



UPDATE[®]

Sherman presses to add MBL measure to jobs bill p.2

Jan. 11, 2010

In This Issue

Dodd not seeking reelection

- ◆ Lawmaker readies for final push on reg reform p.1
- ◆ Chairs of NCUA, House Financial Services laud Dodd p.2

Becker promotes CUs

NAFCU president touts CUs on The Huffington Post p.2

NCUA to meet 11 times in 2010

NAFCU anticipates heightened regulatory agenda ahead p.2

Webcast details Credit CARD Act

Second stage of act's provisions kick in next month p.3

NCUA, ASI not talking 'wind-down'

NCUA disputes recent report suggesting its involvement with private fund . . p.3

NAFCU pairs CUs, budgeting

Association highlights how CUs can help consumers with budgeting . . p.4

December vehicle sales up

Market still weak, NAFCU economist says p.4

- ☞ CUs merge p.2
- ☞ Heritage West FCU liquidated . . p.2
- ☞ Financial literacy council to meet p.4
- ☞ Rule allows more CDFIs membership in FHLBs p.4

NAFCU's offices are closed Jan. 18, Martin Luther King Jr. Day.

Dodd, poised to retire, expected to forge ahead on reg restructuring

Senate Banking Chairman Chris Dodd, D-Conn., won't run for reelection this year but is expected to push to finish a financial industry regulatory reform package that strengthens financial regulation and consumer protections.

Noting legislative accomplishments tinged with political and personal challenges over the past year, Dodd said he has "found myself in the toughest political shape of my career." Some report he would have a difficult time winning against a Republican challenger in the fall, something that Dodd doesn't necessarily agree with. Nevertheless, Connecticut Attorney General Richard Blumenthal, a Democrat who has strong support in the state, said he will run to succeed Dodd in this year's midterm elections.

Reports note that Dodd's plans will likely embolden him to forge ahead on regulatory reform, but they add he may be more likely to accept some compromises on key issues to get the bill through the Senate.

☐ Becker lauds Dodd's work with CUs

NAFCU President Fred Becker last week praised Dodd's evenhanded approach in working with the credit union industry.

"Chairman Dodd has been a remarkable presence in Congress," said Becker. "During his chairmanship, his efforts have exemplified his deliberate, thoughtful and equitable approach to the issues at hand. This has certainly been true when working with NAFCU and credit unions.

"We have welcomed working with him in the past and will be honored to continue to work with him as he completes his distinguished career and wish him well going forward."

Dodd announced his planned retirement

last Wednesday.

First elected to Congress in 1974 to the House of Representatives, Dodd served three House terms before being elected to the Senate in 1980.

Dodd is not the only Democratic senator announcing plans to retire. Sen. Byron Dorgan, D-N.D., said last week he is stepping down this year, noting that after 30 years in Congress, this is the right time to pursue other interests.

Becker had good words for Dorgan as well, noting that the lawmaker has long supported cooperatives and has been a reliable friend of credit unions.

☐ Pressing forward on reform

Sen. Tim Johnson, D-S.D., is considered a likely candidate to succeed Dodd as Senate Banking chairman next year. For now, however, Dodd remains at the helm.

Becker noted that as the panel proceeds on regulatory restructuring, NAFCU will continue to strongly urge against any move to diminish credit unions' ability to offer their members innovative services at reasonable costs. Along that line, he said, it will continue to press for preservation of an independent federal regulator and share insurer for the nation's credit unions, which Dodd has provided for in his draft reform; oppose the application of proposed Consumer Financial Protection Agency oversight to federal credit unions; and press for regulation that is reasonable and does not cause the member-owned cooperatives increased, undue regulatory burden.

The House comes back tomorrow, and the Senate reconvenes next Tuesday. The Senate Banking Committee wants to complete mark-up within about a month, NAFCU lobbyists said.

Sherman wants MBL cap lift in jobs package

NAFCU President Fred Becker praised Rep. Brad Sherman, D-Calif., last week for urging House leaders to ensure that any jobs bill enacted this year includes H.R. 3380, the Promoting Lending to America's Small Businesses Act.

