

MARCH 31, 2003

CREDIT UNION

NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

Membership Restrictions Eased

In a final rule that will take effect in 4-5 weeks, the NCUA Board unanimously removed many unnecessary restrictions on federal credit unions' fields of membership.

NCUA and CUNA believe these changes will benefit millions of consumers as well as all types of federal credit unions.



Major regulatory changes will take effect as part of NCUA Chairman Dennis Dollar's Access Across America program.

"CUNA's vision, established by our Renaissance Commission, is that all Americans should have the right to improve their financial well being by joining credit unions," relates CUNA President & CEO Dan Mica. "NCUA's revised policy means more consumers will have that choice, while more credit unions can expand to meet the financial needs of their members and communities."

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Reg Relief Bill Re-Introduced

The CUNA-endorsed Financial Services Regulatory Relief Act is back in the House, with new provisions that will further reduce regulatory burdens on credit unions. (Continued on Page 3)

HIGH lights

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ID theft bill may be linked to FCRA

Mica named one of "Top Lobbyists" by The Hill



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CUNA raises CU issues with Treasury



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Business Loan Rule Improved

Member business loans can diversify credit union portfolios, help meet members' changing needs, and position credit unions for the future, all 3 NCUA Board members pointed out last week.

With strong support from CUNA, the Board unanimously released a proposed rule to facilitate member business lending.

Credit unions will soon have the opportunity to comment.

(Continued on Page 2)



CUNA Associate General Counsel Mary Dunn (2nd from left) and General Counsel Eric Richard (right) thank NCUA Vice Chair JoAnn Johnson (left) and NCUA Board Member Debbie Matz (2nd from right), who both inspired the proposal.



Membership Restrictions Eased

(Continued from Page 1)

The new rule will clarify:

Community Charters

3 standard criteria for determining a community:

- 1) Single political jurisdiction (township, city, or county);
- 2) Metropolitan statistical area or equivalent with less than 1 million residents; or
- 3) Multiple political jurisdictions with less than 500,000 residents.

Occupational Charters

Federal credit unions with a single occupational common bond may include a trade, industry or profession (TIP) within their geographic service area.

Associational Charters

Associational common bonds will be based on "totality of circumstances" rather than a limited number of factors.

Branching Flexibility

Many FCUs will gain authority to branch around a wholly owned ATM, and/or partially owned shared service center.

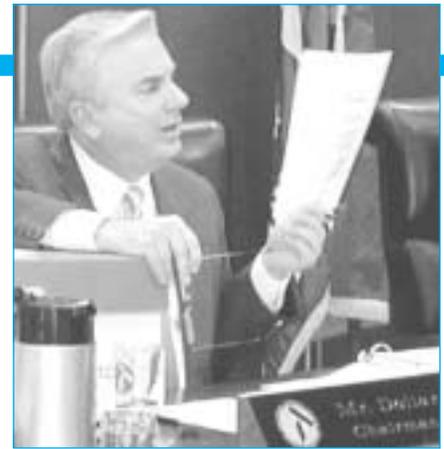
The new rule will also streamline:

Additions

Employers with less than 3,000 potential members will enjoy streamlined additions to multiple-group FCUs.

Conversions

"Time-in-place" restrictions will



With the American Bankers Association in the audience, NCUA Chairman Dennis Dollar presented a comprehensive case illustrating how the new membership rule is supported by Congressional intent and legal precedence over the past 5 years.

be eliminated for occupational, associational or multiple-group FCUs converting to other charters.

State-chartered CUs converting to federal charters may retain groups added through emergency FOM provisions. ♦



Business Loan Rule Improved

(Continued from Page 1)

Once the proposed rule is published in the *Federal Register*, credit unions can comment through CUNA's Web site.



If the proposal is adopted, CUNA President & CEO Dan Mica says it will be "particularly effective" combined with the Small Business Administration's 7(a) program. CUNA worked with SBA to extend the 7(a) program so that all credit unions are now eligible to apply for federal guarantees on member business loans (*NewsWatch*, Feb. 18).

