

NEWS Watch



Legislation, Regulation, and Innovation from CUNA & Affiliates

Membership Changes Would Help Millions

In the spirit of the Credit Union Membership Access Act, the NCUA Board has unanimously proposed a new membership regulation.

Its intent is to provide access to more Americans by lifting unnecessary restrictions on not-for-profit, member-owned federal credit unions serving communities, industries, and associations.



(Continued on Page 4)

NCUA Cuts Budget & Fee Scale

Federal credit unions' operating fee scale will slide 2.13% lower in 2003, after the NCUA Board unanimously approved a reduced budget.

NCUA found more than \$91,000 in new net cuts since its first budget was proposed (*NewsWatch*, Nov. 12).

Changes in key budget components are detailed on Page 4. ♦

HIGHlights

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Holiday spending tips

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Tell your story at CUNA's Governmental Affairs Conference, February 23-26



Page 8 CUNA seeks input on regulatory burdens

CUNA Remains Committed to Bankruptcy Reform

The Senate adjourned for the year without taking final action on bankruptcy abuse reform legislation.

"We worked until the last minute to encourage Senators to find a way to pass it," reported John McKechnie, CUNA's Senior VP of Governmental Affairs. "But despite the hard work of CUNA, leagues and credit unions across the country, Congressional supporters weren't able to solve the impasse before time ran out."

Still, McKechnie reminded, "The problem hasn't disappeared even though the legislation failed."

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CUNA Remains Committed to Bankruptcy Reform

(Continued from Page 1)

Bankruptcies continue at near-record highs, as some filers with means to repay their debts instead choose to take advantage of the system.

The losses hurt credit unions more than for-profit institutions, because each loss must be absorbed by all members of the credit union.

That's one reason CUNA's Governmental Affairs Committee has

directed CUNA's legislative team to continue pursuing bankruptcy abuse reform on behalf of credit unions.

"We will work with leaders of the next Congress to see how they want to approach the issue," confirms Gary Kohn, CUNA's VP of Legislative Affairs & Senior Legislative Counsel.

For now, McKechnie says CUNA will "focus on the underlying problem — bankruptcy abuse



CUNA's John McKechnie (right) worked late into the night with House Chief Deputy Majority Whip Roy Blunt (R-Mo.) to try to preserve a bankruptcy bill that could reach the President's desk.

— rather than specific legislative tactics."

Tactics will depend on how the political landscape takes shape. ♦



Credit Unions Help Friends Win New Seats

More than twice as many credit union members this year received election information from their credit unions, according to post-election surveys analyzed by CUNA.

Members' retention rose to 21% from 9% in 2000.

"That's approaching the level of America's political powerhouses," notes Richard Gose, CUNA's VP for Political Affairs. "We're at about the same level as organized labor and the National Federation of Independent Businesses."

In all, 44% of voters were credit union members.

Many helped friendly candidates win new seats:

Sen. Jim Talent (R-Mo.)



Talent moves across Capitol Hill after a 2-year hiatus. As House Small Business Chairman from 1997-2000, Talent lessened regulatory burdens. He was a key co-sponsor of the Credit Union Membership Access Act of 1998.

Rep. Rob Bishop (R-Utah)



Bishop advocated credit union issues in the Utah House. In defeating a multi-millionaire bank chairman, Bishop's primary campaign became a referendum on credit unions vs. banks (*NewsWatch*, July 15).

Rep. Jim Cooper (D-Tenn.)



Cooper had been out of politics for 7 years. Credit unions welcomed him back. After founding a company to raise money for businesses, Cooper says he better understands what people need from government.

Rep. Mike Rogers (R-Ala.)



Rogers got to know credit unions while in the Alabama House from 1995-2002. During his federal campaign, Rogers vowed to vote against anything that would hurt his district's workers.

Rep. Tim Ryan (D-Ohio)



Credit unions helped this 29-year-old Congressional aide defeat entrenched Congressman James Traficant (I-Ohio). Ryan is considering legislation to help workers qualify for pensions earlier.

The November 12 *NewsWatch* featured credit union friends who won close races.

In future issues, *NewsWatch* will profile:

- Friends in House and Senate leadership
- 5 champions who won reelection
- Communications that swayed votes ♦



Debt Concerns May Dampen Holiday Spending

In the upcoming holiday season, consumers intend to spend a little less than last year. Why?

According to the 3rd Annual Holiday Spending Survey sponsored by the Consumer Federation of America and CUNA, more consumers are concerned about meeting their monthly debt payments.

"Nearly one-third of adult Americans are very concerned about making debt payments," reports CFA Executive Director Stephen Brobeck. "That percentage is up significantly from last year."



If the economy recovers, CUNA Chief Economist Bill Hampel says consumer inducements such as 0% financing will no longer be needed.