Sherman made his appeal in a letter to House Education and Labor Chairman George Miller, D-Calif., and copied it to House Speaker Nancy Pelosi, D-Calif., House Financial Services Chairman Barney Frank, D-Mass., and House Capital Markets Subcommittee Chairman Paul Kanjorski, D-Pa., the bill's chief sponsor.

"Credit unions are ready to expand their business lending," Sherman wrote. "Put simply, this bill would allow credit unions to make more loans to their small business members, who will in turn invest in their communities."

H.R. 3380, backed by NAFCU, would increase credit unions' statutory MBL cap

from 12.25 percent of assets to 25 percent and exclude from the cap all loans under \$250,000 and those made in underserved areas.

Sherman called the current, \$50,000 threshold for MBLs "prohibitively small to allow credit unions to effectively serve the borrowing needs of their business members in today's economy."

Becker lauded Sherman's action, calling it "one more step forward in credit unions' bid for more authority to aid America's small businesses."

NAFCU also continues its press for Senate action on the MBL cap, which would rise to 25 percent under S. 2919, introduced by Sen. Mark Udall, D-Colo. NAFCU is strongly urging the Obama administration to support the elimination of or increase in the MBL cap to help facilitate greater access to capital for small businesses.

Becker says when switching, CUs are No. 1 choice

NAFCU President Fred Becker, responding last week to a recent piece on The Huffington Post, lauded Arianna Huffington's call for a move from big banks to local financial institutions and urged that consumers consider credit unions.

Huffington launched a Move Your Money Web page last month for consumers weary of big banks and their big bailouts. Noting the comments of Becker and others regarding credit unions, the site posted an update last week noting plans to include information on credit unions in the coming months.

Becker said credit unions are a great choice for folks who want great service and products, lower fees and competitive rates on loans and savings. He also touted their federal insurance and services such as fee-free ATMs and pointed to CULookup.com for those seeking a credit union they can join.

"Credit unions, which are not-for-profit, member-owned financial institutions, have been widely recognized for their prudent business practices and great service," the NAFCU president said. "One reason for this is that 'profits' in credit unions don't go to special shareholders but are returned to the membership in the form of lower fees and competitive rates on loans and savings."

A blog response from Becker was included on the site early Wednesday. Since the post, daily visits to CULookup.com tripled.

□ CNN points to CUs

Credit unions also received media attention in a recent CNN "American Morning" report on new year's financial resolutions that called the institutions a better deal for consumer savings and credit-card options.

CNN's Gerri Willis, quoting information from DataTrac (which partners with NAFCU in an online daily rates report), said in the report that credit union savings pay an average of 0.41 percent vs. banks' 0.29 percent and that a one-year share certificate at a credit union pays 1.45 percent, higher than the 1.15 percent paid on a bank CD.

NCUA Board to meet 11 times in 2010

The NCUA Board will meet 11 times this year to discuss regulatory requirements ahead for credit unions.

In what NAFCU compliance staff say will be one of the most regulation-intensive years ever, the industry faces new rules on mortgage transfers, private student loans, credit cards and more.

The 2010 board meeting dates are Jan. 29, Feb. 18, March 18, April 29, May 20, June 17, July 29, Sept. 16, Oct. 21, Nov. 18 and Dec. 16.

Frank, Matz give kudos to Dodd

Senate Banking Chairman Chris Dodd, D-Conn., steps down from his Senate seat this year. He announced last week that he will not seek a sixth term.

Several, including NAFCU's president (see p.1), had statements of support for the senator's work throughout his tenure.

Here are two more:

◆ "For the past three years, Chris Dodd has provided skillful, creative, and forceful leadership on some of the most important problems facing our country and the world... I will miss his leadership in future Congresses, but I do look forward to working closely with him for the rest of this year on finishing the job of significant financial regulatory reform, to which he is committed, and to which he has already worked to advance."

— *House Financial Services Chairman Barney Frank, D-Mass.*

◆ "There has not been a single important piece of banking legislation over the last two decades that didn't bear the imprint of Senator Dodd. His chairmanship has been characterized by careful attention to detail, by serious examination of all sides of very complex issues, and by a real commitment to fairness and progress."

