

JANUARY 27, 2003

CREDIT UNION

NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

Taxing Issues in Many States

The credit union tax bill introduced in Utah could be just the beginning. A survey of state fiscal offices indicates that many states are looking at tax hikes -- on alcohol & tobacco, gaming, Internet sales, or other means.

While some legislators understand why it would be counterproductive to tax not-for-profit credit unions owned by taxpayers, others may be listening to the bank lobby.

(Continued on Page 4)

CU Tax Passes Utah Committee

A bill that would tax several Utah-chartered credit unions was approved by the state's Rules Committee last week. The Utah League of Credit Unions is mobilizing credit unions and members to stop the bill.

(Continued on Page 4)

Banks Blast CU Membership; CUs Slow to Respond

Banks are nearly outnumbering credit unions in comment letters filed on NCUA's plan to ease several unnecessary membership restrictions.

The plan would benefit consumers as well as federal credit unions serving communities, industries, and associations.

But with the deadline looming, NCUA had received only 50 comment letters -- about half from opposing banks.

(Continued on Page 2)

Economic Outlook Encouraging for CUs

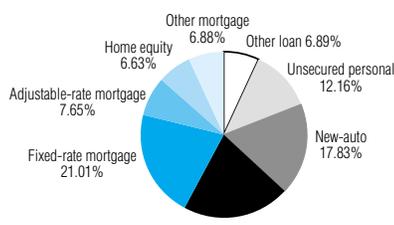
Many credit union members have refinanced their mortgages at record low rates. But with this high concentration of long-term fixed-rate mortgages, are CUs now vulnerable to rising rates?

And since most members who could have saved money by refinancing have already refinanced, where will CUs find their future loans?

CUNA Senior Economist Steve Rick offers some encouraging answers in his outlook for 2003.

(Continued on Page 3)

Distribution of CU Loans



Source: CUNA's economics and statistics department

HIGH lights

Page 2 Agreement shields all CUs from costly law

Page 3 Is business lending right for you?

Pages 5&7

Last chance to register for CUNA's Governmental Affairs Conference

For More, CLICK HERE GAC 2003 www.cuna.org



Page 8 Alliance brings discounts on office supplies





Agreement Shields All CUs from Costly Law

A U.S. District Court has upheld an agreement shielding all credit unions from the potentially costly California credit card disclosure law.

The agreement extends the court's favorable ruling (*NewsWatch*, Jan. 13) to shield state credit unions as well as federal credit unions from having to arrange special disclosures and a free counseling hotline for credit card holders in California.

The state is appealing the ruling.

In the meantime, CUNA General Counsel Eric Richard emphasizes that for credit unions, "nothing has changed or will change for some time. State and federal credit unions are still under no obliga-

tion to comply with the California disclosure law."

The law was scheduled to take effect on July 1, 2002.

But CUNA and 10 co-plaintiffs won an injunction to block the law from taking effect. ♦



"We continue to feel that the U.S. District Court decision is strong and that the ruling will be upheld for credit unions of all charter types."

- Eric Richard, General Counsel
Credit Union National Association

CU Input Needed on Membership Plan

(Continued from Page 1)

"Why would we want to allow bankers an opportunity to dictate our future ability to serve our members and future members?" questions Ann Graham, General Counsel for the Texas Credit Union League.

"We need to make sure the NCUA knows we support and appreciate its efforts to ease unnecessary restrictions that might impede us from meeting the needs of our members of today and tomorrow."

CUNA and all state credit union leagues urge credit unions to comment to NCUA by the February 3 deadline.

CUNA's Operation Comment system allows member credit unions to file comments online in 3 steps:

- 1) View a summary of the plan and questions to consider.
- 2) Compose your comments.
- 3) E-mail your comments to NCUA, with automatic copies to CUNA and your league.

CUNA's Federal Credit Unions Subcommittee will use credit unions' input in crafting its comment letter. ♦



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

To file your comments, start with the computer button, click Operation Comment, and follow the prompts. Or fax (703) 518-6319.

Insurance Fund Stable Despite Shaky Economy

Only 15 credit unions failed during 2002, and only 215 now have CAMEL ratings of 4 or 5, NCUA reports.

In this month's insurance update for the NCUA Board, the 2002 year-end equity ratio of the National Credit Union Share Insurance Fund was projected at 1.25% of total federally insured shares.

