

# CREDIT UNION NewsWatch



APRIL 11, 2011

Legislation, Regulation, And Innovation Online From the Credit Union National Association

## CUNA Testifies on CFPB Structure



Rep. Shelley Moore Capito (R-W.Va.), who heads the House subcommittee on financial institutions and consumer credit, greets CUNA witness Rod Staatz, CEO of SECU of Maryland, who is about to testify on issues regarding the structure of the new Consumer Financial Protection Bureau, established by last year's Dodd-Frank Wall Street Reform Act. Staatz emphasized that if the governing structure of CFPB is broadened beyond a single administrator, then there must be a credit union presence on an agency board. (CUNA Photo)

The composition of the Consumer Financial Protection Bureau's (CFPB) leadership, voting thresholds, and the credit union difference were all in the spotlight during last week's hearing on potential CFPB reforms. Most of the hearing, conducted by the House Financial Services subcommittee on financial institutions and consumer credit, focused on CFPB structure.

Some have suggested expanding the CFPB's single-member leadership to a bipartisan panel of regulators. SECU of Maryland CEO Rod Staatz, who testified on behalf of his credit union and CUNA, suggested that a credit union representative be added to the lineup if the CFPB leadership structure is expanded in this manner.

H.R. 1351, the Consumer Financial Protection Safety and Soundness Improvement Act, was also discussed during the hearing. Staatz said that CUNA and his credit union support portions of the bill, which addresses the Financial Stability Oversight Council, tasked with review of CFPB actions. CUNA supports a provision that would replace the proposed two-thirds voting approval threshold with a simple majority threshold to strengthen the review authority of the panel.

Staatz, in his written testimony, also turned to the CFPB's future rulemaking endeavors, encouraging legislators to urge the CFPB to exempt

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## Interchange Delay Makes Advances

Support continues to grow on Capitol Hill for an implementation delay for the Federal Reserve's (Fed) rule to set limits on debit card interchange fees.

For instance, Rep. Barney Frank (D-Mass.) last week threw his support behind a delay. CUNA welcomed Frank's action and noted that the importance of the congressman's backing cannot be overstated. He was an original architect of the Dodd-Frank Wall Street Reform Act that carries the interchange provision.

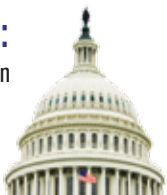
Also in the House, key Democrats sent a letter urging all colleagues to support Rep. Shelley Moore Capito's (R-W.Va.) delay legislation. Moore Capito's H.R. 1081 had 72 total sponsors as of late last week.

And on the Senate side, Sen. Jon Tester (D-Mont.) said recently that he believes he has the 60 votes needed to ensure Senate passage of his bill (S. 575) to delay the rule. Late last month Tester said that Congress should not let these new regulations go into effect before knowing both the intended and unintended consequences of this action.

While noting this increased

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House joins Senate in effort to lift cap



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New FinCEN database could be costly

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Takes mantle of FFIEC head



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CUs come out strong to help CMN hospitals



## Corporates Present Business Plans to NCUA



The National Credit Union Administration (NCUA) has begun reviewing the recapitalization plans of undercapitalized corporate credit unions and the bridge corporates after the final deadline for those plans passed on March 31.

Undercapitalized corporate credit unions were required to submit strategic and capital compliance plans, with some including stress tests that identify a range of potential credit or other losses from legacy assets, the impact on potential losses to capital, and a transparency framework to cultivate credibility and trust with member credit unions.

The bridge corporate business plans include information on transferring members or the bridge operations into a new corporate charter, an existing corporate charter, or another entity, according to the NCUA.

The agency has until April 29 to finalize its review of the plans, and may request revisions where appropriate.

The undercapitalized and bridge corporates must meet the NCUA's capitalization requirements by Oct. 20. 🏠

## CUNA Testifies on CFPB Structure

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credit unions, and the pro-consumer products they provide, from any onerous rules that the CFPB may create.

During questioning, Staatz noted that while credit unions have to make "a little profit" to ensure their safety and soundness, credit unions essentially "exist" to serve the members that own them.