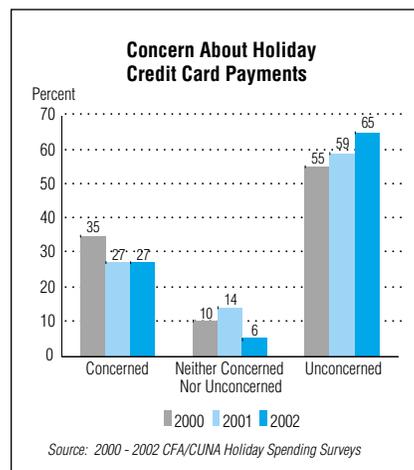
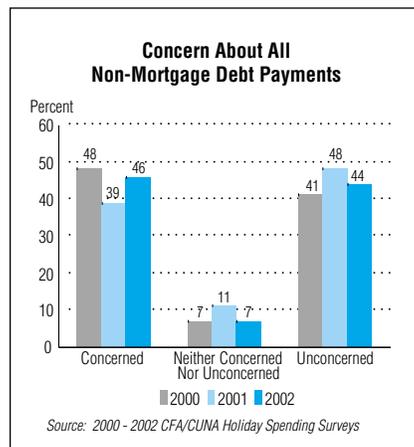
At a joint national press conference, CFA and CUNA showed how those concerns may dampen holiday spending. A larger percentage of consumers said they would spend less this season than spend more.

Despite growing concern about paying off all consumer debts, only 27% worry specifically about paying off holiday credit card debt.

Apparently consumers don't intend to charge too much. While more than 50% will use a credit card for holiday purchases, only 26% plan to charge most of their holiday purchases.

The CFA/CUNA survey positions credit unions as an objective source of consumer information. Broadcast media covering the press conference included ABC, CNN, Fox, and NBC. Wire services included Associated Press, Bloomberg, Dow Jones, and Reuters.

Local media may follow up with credit unions and leagues in coming days. ♦



Holiday Spending Tips

5 ways to beat the post-holiday debt blues:

1) Budget Holiday Spending

Right now, decide how much you can afford to spend.

2) Make a Price List

Staying within your budget will be much easier if you price all holiday items you plan to purchase.

3) Comparison Shop

You can easily save 10% on most items (sometimes much more) by comparing prices at different stores.

4) Pay Off Debts ASAP

If you make only the minimum

monthly payments, you probably will never pay off your debts.

5) Open a Club Account

Ask your credit union to automatically transfer funds from your checking to a Christmas Club account every month. Club accounts are a practical way to save small amounts over time.

Sources: Credit Union National Association, Consumer Federation of America ♦



For More, CLICK HERE Consumer Info www.cuna.org

For More, CLICK HERE Research www.cuna.org

More Research

CUNA and TowerGroup offer research on how technology and consumer attitudes are changing financial services.

To order any of these reports, call 1-800-356-8010, press 3, and ask for the stock number:

- National Member Survey (24196-NW)

- Delivering Financial Services in the 21st Century (23989-NW)

- Impact of Technology on Traditional Delivery Channels (24009-NW)

- Insights into Consumer Views Regarding Online Banking (23991-NW)

- Account Aggregation (24007-NW)

- Evolution of Debit at the Point of Sale (24003-NW) ♦



Membership Changes Would Help Millions

(Continued from Page 1)

If the proposal is approved, key changes would clarify potential service areas for all types of federal charters.

It would also streamline several processes:

- FCUs could use the expedited process for adding a select group up to 3,000 potential members (rather than 500).
- FCUs would have the option to remove exclusionary clauses in their charter.
- The 3-year prohibition on converting to another charter would be eliminated. A state CU converting to a federal charter could retain groups obtained through the state's

emergency membership provision.

"The word 'Access' is in the Credit Union Membership Access Act for good reason," points out CUNA President & CEO Dan Mica. "NCUA has a mandate from Congress to make credit unions accessible to the public — a mandate that has been held up in the courts."

The NCUA proposal "follows through on what Congress has urged the agency to do: Be as flexible as possible in defining service areas consistent with the law."

CUNA and its Federal Credit Union Subcommittee encourage credit unions to be heard during the 60-day comment period. ♦



Before calling the NCUA Board vote, Chairman Dennis Dollar read an extended statement to defend the proposal against critics representing the banking industry. For more on the Chairman's statement, go to CUNA's News Now, click View Archive, then 11/25.

