

AUGUST 4, 2003

CREDIT UNION

# NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

## CU's Win Battle Before State Legislators

The National Conference of State Legislatures (NCSL) voted down, 15-4, on July 23 a banker-backed amendment that would have promoted states taxing federal credit unions.

While the vote was a "big victory" for credit unions, CUNA VP of State Government Affairs

Colleen Kelly cautioned that the war has not yet been won. Kelly says, "We've won a battle... CUNA and the leagues are already preparing for next year."



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## CUNA Expects to Intervene in Bankers' Lawsuit

CUNA is doing preliminary work to intervene in the recent field of membership lawsuit filed by the American Bankers Association (ABA) and the Utah Bankers Association (UBA) against NCUA.

According to CUNA General Counsel Eric Richard, CUNA has had extensive discussions with NCUA, as well as the Utah League of CUs and the three credit unions central to the issues in the case. CUNA has indicated to all of these groups that it plans to intervene, with the National Association of Federal CUs (NAFCU), in the case at the appropriate time.

(Continued on Page 6)

## CU House Hosts Bush Advisor



At right, Gary Kohn, CUNA vice president, legislative affairs and senior legislative counsel, introduces Karl Rove, senior advisor to the president, during a meeting at Credit Union House on Capitol Hill. CUNA staff and trade group representatives met with Rove and U.S. Rep. Phil Gingrey (R-Ga.) July 24 to discuss current legislative and political issues.

## HIGH lights

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# Fair Credit, ID Theft Take Big Strides

**W**ith the House Financial Services Committee overwhelmingly approving its bill July 24 to permanently extend federal preemptions in the Fair Credit Reporting Act (FCRA) and create new identity theft measures and the Senate Banking Committee wrapping up its review, Congress has made big strides so far to enact the legislation this year.

Six CUNA-supported federal preemptions contained in the FCRA today are set to expire Dec. 31, unless the legislation becomes

law before then.

The House committee-approved Fair and Accurate Credit Transactions Act (H.R. 2622) would also:

- Provide consumers free annual copies of their credit reports;
- Give consumers a mechanism to go right to the source of information reported to credit reporting agencies and correct it on their reports;
- Include NCUA among other regulators for establishing guidelines for stopping ID theft and for working with the Federal Trade Commission to develop a model

form and procedure for consumers to report identity theft; and

- Call for a study on the need and the means for improving financial literacy among consumers.

CUNA worked closely with the committee as it drafted its final version of the legislation.

The House plans to take up the measure in September. Sen. Richard Shelby (R-Ala.), who chairs the Senate committee, said he intends to introduce FCRA legislation that month. ♦



## National Financial Literacy Strategy Supported

CUNA President Dan Mica praised Sens. Paul Sarbanes (D-Md.) and Jon Corzine (D-N.J.) last week for introducing legislation that would call for a national strategy to increase financial literacy for everyone.

The Financial Literacy and Education Coordinating Act (S. 1470) would create an inter-governmental coordinating committee under Treasury to promote better financial decision making among consumers.

The committee would review, coordinate, and promote financial education efforts through partnerships among federal, state, and local governments, non-profit organizations, and private enterprises.

Financial literacy is an important tool for both students and adults of all ages, incomes and backgrounds. Ensuring individuals have proper financial skills will lead to financially stable families and communities, helping to achieve the American dreams of college, homeownership, and retirement security, Mica told the senators.

CUNA partners with the National Endowment for Financial Education (NEFE), where classroom volunteers from individual credit unions and state leagues teach NEFE's High School Financial Planning Program. ♦



*U.S. Sen.  
Paul Sarbanes  
(D-Md.)*



*U.S. Sen.  
Jon Corzine  
(D-N.J.)*

## CU's Win Battle Before State Legislators

*(continued from Page 1)*

Next summer, NCSL will meet in Utah under its new president Marty Stevens, speaker of the house in Utah and a Zions Bank employee. Stevens was instrumental in getting a bill to study taxation of credit unions passed in his state.

The defeated amendment to oppose the preemption of state and local taxes on federal credit unions was introduced by Utah legislator David Clark, who also works with Zions Bank.

Anticipating the amendment, leagues and CUNA successfully worked to educate the lawmakers before the NCSL met. About 30 credit union supporters attended the committee proceedings.

The amendment was introduced one day after the American Bankers Association initiated a debate on taxation. CUNA Chief Economist Bill Hampel and ABA Senior Economist Keith Leggett debated the taxation issues. ♦





## Pension Reform in the Pipeline

The House Ways and Means Committee has approved legislation strongly supported by CUNA that would reform the pension system.