The ratio is projected to end 2003 at the same level.

With 1.25% equity, federally insured credit unions would not earn a dividend from the fund. (A dividend can only be earned when year-end equity exceeds the fund's "normal operating level," currently set at 1.3%.)

The good news: Despite the fund's declining earnings due to record low interest rates, the equity is stable enough to save federally insured credit unions from paying a premium to recapitalize the fund.

In other NCUA action this month:

- The Board unanimously approved a state member business loan rule for Texas-chartered credit unions.
- Vice Chair JoAnn Johnson said a new MBL rule for federal credit unions may be proposed in March. (See related story, Page 3.) ♦





Special Report

Is Business Lending Right for You?



For More, **CLICK HERE**
[Training & Education](http://www.cuna.org)
www.cuna.org

A new conference March 5-7 in St. Pete Beach, Florida, will help determine whether business lending is right for your credit union.

CUNA's Business Lending & Services Conference will explore several options for setting up a business lending operation.

Each participant will have a chance to put together a business plan for their own credit union.

Credit unions that have already started business lending can learn about the latest regulations and examine case studies of credit unions with successful programs.

For business resources you can use right now, click this computer button. ♦

For More, **CLICK HERE**
[Business/SEG Services](http://www.cuna.org)
www.cuna.org

For more information, call 1-800-356-9655, ext. 4139, or start with the button on the left, click Schools & Conferences, then Lending.

Surveys Can Help Decide

What do small business owners in your field of membership want from your credit union?

New custom survey tools from CUNA Market Research can help you find out.

"We can measure a broad spectrum of small business owners' concerns and needs," offers Market Research Director Jon Haller. "A custom survey of small business owners in your FOM, or potential FOM, can greatly impact how, when, and to what extent your credit union will provide small business services."

To learn more, call 1-888-837-4589 or email advisors@cuna.coop ♦

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

NCUA Open to Ideas on Business Loan Reg

NCUA is expected to propose changes to its member business loan regulation in the next 2 months.

The agency has been exploring the issue since November, when NCUA Board Member JoAnn Johnson formed a working group to review the existing reg.

Now NCUA's Vice Chair, Johnson says "member business lending is at the top of my list of regulations to review. I believe credit unions can serve as a valuable source of credit for many small businesses."



NCUA Vice Chair JoAnn Johnson (left) invites CU advocates to "contact my office with ideas to enhance this regulation so credit unions can meet the needs of small businesses today as well as in the future."

Call (703) 518-6302 or e-mail boardmember.johnson@ncua.gov

Johnson challenged NCUA staff to "find ways we can improve the rule to determine if any additional flexibility can be granted while remaining within the limits of the law and safety & soundness."

CUNA's Business/SEG Services Committee has been sharing preliminary ideas with NCUA. ♦

For More, **CLICK HERE**
[Business/SEG Services](http://www.cuna.org)
www.cuna.org

Economic Outlook Encouraging for CUs

(Continued from Page 1)

"Current factors indicate little pressure on interest rates to move higher," Rick writes in CUNA's *Credit Union Executive Newsletter*. "The probability of fixed-rate mortgages rising above 7% is relatively small."



Steve Rick, CUNA Senior Economist

Fortunately for CUs with fixed mortgages at lower rates, "it appears that when rates do head back up, the increase will be gradual -- allowing credit unions sufficient time to adjust their yield on assets to match the rising cost of funds."

So where will future loans come? "A rise in consumer lending may offset declining growth in mortgage lending," Rick predicts.

Many of those consumer loans may come from members who have refinanced and now have lower debt-to-income ratios. ♦

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



Taxing Issues in Many States

(Continued from Page 1)

“Although our opponents have raised the issue of credit union taxation, state lawmakers are unlikely to take the bait,” maintains Colleen Kelly, CUNA’s VP of State Government Affairs. “Once they look at the issue, lawmakers are quick to see that taxing state-chartered credit unions is not the solution. In fact, it could make matters worse.”



Taxing state-chartered CUs could make state budget crunches even worse, maintains Colleen Kelly, CUNA’s VP of State Government Affairs.

If state-chartered CUs were taxed in any state, they would still have the option to convert to federal charters.

This would cut off several sources of state revenue:

- * State regulatory agencies would lose revenue from the fees and operating expenses that have been paid by state-chartered CUs.