For More,
CLICK HERE
News Now
www.cuna.org

Key Changes:

Community Charters

Community FCUs could be organized to serve:

- Any city, county or smaller political jurisdiction, regardless of size. As with all community charters, FCUs would have to submit comprehensive business plans to show how they would serve the community.
- Multiple jurisdictions that meet the definition of a Metropolitan Statistical Area (MSA). This generally includes at least 1 urban area of at least 50,000, plus adjacent counties integrated socially and economically. FCUs would have to provide information on how their proposed area meets the standards. More detailed documentation would be required if population exceeds 1 million.
- A local community of 500,000 for multiple jurisdictions that are not part of a single MSA. Likewise, FCUs would have to provide information on how their proposed area meets the standards for community interaction and/or common interests.

Occupational Charters

Occupational FCUs could be organized to serve:

- Beyond a single company, a common bond with multiple employers in a single trade, industry, or profession (TIP). The geographic base would generally be limited. Only single-common-bond FCUs could be based on a TIP. Multiple-bond FCUs would have to convert to a single bond. A business plan would be required to show how the FCU would serve the TIP and how individuals would be verified as members. Third-party vendors or suppliers would be ineligible.
- Select groups within "reasonable proximity." Each group must be within the "service area" of a "service facility" of their FCU. Except in low-income areas, ATMs wholly owned by the FCU would satisfy this definition. So would shared service centers where the FCU has an ownership interest.

Associational Charters

Associational FCUs would have their 3 current requirements merged with a list of factors to be considered by NCUA. National associations would qualify in their entirety if their headquarters are within reasonable proximity.

PCA Regulations Improved

The NCUA Board unanimously made several CUNA-supported changes to its final rule clarifying Prompt Corrective Action (PCA) regulations.

Now the Board is inviting comments on a proposed rule to help credit unions that become marginally undercapitalized due to "uninduced" deposit inflows. The proposal would establish an abbreviated "Tier 1" Net Worth Restoration Plan.

For more on these and other regulatory actions, start with this computer button and click "RegWatch." ♦

For More,
CLICK HERE
Regulations/Compliance
www.cuna.org

NCUA Budget

The components of the 2003 budget are:

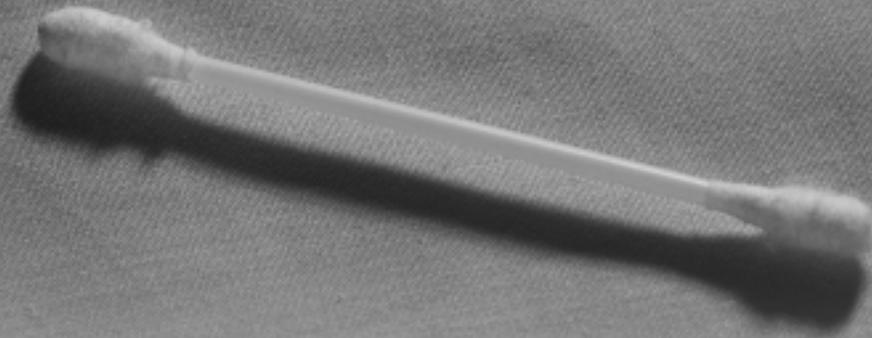
Category	2002 Budget	2003 Budget	\$ Change	% Change
Pay	\$88,814,866.65	\$88,882,054.12	\$67,187.47	0.08%
Benefits	22,137,641.11	21,857,941.35	(279,699.76)	-1.26%
Travel	13,241,903.82	12,778,267.96	(463,615.86)	-3.50%
RCU	4,203,409.01	4,397,835.27	194,426.26	4.63%
Administrative	12,640,093.17	11,379,258.24	(1,260,834.93)	-9.97%
Contracted *	5,929,547.64	6,784,334.45	854,786.81	14.42%
Total	\$146,967,461.40	\$146,079,711.39	(\$887,750.01)	-0.60%
Subtotal Payroll	110,952,507.76	110,739,995.47	(212,512.29)	-0.19%
Subtotal Non-Payroll	36,014,953.64	35,339,715.92	(675,237.72)	-1.87%

* Note: There has been no increase in contract staff.

RCU = Rent, Communications & Utilities

NCUA CFO Dennis Winans says the 2003 budget will represent a 4% increase over projected 2002 expenses.

Let's make sure the folks on Capitol Hill hear us.



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

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.

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**



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FOR EARLY-BIRD DISCOUNTS



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GAC REGISTRATION FORMS:

Step 1:

Hotel Reservations
(see below)

Step 2:

Conference Registration
(next page)

Step 1: Hotel Reservations

**NEW FOR 2003!
ONLINE HOTEL ROOM RESERVATIONS**

Visit www.cuna.org, enter **GAC2003** in the search box, click on housing—24 hours a day, 7 days a week. This will link you to CUNA's Housing Bureau's web page. Once on the web page, just follow each easy step.

