

# NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

## CUNA, System Players Huddle to Fight UBIT Threat

A coordinated effort by credit union system organizations is underway to shield credit unions from unfairly having to pay unrelated business income tax (UBIT). State leagues intend to raise \$1 million this year and more next year, if needed, as part of the plan.

Despite a lack of clarity on the issue, the Internal Revenue Service (IRS) has in recent months expanded its audits of credit unions over UBIT. It contends income derived from such services as insurance activities, ATM fees, and

debit/credit card interchange operations are not core credit union services and are therefore subject to UBIT.

"The money raised by leagues will fund legal, educational, and other professional services necessary to ensure income that's clearly related to credit union activities is not unfairly targeted," said Scott Earl, president of the Utah League of CUs and chairman of the American Association of CU Leagues.

CUNA emphasized that any credit union contacted by the IRS should immediately contact its

league for guidance. The leagues are working closely with CUNA, CUNA Mutual Group, and the National Association of State CU Supervisors. ♦



## Innovative Grassroots Tool Debuted by CUNA

Key members of the House Financial Services Committee unveiled a new interactive tool Aug. 5 to solicit support for the Financial Services Regulatory Relief Act of 2003 (H.R. 1375).

The CUNA-sponsored tool em-

loys "streaming video" techniques through the Internet. Credit unions received, through their leagues, e-mails containing links to video presentations by Committee Chairman Michael Oxley (R-Ohio) as well as by Reps. Shelley Moore Capito (R-W.Va.) and Mike Ross (D-Ark.), the chief sponsors of regulatory relief in the House. The video presentations also include links to tools credit unions can use to express their views about the regulatory relief bill.

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## HIGH lights

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Pete Crear

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## Report Shows Bank Hypocrisy on Tax Issue

CUNA said an Aug. 7 *Wall Street Journal* report of large-scale tax avoidance by some of the nation's major banks underscores the hypocrisy of the banking industry's calls to impose new taxes on credit unions.

"If this isn't hypocrisy; if this isn't greed, then I don't know what is," said CUNA President Dan Mica.

He was referring to a front-page article, headlined "Banks Shifted Billions into Funds Sheltering Income from Taxes," which accused some of the nation's largest banks of channeling more than \$17 billion in questionable investment funds that "appear to have served little purpose beyond sheltering income."

The investment funds have enabled the banks to avoid paying "hundreds of millions" in state taxes, according to the *Journal* report. Among the ten major banks listed as engaging in the practice is Utah-based Zions Bancorp, a \$28.8 billion institution that has been among the most vocal proponents of taxing not-for-profit credit unions.

"We plan to share this information with policymakers in Washington and in every state capital where bankers have been calling for additional taxes on credit unions," added Mica. ♦

## CUNA's Grassroots Tool

(Continued from Page 1)

In the videos, the lawmakers urge credit unions to contact their representatives in Congress and voice their support for the legislation. The bill may be on the House floor soon after Congress returns to session after Labor Day.

The tool includes a summary of the legislation, talking points for credit unions to use in urging their own Congressional representatives to support the bill, and other reference items (including letters CUNA has already written in support of the bill).

Jointly created by CUNA and Bookstream.com, CUNA's Interactive Video Alert is being distributed by e-mail to more than 9,000 credit unions across the nation.

CUNA President Dan Mica said the Interactive Video Alert has been another innovation by credit unions to clearly transmit the credit union message to lawmakers. ♦

## Pension Reform Is On House Agenda

When Congress returns to Washington after Labor Day, House leaders will need to decide how to consider Democrats' priorities for the pending pension reform bill that the Ways and Means Committee approved July 18. Democrats were not present for the vote, which created controversy with the committee's Republican markup of the bill.

The Pension Preservation and Savings Expansion Act of 2003 (H.R. 1776) is expected to be considered on the House floor after Congress returns from its August recess. Committee Chairman Bill

Thomas (R-Calif.) is working to achieve necessary bipartisan support for consideration on the House floor.

CUNA President Dan Mica is urging Congress to pass a bill that encourages and expands savings opportunities for all citizens.

Specifically, Mica is calling on Congress to include provisions to:

- Raise IRA contribution limits;
- Simplify and update minimum distribution rules;
- Allow direct rollovers from retirement plans to Roth IRAs;
- Further expand the availabili-

ty of IRAs and pensions; and

- Make investment education available for employees.

The Ways and Means Committee's bill includes many of these suggestions. In its current form, the \$48 billion measure retains many of the key provisions of the original CUNA-supported \$230 billion package introduced by Reps. Rob Portman (R-Ohio) and Ben Cardin (D-Md.).

