stock # 23103-NW.

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SBA Marketing Materials Available on CUNA Site

CUNA's Member Business Services now is offering free U.S. Small Business Administration (SBA) marketing materials. The materials include an ad, statement stuffer, and teller window poster that inform credit union members about SBA loans. They are available in high-resolution JPEG or PDF format.

The SBA in February expanded its lending program, making all credit unions eligible to apply to become SBA lenders. As many as 1,500 credit unions are likely to join the SBA's network of lenders, according to SBA Administrator Hector Barreto. This represents a potential increase of nearly 30% in the overall number of storefronts where entrepreneurs can seek capital for their business.

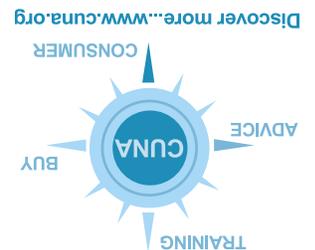
A free newsletter article with similar SBA information also is available.

Access the materials directly at http://www.cuna.org/initiatives/business_seg/sba_mrktmats.html. ♦



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