OR

Call **800-492-7886** Monday through Friday from 9:00 AM – 5:00 PM EST

- A \$200 per room deposit, payable by major credit card is required for **ALL** reservations at the time of booking. A \$50 cancellation fee will be charged for all cancellations at any time.
- Your credit card will be charged immediately, and the room confirmation will come directly (via email) from the Housing Bureau.
- Hotel rates listed are subject to a 14.5% sales tax.
- Fax your reservation to: 847-940-2386 or 800-521-6017.
- A limit of 10 room reservations per call will apply to all hotels.
- NOTE: To give more credit unions the opportunity to stay at the conference headquarters, under no circumstances will any one group be allowed to book more than 10 rooms at the Hilton Washington & Towers regardless of how many calls or online reservations are made.

For cancellations and/or changes to existing reservations:

- Any cancellation made prior to or on Monday, January 6, should be directed to the CUNA Housing Bureau and will be charged a \$50 cancellation fee. The remaining deposit of \$150 will be refunded.
- Beginning on Tuesday, January 7, the entire deposit of \$200 for any cancellation will be forfeited.
- All cancellations or changes should be directed to the CUNA Housing Bureau until 5:00 pm on Friday, January 17. Between January 17 and 26, the CUNA Housing Bureau will transfer reservation information to participating hotels. During this time, no changes can be made.
- Any cancellations and/or changes on or after Monday, January 27 should be made with the hotel directly.

PARTICIPATING HOTELS AND RATES

HOTEL A:

Conference Headquarters
Hilton Washington & Towers
1919 Connecticut Ave., NW
Hotel: \$176/Single
\$206/Double
Towers: \$299/Single
\$319/Double

HOTEL B:

Capital Hilton *
16th & K Streets
Hotel: \$181/Single
\$206/Double

HOTEL C:

Courtyard by Marriott
1900 Connecticut Ave., NW
Hotel: \$162/Single
\$177/Double

HOTEL D:

The Jury's Normandy Hotel
2118 Wyoming Ave.
Hotel: \$139/Single
\$154/Double

HOTEL E:

Omni Shoreham Hotel *
2500 Calvert Street, NW
Hotel: \$174/Single
\$194/Double
\$214/Triple
\$234/Quad

HOTEL F:

**The Churchill Hotel
(formerly Sofitel)**
1914 Connecticut Ave., NW
Hotel: \$155/Single
\$155/Double

HOTEL G:

Marriott Wardman Park Hotel*
2660 Woodley Road, NW
Hotel: \$195/Single
\$195/Double
\$228/Triple
\$261/Quad

** Shuttle bus service will be provided between the above listed hotels.*

When making your room reservations either by 800#, online or fax, please be ready with the following information:

1. Name of conference—CUNA's Governmental Affairs Conference
2. 1st, 2nd, and 3rd choices of hotels listed above
3. Arrival and departure dates
4. Number of rooms required
5. Type of room needed—single or double, smoking/nonsmoking
6. Number of persons staying in room
7. Names of all occupants in room
8. Arrival time
9. Credit card type, name on credit card, number, and expiration date
10. Individual's organization
11. Address of each person
12. Telephone number of each person
13. Fax number of each person
14. Email address for each person (required for confirmations)

Continuing Professional Education (CPE) Credits

CUNA & Affiliates is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State Boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Nashville, TN 37219-2417. Telephone: (615) 880-4200. Web site: www.nasba.org.

CPE Credits: You can earn 15 CPE credit hours for the GAC.



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

Postmarked by January 17 Postmarked after January 17

Conference Registration Fee \$679 \$729
GACDCO3

Spouse/Guest Program \$259 \$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:

I2

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.



Compliance

Input Needed on Regulatory Burdens

CUNA is seeking input to inform the U.S. Treasury about credit unions' most burdensome regulatory requirements.

Credit unions are encouraged to describe their heaviest burdens via e-mail to mdunn@cuna.coop or by phone at 1-800-356-9655, ext. 6736.

The invitation came from Treasury Secretary Paul O'Neill in a meeting with CUNA Chairman Barry Jolette and senior staff.

"We certainly have an ongoing catalog of regulatory burdens that credit unions face on a daily basis," CUNA President & CEO Dan Mica wrote in a follow-up letter to O'Neill. "However, we want to provide you with the most current information on their concerns and offer possible recommendations for improvement." ♦



Prompt Corrective Action often leads the regulatory burden list, Mica wrote to Treasury Secretary O'Neill.

How to Set Loss Reserves

Regulators and accountants have specific advice for CUs trying to comply with NCUA's new policy on Allowance for Loan & Lease Losses (ALLL).

Now you can listen in. Cassettes of CUNA's nationwide audio conference, featuring NCUA officials and a CU-savvy CPA, are available through December 3.

The tape includes questions raised by a record number of listeners. Many answers may apply to your CU.

To order: Start with this computer button, click "Audio Conferences," click the call topic, and scroll down to "Order cassette." ♦



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