All 3 NCUA Board members last week made a strong case for more credit unions offering MBLs.

"I think it is imperative that credit unions evaluate whether they want to be more than merely another consumer loan source,"

emphasized NCUA Chairman Dennis Dollar.

He suggested a long-term goal is to "break the cycle of payday lending and rent-to-own" operations, by making entrepreneurial capital more readily available.

The Chairman noted 8,500 credit unions do not offer MBLs. "I do believe there are many communities being served by those 8,500 credit unions that could benefit."

Every size of credit union can offer MBLs, encouraged NCUA Board Member Debbie Matz. "Member business lending is not just for large credit unions. Even a small credit union can do it with a CUSO, work with a corporate, or participate with other credit unions."

Matz said in meeting with credit unions, she has seen MBLs diversify portfolios and minimize risks.

MBL delinquencies were .72%

Key Provisions

- 1) When a credit union purchases a participation interest in a loan made by another lender, it will not count toward the CU's aggregate statutory MBL cap.
- 2) CUSOs in which a federal credit union invests may be authorized to originate MBLs.
- 3) Loans by a FCU to another CU or CUSO would not count toward the FCU's MBL cap.
- 4) Risk-based net worth requirements for MBLs would be less stringent.

NCUA Vice Chair JoAnn Johnson shared details of key provisions at CUNA's Governmental Affairs Conference (*NewsWatch*, March 3).

at year-end -- lower than delinquencies of .80% on other loan portfolios.

NCUA Vice Chair JoAnn Johnson described what the rule changes mean to credit unions on CUNA's March 28 audio conference. Cassettes are available through CUNA's Web site. ♦





Bankruptcy Reform Passes House, Awaits Senate

The House overwhelmingly passed the CUNA-endorsed Bankruptcy Abuse Prevention and Consumer Protection Act (H.R. 975) with a bipartisan vote of 315-113-1. Over 90 Democrats voted for final passage.

"This legislation gives us hope that the rising trend of bankruptcy abuse may soon be turned around," says CUNA President & CEO Dan Mica. "We encourage the Senate to take action quickly on this measure."

CU Provisions Intact

The House approved CUNA's 3 essential provisions to:

- 1) Protect members' ability to voluntarily reaffirm debts with their credit unions;
- 2) Design a meaningful "means



House Judiciary Committee Chairman James Sensenbrenner (R-Wis.) led the debate on the House floor. During the debate, Rep. Joseph Crowley (D-N.Y.) said visits from credit union constituents convinced him that bankruptcy reform is needed.

- test" to determine whether debtors file Chapter 7 or Chapter 13;
- 3) Provide debtors mandatory

financial education.

In addition, the House adopted a CUNA-supported amendment, sponsored by Reps. Patrick Toomey (R-Pa.) and Brad Sherman (D-Calif.), to give credit unions parity with banks in applying financial "netting" provisions.

Senate Options Open

Senate Judiciary Committee Chairman Orrin Hatch (R-Utah) has indicated he does not want bankruptcy reform legislation to get bogged down in the Senate. He has been discussing a variety of options to move legislation forward.

CUNA continues to work with Chairman Hatch and other key Senators. ♦

Reg Relief Bill Re-Introduced

(Continued from Page 1)

The 2003 bill (H.R. 1375) carries over provisions from 2002 and adds 2 new credit union provisions. (See Renaissance, Page 5.)

NCUA Chairman Dennis Dollar testified in favor of the bill last week in the House Financial Institutions Subcommittee.

Dollar said many provisions would lift "statutory restrictions that now act to frustrate the delivery of financial services."