Encouraging and expanding the savings opportunities for all citizens should be the aim of the pension reform legislation, CUNA President Dan Mica said in a letter about the Pension Preservation and Savings Expansion Act of 2003 (H.R. 1776).

Mica urged the committee to:

- Raise IRA contribution limits to \$5,000 and other pension limits to \$15,000;
- Simplify and update minimum distribution rules;
- Allow direct rollovers from retirement plans to Roth IRAs;
- Expand further the availability

of IRAs and pensions; and

- Make investment education available for employees.

Among other things, the committee-approved bill would accelerate savings limits and build retirement assets, enhance the portability of pension assets, update rules for required pension distributions, revitalize defined benefit plans, and expand small business pension coverage.

“Credit unions played a role in the first round of pension reform legislation when Congress reached out to us and listened to our suggestions,” said John McKechnie, CUNA’s lead lobbyist. “We are again making suggestions in an effort to secure more benefits for credit union members to ensure their retirement security.” ♦

## Central Liquidity Remains, CDFI Funding Falls (in House)

The House approved legislation July 25 to fund the Central Liquidity Facility (CLF) for Fiscal Year (FY) 2004 at the FY 2003 level of \$1.5 billion. The Community Development Financial Institutions Fund (CDFI) will be funded at President Bush’s request of \$51 million, which represents a significant drop from last year’s funding of \$75 million.

CLF functions as a backup liquidity lender for the credit union system. Credit unions can access CLF for liquidity when corporate credit unions and other correspondent funding is unavailable.

CUNA is happy enough with the \$1.5 billion appropriation, despite having advocated lifting the cap altogether.

“The corporate credit union network has a long history of representing our member credit unions as agents for the CLF,” said Eric Kenealy, president/CEO of SunCorp Corporate CU in Westminster, Colo., and vice chairman of the Association of Corporate CUs executive committee, echoing CUNA’s position. “We will continue to provide this valuable source of liquidity as a member benefit.”

CUNA is disappointed with the drop in CDFI funding. CUNA President Dan Mica advocated to Congress funding the program at \$80 million. “Credit unions believe the CDFI Fund plays a critical role in promoting economic revitalization and community development by investing in and assisting community development financial institutions.” ♦

## Congressmen Meet CUNA About Issues



At right, U.S. Rep. Rahm Emanuel (D-Ill.) discusses a point with CUNA Vice President, Legislative Affairs and Senior Legislative Counsel Gary Kohn (left), while U.S. Rep. Paul Kanjorski (D-Pa.) listens. The two congressmen joined CUNA staff and members of the financial services industry in a breakfast meeting July 23 to discuss legislative issues of interest to credit unions, including the Fair and Accurate Credit Transactions (FACT) Act (H.R. 2622). The meeting took place at CUNA’s offices in Washington, D.C.

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## CUNA Expects to Intervene in Bankers' Lawsuit

*(Continued from Page 1)*

Meanwhile, CUNA is working in conjunction with NAFCU under the auspices of the Oversight Task Force of the CU Campaign for Consumer Choice in developing a joint approach to intervention.

According to the suit filed July 15 in U.S. District Court in Salt Lake City, the ABA and the UBA claim that field of membership changes approved by the NCUA Board last spring for Tooele (Utah)

FCU; America First FCU, Riverdale, Utah; and Goldenwest FCU, Ogden, Utah were "arbitrary and capricious."

Bankers have asked a federal court to declare the field of membership alterations "unlawful, null and void." The bankers additionally claim that the competition to local banks resulting from the changes would be "unlawful and ruinous." ♦

For More,  
CLICK HERE  
[NewsWatch](#)  
[www.cuna.org](http://www.cuna.org)

## CU's Should Have Choice to Accept Matricula

Financial institutions should be able to choose whether to accept Matricula Consular Cards as a form of identification, rather than the federal government making the determination, CUNA Associate General Counsel Mary Dunn told the Treasury Department in a comment letter filed July 23.

Treasury sought additional input on its final rules under Section 326 of the USA PATRIOT Act regarding identification requirements and the use of particular documents, such as the Matricula Consular Card issued by the Government of Mexico, at account opening.

CUNA continues to support the approach taken in the final rule, which permits financial institutions to accept the consular ID cards. It urged Treasury to work with the other regulators to develop voluntary guidelines to help insure institutions are in compliance with Section 326 when they rely on consular identification cards.