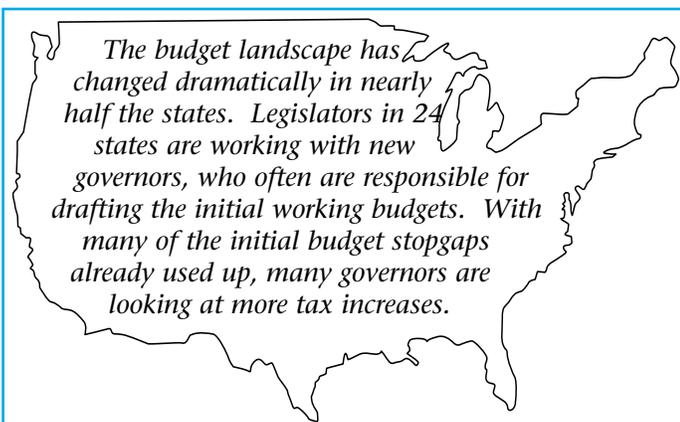
- * State and local governments would lose revenue from the variety of state and local taxes that have been

paid by state-chartered CUs.

As the 2003 legislative sessions get underway, Kelly points out, “states are all looking for additional revenue sources.”

And in Fiscal Year 2004 -- which begins July 1, 2003 -- some fiscal experts predict even bigger budget challenges for the states.

CUNA expects banks to try to use state budget crises to push CU taxation in more states. ◆



CU Tax Bill Passes Utah Committee

(Continued from Page 1)

If the bill becomes law, several Utah-chartered CUs would be subject to the state’s corporate franchise tax. And if they wanted to build branches or serve anyone outside of their domicile county, they’d be hit with a 30% fee -- about equivalent to a federal income tax.

The taxes would place a heavy burden on these not-for-profit institutions. State-chartered CUs would have a strong incentive to convert to federal charters, in the best interests of their member-owners.

After H.B. 162 passed the Rules Committee, the Utah League sent a second grassroots alert to CUs.

CUs and their members began to contact key lawmakers as the bill headed to the Business & Labor Committee.

“There’s a lot of outside support for credit unions from members -- people who don’t work for credit unions,” reports League Communications Director Stephen Nelson.

The league is increasing public awareness by producing radio ads, posters, and other educational materials. ◆



Bankers Ask Rep. for Federal CU Tax

Several bankers argued this month with U.S. Rep. Lois Capps (D-Calif.) about federal CU taxation, according to *American Banker*.

Rep. Capps, speaking to a conference sponsored by the California Bankers Association (CBA), reportedly said bankers should not care about CU taxation, because the banking industry is already quite healthy.

But bankers reportedly rose from their chairs to argue that CU taxation could go a long way toward closing California’s budget gap.

CBA President Gary Gertz noted that Rep. Capps challenged bankers to educate her on hot financial topics. He suggested that bankers do this later in Rep. Capps’ office. ◆

Raise your voice.



No one can tell the credit union story better than you can. That's why the 2003 CUNA Governmental Affairs Conference (GAC) is such an integral part of our political-involvement strategy. It's our opportunity to speak out on key issues from the credit union perspective, to tell newly elected members of Congress who we are and why it's vital consumers have a choice when it comes to financial services. ■ Let's remind the folks on Capitol Hill that credit unions represent the shared interests of some 80 million members. Lend your

voice. Network with colleagues. Visit the Hill. Gain political insights, training and instruction from the experts. Learn the very latest developments on key legislative issues. ■ Be stimulated in breakout sessions. Be inspired, engaged and entertained by influential speakers. Make plans today in your 2003 budget to bring your entire management team and all your directors. Let's make some noise! For more information, call **202-508-6763**

Featured speakers include:



Tom Brokaw



Rep. Michael Oxley



Sen. Mitch McConnell



GOVERNMENTAL AFFAIRS CONFERENCE • FEBRUARY 23-26, 2003

Banks are stepping up their own grassroots involvement efforts as part of their anti-credit union strategy.

"Just do something." That is an increasingly familiar sentiment among bankers regarding credit unions.

—ABA Banking Journal, October 2002. **We can define ourselves, or let others do it for us. Let's speak up.**



CUNA & Affiliates
www.cuna.org



AMERICA'S
CREDIT UNIONS™
*Where people are worth
more than money.*

SEE REGISTRATION INFORMATION ON THE FOLLOWING PAGES OR REGISTER
ONLINE AT **www.cuna.org** ENTER "GAC2003" IN SEARCH BOX

REGISTER TODAY

Be front & center. Sign up today.