Specifically, Dollar supported:

- Check cashing, wire transfers, and other money transfers for anyone eligible to become a member;
- NCUA authority to establish any maturity limits on loans;
- NCUA authority to set a higher limit on FCU ownership

of CUSOs;

- Expanded investment options;
- Removing the requirement for groups over 3,000 to spin off and form a separate credit union before a voluntary merger;
- Regulatory relief from Securities & Exchange Commission registration requirements.

Dollar also addressed one issue not in the bill. He said the "reasonable proximity" mandate should be removed from current law so NCUA can implement more reasonable "ability to serve" provisions.

State regulator Gerri Lattimore, testifying for NASCUS, suggested that NCUA should be authorized to broaden its "net



The lead sponsor is House Financial Services Committee Member Shelley Moore Capito (R-W.V., 2nd from left). Her 2002 bill was the first to contain specific relief for credit unions. West Virginia credit union CEO Charlene Gaither (2nd from right) testified for the bill on behalf of CUNA last year. West Virginia CU League President Ken Watts (left) and VP Rich Schaffer (right) have kept in close contact.

worth" definition to include supplemental capital.

Lattimore also testified in favor of the bill's provision to allow privately insured credit unions equal access to mortgage liquidity from Federal Home Loan Banks. ♦

For More,
CLICK HERE
Governmental Affairs
www.cuna.org



ID Theft Bill May Be Linked to FCRA

In a high-level meeting with financial services leaders including CUNA President & CEO Dan Mica, U.S. Treasury Secretary John Snow indicated he supports institutions' ability to freely share information needed to conduct business.

Rather than further restrictions on sharing, Secretary Snow encouraged strong national efforts to prevent identity theft.

Senate Banking Committee Ranking Member Tim Johnson (D-S.D.) has introduced legislation to permanently extend a provision in the Fair Credit Reporting

Act (FCRA) that prevents states adopting separate rules on credit reporting procedures.

The federal preemption contained in FCRA permits uniform national standards for managing credit information.

Sen. Johnson said he'd like to see FCRA renewed without getting caught up in a financial privacy debate. Senate Banking Committee Chairman Richard Shelby (R-Ala.) indicated he may use the legislation as a vehicle to pass identity theft prevention legislation.



The Senate passed the CUNA-supported ID Theft Penalty Enhancement Act (S. 153), sponsored by Sen. Dianne Feinstein (D-Calif.), in an effort to stop identity fraud that hurts consumers and financial institutions.



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John McKechnie, CUNA's Senior VP of Governmental Affairs, cautions that identity theft and privacy are not synonymous. "We hope Sen. Feinstein's bill marks the first step in making certain that efforts to curtail fraudulent manipulation of personal information do not result in restricting the legitimate sharing of information by financial institutions." ♦



Mica Named "Top Lobbyist" by The Hill

CUNA President & CEO Dan Mica has been named one of the top "Members-of-Congress-Turned-Lobbyist" by *The Hill*, a Washington-based newspaper covering Congress and Capitol Hill.

The Hill based Mica's selection on input from current members of Congress, Congressional staff, and other lobbyists. All were asked to identify the lobbying industry's "stand-outs -- those names that keep turning up as top power brokers."

Mica, 59, has been president of CUNA since 1996. He was a member of Congress for 10 years. ♦



CUNA President & CEO Dan Mica meets with top legislators and regulators on issues affecting credit unions. He's shown here meeting with House Financial Services Chairman Michael Oxley and Treasury Secretary John Snow.

Matricula Cards Help CUs Serve Immigrants

Latino Community Credit Union President John Herrera told the Congressional Hispanic Caucus last week that Matricula Consular cards are often the only ways to identify immigrants who need credit union service the most.



Latino Community Credit Union President John Herrera urges Congress not to ban Matricula Consular cards as valid forms of ID.

CUNA opposes legislation prohibiting the use of Matricula cards or other similar government-issued ID cards. CUNA supports legislation allowing their use for financial institutions.

Herrera reminded that credit unions follow international principles of non-discrimination -- which includes non-discrimination on the basis of citizenship status.