Senate tax legislators are expected to give the House bill great weight. ♦





# NCUA Answers Lawmakers on Secondary Capital

**B**oth risk-based capital and secondary capital are methods that credit unions can employ in dealing with issues surrounding compliance with “prompt corrective action” (PCA), NCUA Chairman Dennis Dollar told key lawmakers in an Aug. 14 letter.

Dollar told House Financial Service Committee Chairman Mike Oxley (R-Ohio), Rep. Barney Frank (D-Mass.), and Rep. Brad Sherman (D-Calif.) that the current system of PCA is flawed in that “it focuses from the outset on all assets, instead of concentrating exclusively on risk assets which is the true source of the risk of loss and more accurately reflects a credit union’s ability to manage and absorb risk.”

However, Dollar also said that secondary capital was another route for credit unions to possibly take. “The suggestion of a system of risk-based PCA is not intended as a substitute to secondary capital,” he wrote.

CUNA has long suggested that both risk-based capital and additional capital be considered to address the problems with PCA.

“Our approach has been based on input that reflects the broad spectrum of our members needs, and they have expressed interest in both solutions,” said CUNA President Dan Mica. ♦

## By the Way...

- With bankruptcies breaking yet another record — 1,613,097 (up about 10%) from July 2002 thru June 2003 — CUNA’s chief lobbyist John McKechnie says just because Congress hasn’t passed a bill doesn’t mean that the problem has in any way diminished.

- At CUNA’s urging, the Federal Communication Commission extended to Jan. 1, 2005, the effective date of its “Do-Not-Call” fax rule, which would require prior written permission to fax communications to members on commercial matters. It’d also require ongoing communications with credit unions’ members in order to send faxes.

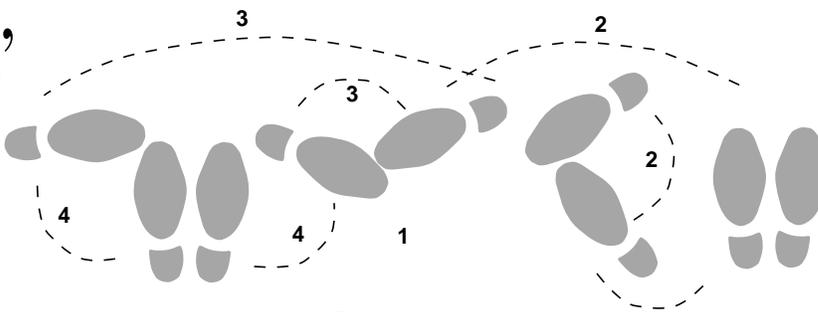
- “That’s the essence of lobbying—when the key decisions are made, you’re in the room,” *Fortune Magazine* quotes CUNA’s chief lobbyist John McKechnie in its Aug. 11 issue. *Fortune* also calls Mark Isakowitz and Don Fierce “the most skilled practitioners of persuasion in Washington.” They are partners of Fierce & Isakowitz, of which CUNA has retained services since 1998. ♦

# 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 steps behind their fancy footwork.

This week, your *NewsWatch* diagrams two simultaneous steps in a bankers’ move called, “The Tax Shelter Tango.”



## The Tax Shelter Tango

### MOVE PERFORMED IN STEP 1:

On July 23, bankers seek to promote taxation of federal credit unions by offering an amendment to the National Conference of State Legislatures standing policy. It directs the legislators’ association to ask Congress to permit states to impose state sales taxes on federal credit unions.

Bankers were spurned in that effort by the vote of 15-4.

### WHILE AT THE SAME IN STEP 2:

On Aug. 8, tax authorities in Utah and California launched investigations into allegations that 10 national banks had improperly sheltered \$17 billion to avoid paying state taxes.

The investigations came about after an Aug. 7 *Wall Street Journal* story detailed how 10 major national banks had channeled the money into questionable investment funds.

# It's time to register for

## But did you know CUNA's Future Forum, the



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FORUM**

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AND INTERACTIVE  
IDEA SHARING.



### WHY EMPHASIZE THE FUTURE?

It's a fact of business life. Your credit union's success depends on the abilities of management and staff to prepare for the future. That need for preparation is the focus of CUNA's Future Forum.

### WHY A FORUM?

It's not just a conference, it's a voicing of ideas... a venue for discussion...and a platform for exploring new directions. The Forum's unique mix of workshops and interactive sessions will generate an **energizing** experience.

### WHY NOW?

An uncertain economy and competitive challenges demand leadership that's positive and confident in its abilities to direct credit unions full speed ahead into the future. CUNA's Future Forum will provide the foundations for that leadership.