GAC REGISTRATION FORMS:

Step 1:

Hotel Reservations
(see below)

Step 2:

Conference Registration
(next page)

Look what's awaiting you at GAC 2003



TOM BROKAW, famed anchor of NBC Nightly News, shares thoughts on major national and international issues of the day, including insights from a recent visit to Iraq.



REP. BARNEY FRANK (D-MA), the Financial Services Committee's senior Democrat, offers the minority perspective on the committee agenda.



NCUA BOARD CHAIRMAN DENNIS DOLLAR AND BOARD MEMBERS JOANN JOHNSON AND DEBORAH MATZ, highlight upcoming agency initiatives.



CHARLIE COOK, editor of *The Cook Political Report* and a regular on CNN's highly rated Inside Politics, provides expert analysis of the political dynamics shaping the 108th Congress and what it means for credit unions.



REPS. BOB NEY (R-OH) AND BRAD SHERMAN (D-CA), two key House Financial Services Committee members, head a panel discussion on how Congress views credit unions.



WAYNE ABERNATHY, assistant secretary of the Treasury for financial institutions, details the Bush Administration's financial services priorities.



REP. MICHAEL OXLEY (R-OH), Chairman of the House Financial Services Committee, previews the panel's 2003 agenda.



REP. HAROLD FORD, JR. (D-TN), one of the youngest members ever elected, presents his "new generation" of ideas to credit unions.



SEN. WAYNE ALLARD (R-CO), discusses the Senate Banking Committee's upcoming agenda.



SEN. MITCH MCCONNELL (R-KY), The recently elected Senate Majority Whip provides perspective on the Senate's major issues, and implications for credit unions and their members.



HECTOR BARRETO, chief of the U.S. Small Business Administration (SBA), explains how the SBA can help credit unions offer small business services.



MISS AMERICA 2003 ERIKA HAROLD, speaks on behalf of credit unions and the Children's Miracle Network.

Don't miss the Capitol Hill visits, the NCUA Board/RD walk-in reception, educational sessions on financial privacy and USA Patriot Act, political communication, Hispanic outreach (to name just a few), the Grand Exhibit Hall, great food and entertainment, and so much more.

Step 1: Hotel Reservations

Hilton Washington – Conference Headquarters
1919 Connecticut Avenue, NW
202-483-3000
\$176/single; \$206/double

Capital Hilton **
16th & K Streets, NW
202-393-1000
\$181/single; \$206/double

Courtyard by Marriott
1900 Connecticut Avenue, NW
202-332-9300
\$162/single; \$177/double

Jury's Normandy
2118 Wyoming Street, NW
202-483-1350
\$139/single; \$154/double

Omni Shoreham **
2500 Calvert Street, NW
202-234-0700
\$174/single; \$194/double

The Churchill Hotel
1914 Connecticut Avenue, NW
202-797-2000
\$155/single or double

Wardman Park **
2660 Woodley Road, NW
202-328-2000
\$195/single or double

14.5% sales tax applicable
** Shuttle service provided to the conference hotel throughout the day.

New reservations

If you have not made your hotel reservations for the GAC, you can still do so by calling the hotel directly at any time. Hotel rates are subject to a 14.5% sales tax. After January 22, hotel conference rates are at the discretion of each hotel based upon availability.

For cancellations/changes

Beginning on Monday, January 27, all changes and cancellations MUST be made directly with the hotel. **ALL DEPOSITS MADE ARE NON-REFUNDABLE.**



FEBRUARY 23–26, 2003

Step 2: GAC Conference Registration Form



Name _____

Name preferred on badge _____

Title _____

Check One: Credit Union Staff League Staff Credit Union Director League Director Other

Credit Union or League Name _____

CUNA/League Affiliated? YES NO Please note: Affiliation with CUNA/League is required for attendance, but limited exceptions may apply. Please contact CUNA prior to making travel arrangements to confirm eligibility.