Herrera appeared on behalf of CUNA and the World Council of Credit Unions. ♦

Renaissance: Charting the Progress



Issue	Leaders / Sources	Status
Regulatory Relief Legislation	Rep. Capito (R-W.V.) Rep. Ross (D-Ark.) Rep. Oxley (R-Ohio) <i>Financial Services Regulatory Relief Act of 2003 (H.R. 1375)</i>	Like the regulatory relief bill passed by the House Financial Services Committee in the last Congress, most of the credit union provisions in the new Capito-Ross bill reflect suggestions identified by CUNA's Renaissance Commission to ease regulatory burdens. Provisions carried over would: <ul style="list-style-type: none"> • Permit check cashing and wire transfers for anyone within a credit union's field of membership; • Exempt faith-based loans from credit unions' cap on member business loans; • Provide flexibility in voluntary mergers, investments, and governance; • Allow state-chartered, privately insured credit unions equal access to mortgage liquidity through the Federal Home Loan Bank System. New provisions would: <ul style="list-style-type: none"> • Grant federally insured credit unions the same exemptions as banks in anti-trust laws for pre-merger filing notification and fees; • Extend federally insured credit unions the same exemptions as banks for the Securities & Exchange Commission's broker-dealer and investment advisor requirements.
Serving People of Modest Means	Survey: <i>Serving Members of Modest Means</i> CUNA's Federal Credit Unions Subcommittee	The Renaissance Vision Statement on the Mission of Credit Unions reaffirms that "The purpose of credit unions is to promote the economic well-being of all people, including those of modest means..." CUNA Market Research has completed the first nationwide survey of how credit unions are serving members of modest means. It provides quantitative data showing that credit unions are offering multiple services to attract low-income consumers in their fields of membership. It also shows that credit unions expanding into low-income communities attract more low-income members than higher-income prospects from those communities. To help credit unions reach even more people of modest means, CUNA's Federal Credit Unions Subcommittee is exploring changes whereby more credit unions could qualify for a low-income designation. In Congress, CUNA's legislative team is advocating for expanded Individual Development Accounts to be enacted.
Fields of Membership	NCUA Chairman Dollar CUNA's Federal Credit Unions Subcommittee	The Renaissance Vision Statement on Membership maintains that "credit union boards of directors must have significantly greater flexibility to determine their fields of membership to enhance safety, soundness and service." CUNA strongly advocated NCUA's final rule to ease many unnecessary membership limits. <i>(See top story, Page 1.)</i>
Business Lending & Business Services	SBA Administrator Barreto CUNA's Business/SEG Services Committee	The Renaissance Vision Statement on Powers & Authorities envisions credit union services evolving to meet members' changing needs. Since millions of members are starting small businesses, CUNA led efforts with the Small Business Administration to allow all CUs to apply for federal guarantees on member business loans through SBA's 7(a) program. The new CUNA Member Business Services pilot program allows any credit union to make business loans in less than an hour <i>(NewsWatch, March 3.)</i>
Investments	CUNA's Examination & Supervision Subcommittee	NCUA's proposed rule on investment & deposit activities includes many activities suggested by credit unions during Renaissance. CUNA's comment letter suggests lifting restrictions on 6 investments that could be less risky than changes NCUA is already proposing: asset-backed securities, short-term corporate commercial paper, corporate notes and bonds, non-agency mortgage-backed securities, shares and stock of other financial institutions, and real estate investment trusts. CUNA is also working with NCUA and the House Financial Services Committee on increasing authority to invest in Credit Union Service Organizations.
Brokerage Fees	CUNA's CUSO Brokerage Activities Task Force (BAT Force)	The Securities & Exchange Commission is planning to discontinue a license exemption to CUSOs offering brokerage services. Without an exemption, CUSOs would have to pay substantial licensing fees. CUNA's BAT Force met with SEC this month to advocate a solution that would ensure no hardships for credit unions or CUSOs versus other financial providers.
Deposit Insurance Reform	Rep. Bachus (R-Ala.) (H.R. 522) Sen. Johnson (D-S.D.) (S. 229)	CUNA succeeded in including the National Credit Union Share Insurance Fund in deposit insurance increases for financial institutions. House and Senate bills would raise coverage for all institutions to \$130,000 per savings account and \$250,000-\$260,000 per retirement account.
State Charters	State Credit Union Leagues <i>Bills in 8 state legislatures</i>	State leagues have been working on bills that would give state-chartered CUs more control over fields of membership, share insurance, member business loans, and new powers. Already this year, 16 bills are moving in 8 states that would amend state CU acts. New Mexico's CU modernization bill <i>(NewsWatch, March 17)</i> was signed into law this month.