Other witnesses included other financial services representatives, an academic, and an official from the NAACP. 🏠

## House Joins Senate with MBL Bill



For legislation to become law, a bill must be approved by both the House and Senate and then signed into law by the president. In a substantial step forward for member business lending (MBL) legislation, Reps. Ed Royce (R-Calif.) and Carolyn McCarthy (D-N.Y.) introduced an MBL bill in the House last week that is similar to a bill pending in the Senate.

Like the Senate bill sponsored by Sens. Mark Udall (D-Colo.) and Olympia Snowe (R-Maine), the Royce-McCarthy Small Business Lending Enhancement Act would lift the credit union MBL cap to 27.5% of a credit unions' total assets has now been introduced in the House. Reps. Russ Carnahan (D-Mo.), Hank Johnson (D-Ga.) and Gary Peters (D-Mich.) have cospon-

sored the bill.

Royce in a release said that the MBL cap lift legislation "takes an important step in shifting our current economic path and putting Americans back to work."

CUNA has estimated that the MBL cap lift could provide up to \$13 billion to small businesses in the first year alone and create over 140,000 new jobs, at no cost to taxpayers. 🏠

## Interchange Delay Makes Advances

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support in the House and Senate, CUNA has continued its efforts to further bolster backing for the delay, even reaching out to the U.S. Treasury Department in recent meetings.

CUNA has also taken the interchange fight to the Fed, which recently announced it would not meet the statutory April 21 deadline for issuing a final rule. CUNA warned Fed Chairman Ben Bernanke that the compressed time-frame between the issuance of the rule and the required July 21 effective date may not give institutions, networks, and the marketplace the time needed to prepare for compliance with a final rule. 🏠



# >> Regulatory Affairs

## Transition to New BSA Database Could be Costly

While CUNA generally supports the Financial Crime Enforcement Network's (FinCEN) efforts to further modernize the Bank Secrecy Act (BSA) report filing process, that agency should take all needed steps to minimize any burdens related to its modernization efforts.

FinCEN has proposed adding new data fields to its currency transaction and designation of exempt person reports.

CUNA in a comment letter to the U.S. Treasury said that it expects credit unions will incur substantial start-up and maintenance costs, and will have to undertake significant staff training efforts to transition to a new BSA database.

The transition to the new database will be particularly burdensome for smaller credit unions. CUNA added that manpower and monetary costs related to the transition will likely be more extensive for institutions that are not currently utilizing the e-file process. 🏠

## NCUA 2010 Results Preview 2011 Challenges

The NCUA, in releasing its 2010 financial results, warned that credit unions in 2011 will continue to "face challenges in overcoming the effects of the economic downturn."

NCUA Chairman Debbie Matz said that NCUA examiners are working to "help mitigate existing and potential risks" to credit unions and to help those credit unions "maintain stable balance sheets."

The annual financial report showed increases in credit union assets, net worth, and earnings.

Real estate and business loan delinquencies increased during 2010. However, delinquent loans as a percentage of total loans dropped to 1.74%. Net loan charge-offs also declined during the year.

Modifications for real estate, consumer, and business loans increased \$3.1 billion since March of 2010, and Matz noted that these types of modified loans could still create a risk of delinquency into 2011.

The NCUA said it will keep a close eye on loan modification practices and will continue to monitor concentration risk going forward. The agency also plans to consider how increased business lending can be matched with safe and sound underwriting and credit risk management. 🏠

## CUNA Concerned by Risk Loss Plan

CUNA is concerned by the impact that rules that would require loan securitizers to retain an economic interest in a material portion of the credit risk for any asset that it transfers, sells, or conveys to a third party, could have on credit unions.

Issuers of securitized loans would need to retain a 5% interest in the risk of loss. Loan originators, and, generally speaking, the majority of credit unions would be exempt from the credit risk retention requirements as long as they contribute less than 20% of the loans or other collateral to a given pool of asset-backed securities.