Mailing Address HOME CU LEAGUE _____

City _____ State _____ Zip _____

Telephone HOME CU _____ Fax _____

E-mail Address _____

Spouse/Guest Name (as it should appear on badge—only if attending conference) _____

Spouse/Guest Mailing Address (Guest confirmation will be sent to this address) HOME CU _____

City _____ State _____ Zip _____

Emergency Contact, DAY – Name _____ Telephone _____

Emergency Contact, NIGHT – Name _____ Telephone _____

Check here if you have a disability that requires special services. Describe services required: _____

Check here if this is your first CUNA & Affiliates' Governmental Affairs Conference.

If CUNA requires more registration information, who may we contact:

Name _____ Telephone _____

Fax _____ E-mail _____

This will help us in processing your registration more quickly!

Registration Information

PAYMENT AND FEES

Conference Registration Fee \$729
GACDCO3

Spouse/Guest Program \$309
GASDCO3

Total amount enclosed \$ _____

TAX EXEMPTION / CONFERENCE AIRLINE

Federal credit union tax exemption information and airline discount procedures will be sent with confirmation.

REFUND POLICY

Refunds will be issued until February 7, 2003, minus a \$75 administration fee. Substitutions accepted anytime. All cancellations and substitutions must be submitted in writing. No refunds will be issued after February 7, 2003.

Check here if you are interested in receiving CPE credits.

CONFIRMATION

Upon receipt of your registration, a confirmation letter will be sent to your attention via fax. Please allow up to five business days to receive this information. Spouse/guest program registrants will also receive a confirmation letter via mail at the spouse address listed above.

FOR MORE INFORMATION

For registration information, call 800-356-9655, ext. 5700, or e-mail gacinfo@cuna.com. For specific program information, visit www.cuna.org. Enter "GAC2003," in the search box, or call 202-638-5777.

Three ways to register

FAX: 608-231-4327

Charge \$ _____ to my Visa MasterCard

Credit card # _____/_____/_____/_____

Expiration date _____

Print name as it appears on card:

Signature _____

MAIL

Mail registration form with payment to:
Credit Union National Association, Inc.
P.O. Box 78546
Milwaukee, WI 53278-0546

Payment MUST be sent at the time of registering. Checks payable to Credit Union National Association, Inc.

WEB SITE

Visit www.cuna.org. Enter "GAC2003" in the search box. Look for "Register Online Now" on GAC site.

FOR OFFICE USE ONLY:

I6

Customer # _____

Parent # _____

Authorization _____

Order # _____

Confirm date _____

Please be advised that CUNA & Affiliates reserves the right to photograph any and all program attendees and guests during program activities and meetings and reprint such photographs, in whole or in part, for future CUNA promotional uses.



Alliance Brings Discounts on Office Supplies

Credit unions can gain significant savings on business expenses with a new alliance between CUNA and Boise Office Solutions.

"This will give credit unions a solid hedge against rising administrative costs," says CUNA President & CEO Dan Mica. "Our aim is to help credit unions operate with the lowest possible overhead -- so they can continue offering the lowest-cost services to their members." "Our focus on office

product solutions lets credit unions concentrate on their core business issues and opportunities,"

adds Boise Office Solutions President & CEO Chris Milliken.

A multinational distributor of office supplies, furniture, paper, and technology, Boise Office Solutions aims to make buying office products "easier and more controllable."

For more information and to order, call 1-800-817-8136 or start with the computer button, click Strategic Alliances, then Office Solutions. ♦



CUNA's alliance with Boise Office Solutions enables credit unions to order office supplies, furniture, paper, and technology at significant discounts -- with free next-day shipping.

For More, CLICK HERE Products & Services www.cuna.coop



FIRST CLASS TIME SENSITIVE MATERIAL

RETURN SERVICE REQUESTED

PRESORT
FIRST CLASS MAIL
U.S. POSTAGE
PAID
MADISON, WI
PERMIT NO. 34

CUNA & Affiliates



Credit Union National Association, Inc. P.O. Box 431, Madison, WI 53701-0431
Published 23 times per year by Credit Union National Association, Inc. 601
Pennsylvania Ave., NW, South Bldg., Suite 600, Washington, DC 20004
CUNA & Affiliates
Editorial: (202) 508-6767 • Editorial Fax: (202) 638-7716
Address Changes: (608) 232-8045
To get free instant e-mail delivery instead of regular mail, log on to www.cuna.org and click
Permission E-mail Service. Create your profile and
check the box for Newsletter - NewsWatch.

© Copyright 2003 Credit Union National Association, Inc. ISSN 0889-5597
Legislation, Regulation, and Innovation from CUNA & Affiliates