In any event, CUNA opposes changes to the final rule so close to the compliance date of Oct. 1 or for a reasonable time thereafter. Credit unions and other institutions are working hard to meet their responsibilities under Section 326 and changing the rules at this late date would thwart compliance with the act, not further it. ♦

For More,  
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## NCUA Maintains Usury Rate, Examines Budget

The NCUA Board approved during its meeting July 31 the continuation of the 18% interest rate ceiling for loans and lines of credit advances made by federal credit unions through March 2005.

The Board also approved mid-year adjustments in the agency's budget projections for the current year to reflect a \$3.37 million decrease in total operating costs by year-end.

In addition, it projected that the National CU Share Insurance Fund's (NCUSIF) equity ratio, the amount in the fund in relation to the amount of total federally insured shares, for year-end 2003 will be 1.25%, indicating that a dividend based on the Year 2003 Fund equity level is highly unlikely.

The next board meeting is scheduled for Sept. 18, when the NCUA board is expected to consider the member business loan proposal.

Access CUNA's RegWatch for complete details of the NCUA Board meeting. ♦

For More,  
CLICK HERE  
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*From left, NCUA Board Members JoAnn Johnson, Dennis Dollar, and Debbie Matz review the agency's budget with NCUA Deputy Financial Officer Michael McNeill (right).*



## USA Today Notes CU Efforts to Serve Hispanics

A story in the July 21 edition of *USA Today* included credit union projects among efforts by U.S. financial institutions' expanded service to the Hispanic market.



Dan Mica

The story notes credit union low cost services for wiring money—the initiative known as the International Remittance Network (IRnet). The story also mentions credit union check-cashing pilot projects.

CUNA President and CEO Dan Mica was quoted saying, "We're looking at an underserved group that is often overcharged and preyed upon by check cashers and predatory lenders."

In 2002, IRnet processed 10,014 transactions with a total of \$5.5 million sent through U.S. credit unions, and a total of \$50 million involving global credit union transactions.

In May, CUNA entered into an agreement with the World Council of CUs Inc. (WOCCU) and Travelex to make international money remittance services more

broadly available to credit unions in the U.S.

The international money remittance program operates under the umbrella name "IRnet," which has been licensed by WOCCU to CUNA for use in the U.S. The agreement gives U.S. credit unions the option of using Travelex's Worldwide Money Remittance system or the Vigo Remittance service, the service currently used by WOCCU.

For more about IRnet, call (608) 231-7130. ♦

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## CU Materials Available in Spanish

To help credit unions reach Hispanic members, CUNA offers financial articles, brochures, and statement stuffers that are translated into Spanish.

Among the titles:

- Las Cooperativas de Ahorro y Crédito: Muy Distintas—Muy Útiles (Credit Unions: Very Distinct—Very Useful)
- El Depósito Directo Pone Su Dinero a Trabajar (Direct Deposit Puts Your Money to Work)
- El Planeamiento de Su Futuro (Mapping Your Future)
- Acelere Sus Pagos Hipotecarios (Speed Up Mortgage Payments)
- Vea lo que el 0% Financiamiento le Cuesta en Realidad (See What 0% Financing Really Costs)
- Programa de Accion para su Presupuesto: Diseñe su Propio Plan de Gastos (Budget Blueprint: Design Your Own Spending Plan)
- Cómo Manejar Su Cuenta de Cheques (How to Manage Your Checking Account)

To learn more, call CUNA Customer Service at 1-800-356-8010, press 3. ♦



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Times have changed. Today's credit unions are full service financial cooperatives—decisions impact farther into the future. Your father's CUNA Symposium now is *your* CUNA Future Forum (see pages 4-5). And bankers' temperament has grown worse.

Bankers' increasingly ill-mannered behavior in state houses across the country is a key focus of

this year's inaugural conference. In a breakout session titled, "Credit Unions Under Attack," CUNA Senior Vice President of Governmental Affairs John McKechnie and Utah League of CUs President Scott Earl lead a discussion about what credit unions can do to thwart bankers' attacks nationwide.

Afterward, this topic is featured in the "CU Sound Off"—an interactive forum of credit union leaders, consumers, and members.

Serving your members while keeping the bankers at bay is a

tough job. But it is a critical task that today's credit union managers and directors must understand and execute well. Because—contrary to the old adage—your father's bankers *are* learning new tricks.

For more information or to register, call 800-356-9655, ext. 4139. ♦



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