For More, CLICK HERE Renaissance www.cuna.org

For More, CLICK HERE Business/SEG Services www.cuna.org

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

For More, CLICK HERE Government Affairs www.cuna.org

CUNA Raises CU Issues with Treasury

CUNA met at the U.S. Treasury to explore ways to improve legislation and regulation on several key credit union issues:



Wayne Abernathy, Treasury's Assistant Secretary for Financial Institutions, held a follow-up meeting with CUNA after speaking to CUNA's Governmental Affairs Conference.

Member Business Loans

CUNA noted that credit unions' ability to provide MBLs is being restricted on the federal and state levels. CUNA stressed the importance of MBLs to credit unions and small businesses, and pointed to the Treasury's study showing credit union MBLs are more highly regulated and safer than banks.

Capital & PCA

CUNA followed through on NCUA Chairman Dennis Dollar's suggestion to work with policy-makers on alternatives to the current "one-size-fits-all" PCA law *(NewsWatch, March 3.)*

In discussing risk-based capital, CUNA noted that credit unions have been under PCA for 4 years, and it needs some changes. ♦

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Tuition	\$300	\$0
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**Based on average costs of a 5 day stay.*

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CUNA's eSchools Schedule

- Financial Management School: Part II**
 April 1 to May 6 (6 classroom sessions) \$1,295

- CU Finance for Non-Financial Managers and Volunteers**
 April 15 to May 1 (6 classroom sessions) \$1,195

- Consumer Lending Foundations School: Part I**
 May 6 to June 10 (6 classroom sessions) \$1,295

- Consumer Lending Management School: Part II**
 July 9 to August 13 (6 classroom sessions) \$1,295

- Security Institute**
 July 8 to August 12 (6 classroom sessions) \$1,295

- Marketing Management School**
 August 5 to August 21 (6 classroom sessions) \$1,295

- Compliance Fundamentals Seminar**
 August 6 to August 20 (3 classroom sessions) \$500

- Residential Mortgage Lending School**
 September 2 to September 18 (6 classroom sessions) \$1,295

- Advanced Collections Institute**
 November 4 to November 25 (4 classroom sessions) \$1,295

- Regulatory Compliance School: Update**
 November 4 to December 9 (6 classroom sessions) \$1,195



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Apply for Foundation Funds by April 15

The National Credit Union Foundation has funds available for credit union, league or foundation projects that address one or more of the following issues:

- Financial literacy
- Credit/debt reduction
- Affordable mortgage lending
- Partnerships that extend the

credit union's reach into a specific unserved or underserved market (geographic, ethnic or other)

- Alternatives to check-cashers, payday lenders and/or other alternative financial institutions that prey on the poor, unbanked, or financially illiterate
- First Accounts for the unbanked