The regulatory proposal aims to address abuses in the mortgage lending market that contributed to the financial crisis. While credit unions did not participate in these sorts of abusive practices, CUNA remains concerned that credit union mortgage lending will be impacted by these rules and standards that develop in the marketplace.

CUNA continues to examine the proposal, and will comment to federal agencies as appropriate. 🏠

## TILA, Consumer Lending Extended by Fed

The Federal Reserve has approved amendments to Regulation Z and Regulation M that would expand consumer protection rules to



address credit transactions and high-value leases.

The amendments will become effective on July 21.

Under the new rule, the threshold for exempt consumer credit transactions under the Truth in Lending Act /Regulation Z will be increased from \$25,000 to \$50,000. The threshold for leases under the Consumer Leasing Act and Regulation M will be increased to the same level.

These thresholds will be adjusted annually starting on Dec. 31.

CUNA earlier this year urged the Fed to minimize the regulatory burdens associated with the proposal, particularly for small credit unions, and has noted that the final regulations show some improvements compared to the proposed rules. 🏠

# BIG



# TIME

JUNE 19 - 22, 2011

**BIG IDEAS**  
BIG OPPORTUNITIES

SAN ANTONIO, TX



**BEYOND BOUNDARIES**

Presented by Alison Levine

**DRIVE: WHAT THE SCIENCE OF MOTIVATION CAN TEACH YOU ABOUT HIGH PERFORMANCE**

Presented by Dan Pink



**INNOVATIVE ENGINEERING: HOW TO INNOVATE & GROW YOUR CREDIT UNION**

Presented by Doug Hall



**THE JOURNEY: LESSONS FROM AMERICA'S MOST INFLUENTIAL LEADERS**

Presented by Eric Saperston

**SWITCH: HOW TO CHANGE THINGS WHEN CHANGE IS HARD**

Presented by Dan Heath



**KEYNOTE**  
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# CONFERENCE THOUGHT LEADERS



### SUPPLEMENTAL CAPITAL

Presented by John Lass



### UNMARKETING

Presented by Scott Stratten



### THE UNDERCOVER SPEAKER

Presented by Lee Silber



### I LOVE YOU MORE THAN MY DOG: EXTREME CUSTOMER LOYALTY IN GOOD TIMES & BAD

Presented by Jeanne Bliss



### CAUSING A SCENE

Presented by Charlie Todd



### THE ECONOMY & ITS IMPACT ON CREDIT UNIONS

Presented by Bill Hampel  
& Mike Schenk



These brilliant  
thinkers will  
share ideas that  
are sure to boost  
your brain power!

# ACUC.CUNA.ORG





# >> Notes Bearing Interest

## The Front Burner

The most viewed news stories on [cuna.org](http://cuna.org) during March 2011 reveal the hottest issues for credit unions. Access the complete stories and register to receive daily credit union news headlines at [www.cuna.org/newsnow/top10](http://www.cuna.org/newsnow/top10).

### 10 Hackers steal \$527,000 from LES FCU account at bank

Computer hackers from the Ukraine made unauthorized transfers totaling nearly \$527,000 from LES FCU, Baton Rouge, La., in September 2009 through the credit union's commercial account with Capital One, according to a lawsuit filed in U.S. District Court.

### 9 Wall St. right target to recoup corporate losses: CUNA

CUNA General Counsel Eric Richard said the NCUA is "looking at the right kind of parties" if the agency, as reported, intends to attempt to reclaim billions in securities-related corporate credit union losses from the biggest Wall Street firms.

### 8 NCUA: Ponzi scheme helped close St. Paul Croatian

The NCUA filed an adversarial action in the U.S. Bankruptcy Court in an attempt to preclude a debtor from discharging loans that he allegedly fraudulently obtained from the failed St. Paul Croatian FCU as part of his Chapter 7 bankruptcy filing.

### 7 Survey: Tellers are key to satisfaction

Tellers have a giant effect on how members/customers feel about a credit union or bank, said a new study by Prime Performance, which advises financial institutions on improving the client experience.