— *NCUA Chairman Debbie Matz*

NAFCU UPDATE

Chair, Board of Directors
Bradley W. Beal
President
Fred R. Becker Jr.

Editorial staff

Executive Editor
Jay H. Morris
Editor

Susan M. Broaddus
Associate Editor
Chrisalyn M. Santos

NAFCU UPDATE® is published weekly by the National Association of Federal Credit Unions to provide member-federal credit unions and their officials with the latest information that has an impact on their operations. Comments and inquiries should be directed to Editor. Fax to NAFCU's business offices: 703-524-1082. Phone: 703-522-4770. Send e-mail to update@nafcuhq.org. For daily news, visit NAFCU's Web site at www.nafcuhq.org.

Webcast notes Credit CARD Act rules ahead

NAFCU webcast participants last week learned of coming Regulation Z revisions implementing last stages of the Credit CARD Act and other provisions affecting residential mortgages.

Roberta Torian and Leonard Bernstein, both of Reed Smith LLP, gave

presentations focusing on the Federal Reserve's proposed Reg Z revisions. Since the second stage of Credit CARD Act provisions are set to become effective on Feb. 22, Bernstein noted there will be only a brief period between issuance of the final rule and the compliance deadlines.

Torian said that when credit unions eval-



Torian (left) and Bernstein detailed changes to credit card and residential mortgage programs during last week's webcast. (NAFCU photo)

uate credit card applications, they will need to take into account the borrowers' income, credit score and other credit obligations. This will have an effect on instant approvals, she said.

The Reg Z changes regarding residential mortgages, which took

effect in October, created a new category for higher-priced mortgage loans, Bernstein said. The interest rate threshold for such products is the index, or average price offer rate, plus 1.5 percent; for a subordinate lien, it is the index plus 3.5.

The webcast will be archived six months; go to www.nafcu.org/archivedwebcasts.

NCUA: No talk of ASI 'wind-down'

NCUA last week disputed a short-lived online report that suggested it and American Share Insurance, the country's only private insurer of credit unions, were discussing an ASI "wind-down."

The story was centered on one state-chartered credit union's reported decision to withdraw from federal share insurance and sign up with ASI instead.

John McKechnie, NCUA's director of public and congressional affairs, responded to a query from NAFCU with an e-mail denying any such discussions. "ASI's financial condition is a matter for ASI and the nine states and 156 state-chartered credit unions that have opted for this insurance alternative," McKechnie said. "NCUA has neither responsibility for nor jurisdiction over ASI and its insured institutions, and NCUA is not in discussions with ASI about

'winding down their business.'"

ASI is licensed by Ohio's insurance department and can provide primary share insurance to state-chartered credit unions where state law permits. Primary coverage is capped at \$250,000. A subsidiary offers coverage exceeding the primary amount.

ASI has no connection with NCUA or the federal government.

This year, ASI is planning its first-ever insurance premium, 0.15 percent of insured shares, reportedly to return the fund to a level exceeding 1.3 percent of insured shares. NCUA and FDIC both assessed premiums in 2009. More are anticipated.

One of ASI's largest insured credit unions, Silver State Schools CU (Las Vegas), has had financial challenges and is working with ASI to resolve those, according to the *Las Vegas Review Journal* report.

SBA Community Express Pilot extended

The Small Business Administration said it's extending the Community Express Pilot Program, which seeks to generate lending in distressed or underserved markets, through Dec. 31 of this year.

The extension, published in the Jan. 5 *Federal Register*, is intended to provide the SBA more time to evaluate the program.

SBA guarantees 75 to 85 percent of Community Express loans, more than the 50 percent it guarantees under the SBA Express program. Loans are capped at \$250,000

each and by law cannot, in the aggregate, exceed 10 percent of the total number of 7(a) loans approved in any fiscal year.

The program was restructured in October 2008 and extended through 2009. Credit unions and others approved for the program can use the expedited loan processing procedures in place for SBA Express. SBA says the turnaround time for most Community Express loans is 36 hours, and no collateral is required on loans up to \$25,000.

Marine CU absorbs First Service in merger

Two federally insured credit unions chartered by the state of Wisconsin – First Service CU and Marine CU – have merged, with Marine CU being the name of the continuing credit union, NCUA said Tuesday.