**SEPTEMBER 29 - OCTOBER 2 •**

# the CUNA Symposium...

## it has a new name? Symposium with a new twist!

### 8 WAYS TO GET CONNECTED AND ENERGIZED

- 1 IDENTIFY WITH ENERGIZING KEYNOTERS** including Marcus Buckingham, author of *First, Break All the Rules* and *Now, Discover Your Strengths*, and Kevin Carroll, "Katalyst" and director of leadership communication for Nike.
- 2 CUSTOMIZE YOUR AGENDA** with educational sessions by topic area. Breakout sessions in the areas of lending, executive development, technology, and director/volunteer concerns are arranged so that you can tailor your experience to fit your particular area of interest and expertise.
- 3 SPEAK YOUR MIND** at the CU Sound Off — a highly interactive and thought provoking forum of credit union decision makers, potential consumers, and members.
- 4 EXPLORE THE CU MARKETPLACE** featuring a full-function, credit union of the future and more than 150 exhibitors displaying the latest in products and services.
- 5 EXPERIENCE HANDS-ON** "creation stations" in the Marketplace. They provide you with hands-on experiences unlike any other exhibit hall you have attended in the past.
- 6 JOIN THE XTREME TEAM** for an exhilarating experience you won't forget. It's a life-changing event!
- 7 THINK LOCALLY** at regional meetings that will offer peer-directed networking and idea-sharing opportunities to help you discover innovative ideas from your peers.
- 8 "BRING THE FAMILY"** and make this a family event with tours and events designed for guests. Kiddie Corp will entertain the younger set with fun filled activities.

Future Forum  
**Xtreme  
TEAM**

### EVERYONE SHOULD ATTEND. HERE'S HOW.

The Future Forum has sessions dedicated to senior management, directors, and volunteers. But there's something for everyone. CEOs, directors, volunteers, marketers, lenders, and technology and operations staff will find something exciting. From the branch of the future to experiential learning activities, every operational area will find the CUNA Future Forum unique.

#### CALL TOLL FREE

1-800-356-9655, ext. 5700

#### ONLINE AT

[training.cuna.org](http://training.cuna.org)

#### E-MAIL AT

[futureforum@cuna.com](mailto:futureforum@cuna.com)

#### FAX

608-231-4327



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# CUNA Board Elections

Credit Unions <small>(Class is based on number of members as of December 31, 2002)</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 14,999 Members	Class A	2004 Diana Roberts	<b>2003 ***</b> Jim Oliva	2005 Sandy Lingerfelt	2004 Janet Craig	2005 Mary Shipe	<b>2003 ***</b> Don Larsen
15,000 to 55,999 Members	Class B	2005 Holly Herman	2004 Patrick McGrady	<b>2003 **</b> Laida Garcia	2005 Allan McMorris	<b>2003 **</b> Kris J. Mecham	<b>2004 *</b> Chris Loseth Ron McDaniel
At Least 56,000 Members	Class C	<b>2003 ***</b> Patrick Calhoun	2005 Juri Valdov	2004 Tom Dorety	<b>2003 **</b> Paul V. Parish	2004 Chris Jillson	2005 Richard Ghysels
Leagues	Class D	2004 John Murphy	2004 Ken Watts	2005 Gary Wolter	2005 Tom Griffiths	<b>2003 ***</b> Dick Ensweiler	<b>2003 ***</b> Gene Poitras

\* Special election in 2003 for a 1-year term

\*\* Elected to a 3-year term

\*\*\* Relected in 2003 for a 3-year term

## CUNA Board Election Results Announced

Three new members will join the CUNA Board of Directors, CUNA President Dan Mica announced Aug. 7.



Laida Garcia

They are:

- Laida Garcia, executive vice president of Florida Central CU, Tampa (District 3, Class B);



Kris Mecham

- Kris Mecham, president-CEO of Deseret First CU, Salt Lake City (District 5, Class B); and
- Paul V. Parish, president-CEO of NWA FCU in Apple Valley, Minn. (District 4, Class C).



Paul Parish

Garcia and Mecham ran in uncontested races.

Jim Oliva, president-CEO of B&W FCU in Louisville,

Ky., was relected to the board representing credit unions in District 2, Class A.

Other current board members who ran uncontested and returning for three-year terms include:

- Patrick Calhoun, president-CEO, State Employees FCU, Albany, N.Y.;
- Dick Ensweiler, president-CEO, Texas CU League;
- Donald Larsen, president-CEO, Community CU, Tacoma, Wash.; and
- Gene Poitras, president-CEO CU Association of Oregon.