### 6 Ten inducted to CU House Hall of Leaders

Ten credit union leaders who have made a significant impact on the credit union movement at the local, state or national level were inducted into the Credit Union House 2011 Hall of Leaders.

### 5 Cheney warns reg burden is growing 'crisis'

Credit unions, owned by their members, already have strong incentives to treat consumers well, but face a crushing "crisis of creeping complexity" under a steady accumulation of regulatory requirements, CUNA testified before Congress.

### 4 NCUA bans trio from CU-related work

Three former credit union employees have been banned from future work at any federally insured financial institution by the NCUA.

### 3 NAACP: Delay interchange to assess consequences

The NAACP wrote to the Speaker of the U.S. House urging that a congressional review be launched before the Federal Reserve Board acts to implement limits on debit card interchange fees.

### 2 Senate, House bills would delay Fed interchange plan

CUNA President/CEO Bill Cheney said the proposed interchange delays introduced in both the Senate and House give credit union members and other consumers "a ray of hope that the debit card programs they have come to appreciate may continue unchanged, at least for the short term."

### 1 NCUA could tighten rate-risk program rules

A proposed rule to require federal credit unions to create written interest-rate risk policies and develop individual interest-risk management insurance programs was the central topic of the NCUA open meeting. 🏠

## NCUA Chair to Head FFIEC

The Federal Financial Institutions Examination Council (FFIEC) has named National Credit Union Administration (NCUA) Chairman Debbie Matz as its new leader for a two-year term.



Debbie Matz

An NCUA spokesman said Matz accepted the responsibility because she is "committed to promoting consensus among financial regulators as they work to implement new rules protecting the safety and soundness of the financial services industry."

The FFIEC, established in 1978 to promote uniformity in financial institution regulation, is comprised of the leaders of the NCUA, the Federal Reserve Board, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Deposit Insurance Corp. (FDIC). Matz succeeds FDIC Chairman Sheila Bair in the FFIEC position. 🏠

 **FFIEC Website**  
<http://www.ffiec.gov/>



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 **Sign Up Now**  
[http://www.cuna.org/get\\_news/](http://www.cuna.org/get_news/)

## CUs Work for Cherry Blossom Run

Over 10 years, more than 90 credit unions from 30 states have been a part of the annual Credit Union Cherry Blossom Ten Mile Run. This truly collaborative effort in raising funds to benefit Children's Miracle Network Hospitals attracted more than 15,000 runners Sunday April 3—roughly 7,000 of them credit union members. The event, which was the 39th annual race, raised \$578,000 to bring the funds donated by credit unions over the decade to more than \$5 million.



CUNA's Cheney tells attendees at a press conference held at the Children's National Medical Center, Washington, D.C., that the credit union movement is the third largest corporate sponsor of CMNHospitals following only Walmart and Costco. The Credit Union Cherry Blossom run is one of the events that make this success possible, Cheney said, noting that it has raised more than \$5 million in the 10 years credit unions have sponsored the race. (CUNA Photo)



Officials from Credit Union Miracle Day (CUMD) present their 2011 donation of \$578,000 to Children's Miracle Network Hospitals on behalf of Credit Unions for Kids. From left are CUMD officials: Jan Roche, State Department FCU, treasurer; Juri Valdov, chairman; Teresa Mann, The Partnership CU, vice chairman; and Sara Turner, Maryland and District of Columbia Credit Union Association, executive director. (Photo provided by Credit Union Miracle Day Inc.)



More than 700 employees from area credit unions such as State Department FCU, Navy FCU and Northwest FCU volunteered on race day. Among the volunteers was a contingent of about 24 CUNA staff who tended racers' gear, making order of the chaos of thousands of bags stowed by runners. This is the "before" picture. While no "after" photo is shown, an aerial view would have shown an eerie precision of rows. (CUNA Photo)

## Consumers Need Financial Savvy

As the economy improves, consumers are ready to start spending again, but they do not trust their judgment when it comes to managing their finances, according to the results of the National Foundation for Credit Counseling's (NFCC) fifth annual Financial Literacy Survey released recently.