Members of First Service CU are now Marine CU members.

First Service CU was first chartered as Falk CU but converted to a community charter and renamed itself in the 1980s. Marine CU was chartered in 1949 to serve the employees of Mercury Marine Division of Brunswick Corporation.

More bank woes expected in 2010

The banking industry is looking at more substantial losses in 2010, with the pace of bank failures expected to accelerate from the previous year, according to a new report by Concept Capital, a Washington DC-based financial management and research firm.

The report says the cost of last year's bank failures will loom large over the banking industry in 2010, with significant payments needed to keep the Deposit Insurance Fund afloat.

In 2009, the FDIC took over 140 banks and thrifts, with losses to the insurance fund estimated at \$36.4 billion. Last September, the FDIC estimated losses to the insurance fund through 2013 at \$100 billion. These numbers indicate "there is a lot more pain for the insurance fund to come," the report said.

NCUA liquidates Heritage West FCU

NCUA has liquidated Heritage West FCU of Tooele, Utah, and accepted Chartway FCU's offer to purchase and assume the credit union's assets, loans and shares.

NCUA said Heritage West's declining financial condition led to its closure and the subsequent P&A. Service to credit union members continues without interruption, the agency said.

NAFCU touts CU budget assistance for new year

As many Americans mark the new year by pledging to make positive changes in their lives, NAFCU is making the case for credit unions as the ultimate resource to help with budgeting.

In its continued quest to champion the credit union membership benefits to major news outlets, NAFCU issued a Dec. 31 press release touting numerous credit union friendly tips for consumers who want to be in control of their finances. Among the tips:

- ◆ Create a budget – Know how much money you bring home and how much you spend.

- ◆ Save more and spend smart – Living within your means is the first step to financial fitness.

- ◆ Be the boss of your money – Credit unions not only offer competitive rates and great services, but the opportunity to be a co-owner in the financial institution you belong to.

- ◆ Be pennywise – Dropping unnecessary services and avoiding ATM fees are just a few of the ways you can find some extra savings.

- ◆ Use credit cards wisely – *Consumer Reports* recently found that credit unions offer some of the best credit card rates.

- ◆ Check financial records regularly – Request a free copy of your credit report once a year at www.annualcreditreport.com and scrutinize your financial/credit card statements to ensure that identity thieves are not running up charges in your name.

- ◆ Plan ahead – Starting a vacation or holiday account may be a good way to plan ahead for a big purchase or an unexpected expense.

NAFCU also promoted the Web site CULookup.com in the press release. CULookup was created by NAFCU Services Corporation to help consumers find a credit union they can join.

Vehicle market weak despite improved sales

Though December vehicle sales were stronger than expected, the data nonetheless underscore the serious challenges facing the market, according to NAFCU Staff Economist Katrin O'Connor.

Research-firm AutoData Corp. reported last week that vehicle sales increased from 10.9 million units to 11.3 million units in December on a seasonally adjusted, annualized basis. It represented the third consecutive monthly sales increase. "There's no question that is good news," O'Connor said. "But for all of 2009, auto sales totaled 10.4 million units, which is the lowest number since 1982."

While vehicle sales proved to be surprisingly strong in the last few months of the year, those gains were not enough to counter huge losses in the first half of 2009. "It will take years for the vehicle market to reach the pre-recession pace of 16 million to 17 million units per year again," O'Connor said.

FHLB final rule on membership to kick in

More community development financial institutions will have access to membership in the Federal Home Loan Banks under a rule set to take effect Feb. 4.

The rule was issued by the Federal Housing Finance Agency under the 2008 economic recovery act.

The added entities are excluded from the requirement for periodic community support reviews. While they must be involved in long-term mortgages, they are not subject to the requirement, applied to federally insured FHLB members, to have at least 10 percent of total assets in residential mortgages.

Financial literacy panel to meet

Registration is underway for the federal Financial Literacy and Education Commission's Jan. 20 meeting.

The panel is headed by Treasury and includes representatives from 19 other federal agencies and departments, including NCUA.

This public meeting is slated for 10 a.m.-12:30 p.m. at Treasury. For more, call 202-622-5770.