Results from a special election to fill a one-year vacancy by CUNA Chairman Barry Jolette in District 6, Class B, will be announced Aug. 28.

See the shaded areas of the board election summary chart for names of the directors and their districts. ♦



## Annual General Meeting Notice

This is the official legal notice to all members of CUNA's 69th Annual General Meeting (AGM), scheduled for Oct. 1 from 8:30 a.m.-10:00 a.m. at the Reno Hilton in Reno, Nev. It will be held in conjunction with CUNA's Future Forum Sept. 29-Oct. 2.

The AGM will update member credit unions and leagues on the actions of their association over the past year. ♦



## African American CUs Honor Crear

**T**he African American CU Coalition (AACUC) awarded its first Lifetime Achievement Award to Pete Crear, CUNA's executive vice president and chief operating officer.

Crear, former president/CEO of the Connecticut and Indiana CU Leagues, and former vice president of the Michigan CU League, received the award at AACUC's 5th Annual Meeting and Conference Aug. 8 in Detroit.

Crear helped organize 23 credit unions after he began his career at the Michigan league in 1965. He joined CUNA management in 1990.

The AACUC was created to increase the global credit union movement's strength by adding the focused perspective and energy of credit union volunteers and professionals of African American descent and other minorities. ♦



*Pete Crear*

*"Pete is an intelligent, courageous individual who has made a difference on behalf of credit unions in Michigan, across our nation and ultimately the globe."*

--Michael Hale, AACUC chairman emeritus, and president/CEO at Andrews FCU, Clinton, Md.

## Complete PATRIOT Act Compliance Kit Now Available

CUNA's *USA PATRIOT Act Guidebook* provides credit unions with a complete toolbox for complying with the law designed to effectively combat the financing of terrorism. It is now available online and in hard copy.

Tools for credit unions to employ and contained in the guidebook include:

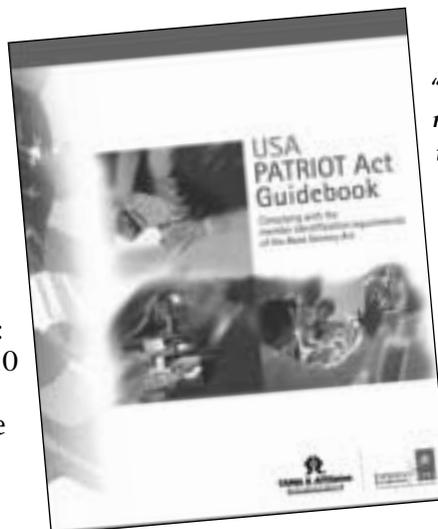
- An outline of the law's requirements;
- A sample compliance policy and procedure that can be customized for any credit union;
- A compliance audit checklist;
- A PowerPoint-based presentation for training of staff; and
- A list of frequently asked questions.

Also included in the guidebook is a sample lobby notice

(suitable for posting) with the recommended notice language, and a CD-ROM. The CD-ROM contains the sample Bank Secrecy Act policy with the customer identification program (CIP) information incorporated, as well as other key information elements.

To order, contact CUNAs Customer Service office. Phone: 1-800-356-8010 or Fax: 1-608-231-1869. The three-ring binder book-

stock number is #25053-NW. The Electronic PDF file online stock number is #25053P-NW. ♦



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[www.cuna.org](http://www.cuna.org)

*"This guide is a complete resource for credit unions, in that it simplifies compliance with the PATRIOT Act. Our e-mail updates will complete the package, allowing credit unions to set up their policies and procedures to fully comply with the law,"* says Lilly Thomas, CUNA's federal compliance counsel and director of compliance operations.



## Credit Unions Expect Lower Pay Raises

**C**redit unions predict a slight dip in staff pay raises this year, according to *E-Scan's 2003 Complete Staff Salary Survey Report*.

The survey reveals that the average salary increase for credit union management employees was 4.31% in 2002, down from an average increase of 4.83% in 2001, and 4.86% in 2000. Furthermore, the average salary increase for credit union non-management employees in 2002 was 4.04%, down from 4.36% in 2001 and 4.40% in 2000.

The "overall" average base salary of credit union CEOs is up 4.4% in the last year—to \$70,197.

The report has the latest salary

information for 81 credit union positions. All are tabulated by asset size, membership, region, services, and full-time employees.

It also provides bank salary comparisons, salary adjustment worksheets, and incentive and bonus comparisons for managers. It costs \$195 (\$170 each for two or more). Download a PDF from CUNA's Web site and save \$15. Both versions are available in early September.



To order, call 1-800-356-8010 and press 3. Ask for stock #25129-NW. ♦



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