About 26% of U.S. adults report they are spending more than they did a year ago. At the same time, more than 40% of Americans grade themselves as C, D or F in their knowledge of personal finance, acknowledging that they lack the know-how to make sound financial decisions, said NFCC. However, fortunately 76% recognize that they would benefit from the advice of a financial professional.

April is Financial Literacy Month and credit unions nationwide are participating. Use the link below to see NFCC resources, and turn to page 8 to read related story: "Enhanced Fin Lit Tools Ready for CUs." 📖

 **NFCC Website**  
[www.cuna.org/pol\\_affairs/election](http://www.cuna.org/pol_affairs/election)

About 26% of U.S. adults report they are spending more than they did a year ago.



# >> System Solutions

## Enhanced Fin Lit Tools Ready for CUs

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

Credit unions can expect help improving members' creditworthiness and overall financial security with significant enhancements to educational materials from CUNA's Center for Personal Finance (CPF) in 2011.

The College Planning Blog is a recent addition to CPF's Home and Family Finance Resource Center website. It features the latest on financing a college education and is written by financial aid expert Ken O'Connor, director of student advocacy for Fynanz, Inc.

CPF's popular in-person member education tool, Seminars in a Box, has introduced a Women & Money series, featuring a trio of new topics: reaching financial goals, preparing for life's uncertainties, and organizing one's



**WHO SAYS TEACHING FINANCIAL LITERACY CAN'T BE FUN & GAMES?**

finances. Each seminar is designed for women of all ages and provides credit unions with tools to help women take control of their money and credit needs.

2011 ushers in several new developments, which CPF will launch throughout the year. They include:

Two new Seminars in a Box written in Spanish and focusing on the topic of credit;

Newly reduced pricing for Money Mission—the new interactive, online financial literacy game for young

credit union members;

New, interactive, self-study, online short courses on financial planning;

Mad City Money simulation demonstrations at the 2011 CUNA Management School and the 2011 Community Credit Union Conference; and

A supplement dedicated to financial literacy for all ages to be included with the July 2011 edition of Credit Union Magazine. 🏠

**CUNA Center for Personal Finance**  
[http://www.cuna.org/finlit/about\\_us.html](http://www.cuna.org/finlit/about_us.html)



# >> CUNA Notebook

## Regulatory Compliance School: Intro

**May 1-6**  
*Henderson, Nev.*

**September 11-16, 2011**  
*Boston, Mass.*

Credit union compliance professionals face complex and challenging issues. Keep your credit union's compliance efforts up-to-date by learning about new and revised regulations and how to stay compliant.

Topics discussed at this school include:

- ▶ Consumer Lending Regulations
- ▶ NCUA Requirements and Guidance
- ▶ Mortgage Lending Regulations
- ▶ Deposit Account Regulations
- ▶ General Operations Regulations

You can earn your Credit Union Compliance Expert Certification on-site and become a designated Credit Union Compliance Expert (CUCE). Register at [training@cuna.coop](mailto:training@cuna.coop) or call 800-356-9655, ext.4249. 🏠

CUNA REGULATORY ADVOCACY



**CUNA REGULATORY COMMENT CALL**

The National Credit Union Administration is seeking comments through May 23 on a proposal that addresses requirements for:

- ▶ A written policy on interest rate risk (IRR); and
- ▶ An IRR management program.

CUNA has concerns about the extent to which a new regulation in this area should be imposed on credit unions, even though appropriate and reasonable management of interest rate risk at all credit unions is very important.

Compliance with the proposal would be part of a credit union's overall asset liability management and would be a condition of receiving and maintaining federal deposit insurance.

CUNA asks credit unions to send comments to CUNA by May 9.

Use links to see proposal and CUNA Comment Call. 🏠

**CUNA Comment Call**  
[http://www.cuna.org/download/rcc\\_032511.pdf](http://www.cuna.org/download/rcc_032511.pdf)

**Rate Risk Proposal**  
<http://edocket.access.gpo.gov/2011/pdf/2011-6752.pdf>