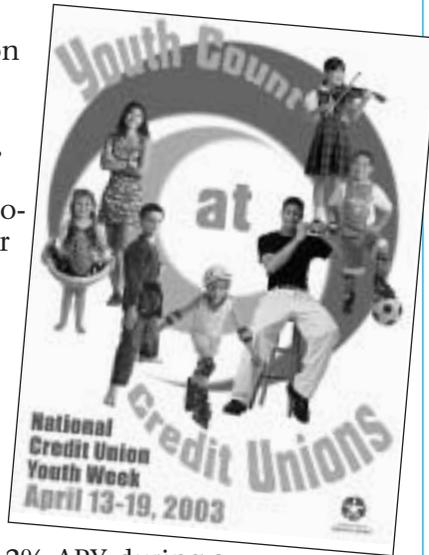
- Individual Development Accounts
- Credit union development
- Community Development Credit Union startup

For more information and application instructions, visit www.ncuf.coop or call Bruce Wheeler at 1-800-356-9655, ext. 4979. ♦

10 Ways CUs Will Celebrate Youth Week

Credit unions are sharing different ideas to celebrate National Credit Union Youth Week, April 13-19:

- 1) Invite youth club members to a mini-golf / pizza palace. Provide pizza, drinks, and a game of putt-putt.
- 2) Host an "Education Carnival." Promote it in school flyers. Let youth tour a "booth-like" area featuring savings, checking, VISA/ATMs, student loans, and Googolplex.
- 3) Open tours of the CU for youth. Teach them about money and CUs. Perform a "Credit Union Game Show" with prizes.
- 4) Produce a contest to "Be a Millionaire for a Day." Pay winners prizes equal to the dividend on \$1 million at 2% APY during a 24-hour period.
- 5) Let high schoolers work in marketing, lending and member service during a week-long job shadow program. Have them keep a diary with photos to be presented at a school assembly.
- 6) Use some of the suggested activities on CUNA's Web site -- including an estimation jar, Money Matter quiz, good report card reward, and special gifts for youth deposits during the week.
- 7) Reach Hispanic students with a workshop encouraging education beyond high school. Provide assistance to students and parents filling out financial aid forms.
- 8) Promote staff incentives for the branch opening the most youth accounts.
- 9) Display a Youth Week banner in each branch for young children to color.
- 10) Provide educational handouts for older children from CUNA's Home & Family Finance Resource Center: *How to Manage Your Checking Account*, *How to Buy a Used Car*, and *The Credit Card Push on Campus*. ♦



For More,
CLICK HERE
Youth Week
www.cuna.org

Legal Entity to Protect Infrastructure

CUNA and 22 other financial services trade organizations met in New York City to announce the legal formation of the Financial Services Sector Coordinating Council to help protect America's financial infrastructure.

"CUNA is proud to be a founding member of the Council," related CUNA General Counsel Eric Richard. "The tragic events of September 11 brought home the importance of being proactive to ensure the protection of the critical infrastructure systems of credit unions and other financial services companies." ♦



CUNA Senior Regulatory Counsel Catherine Orr (left) and BITS CEO Catherine Allen (right) meet Michael Dawson, head of the Treasury's newly created Office of Critical Infrastructure Protection.



How to Support Members in the Military

The Defense Credit Union Council (www.d cuc.org) has prepared a "readiness checklist" for credit unions serving members who are being deployed.

Among the key checkpoints:

- Provide a "financial readiness toolkit" for troops and their families. Include information about joint accounts and power of attorney.
- Make certain your members know how to access their accounts. Give them written procedures in a wallet-size card.
- Reinforce the value of Internet banking and

electronic payments.

• Comply with the Soldiers & Sailors Civil Relief Act by reducing loan rates where required for reservists called to active duty.

• Consider special loan rates, savings rates and savings plans for all troops and their families.

All credit unions must continue to check new members against the Office of Foreign Asset Control's "blocked persons" list, and monitor transactions for any suspicious activity that might be linked to terrorist financing. ♦

Credit unions across America are taking part in support activities, collecting donations for care packages. To get involved, contact the United Service Organizations

(www.uso.org), Army Reserve, or National Guard. Some credit unions are also donating to Operation Uplink (www.operationuplink.org), a free-phone-card program to help military personnel and hospitalized veterans stay in touch with their families.



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