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NAFCU's offices are closed today for Martin Luther King Jr. Day.

Fed issues final Credit CARD Act rule

NAFCU acts quickly to help CUs analyze reg

The Federal Reserve issued its long-awaited final rule last week that puts in place provisions of the Credit CARD Act, which are set to become effective Feb. 22 and are designed to curtail abusive credit card practices.

Two days following the Federal Reserve's release of the Regulation Z final rule, NAFCU's Compliance Blog featured a posting by NAFCU Regulatory Compliance Counsel Steve Van Beek that divided the 1,155-page rule into manageable sections in order to help credit union professionals' comprehend the rule's provisions.

"In my humble opinion, this will be the most useful blog posting to date and likely into the foreseeable future," said NAFCU Director of Regulatory Compliance Anthony Demangone. He adds that the blog will feature postings analyzing the final rule in the coming months.

The remaining Credit CARD Act provisions that are set to become effective Aug. 22 will be implemented by the Federal Reserve at a later date.

Highlights of the final rule include:

- ◆ a prohibition on rate increases during the first year after an account is opened and on existing credit card balances;
- ◆ a requirement to consider a consumer's ability to repay the obligation prior to opening an account or increasing credit limits;
- ◆ a requirement to include late payment and minimum-payment warnings on periodic statements;
- ◆ a ban on issuing credit cards to consumers who are younger than age 21, unless they have the ability to repay the obligation or obtain the signature of a cosigner with the ability to do so;

- ◆ a requirement to obtain borrowers' consent before charging fees for transactions that exceed the credit limit;
- ◆ limits on high fees associated with sub-prime credit cards;
- ◆ a ban on double-cycle billing; and
- ◆ a requirement to allocate payments in excess of the minimum payment to the balance on the account with the highest annual percentage rate.

The rule incorporates the final regulations the Federal Reserve adopted in January 2009, which apply to all open-end lending. Most of those provisions will retain their July 1, 2010, mandatory compliance date. The rule also incorporates the December 2008 final regulations that prohibit unfair credit card practices and address credit card disclosures. Additionally, it finalizes Credit CARD Act provisions that became effective in August 2009.

NAFCU is currently reviewing the rule and will issue a Final Regulation. Credit unions can also look to NAFCU's Compliance Blog (www.nafcucompliance-blog.typepad.com) for recent entries about the rule.

The final rule will be published in the *Federal Register*.

Free credit counselor listings

The Credit CARD Act requires financial institutions offering credit cards to provide cardholders with a toll-free number to at least three approved credit counseling organizations. The National Foundation for Credit Counseling has a free resource that it says will help financial institutions comply with the requirement. For more, visit www.nfcc.org/cardact/index.cfm.

Becker calls anew for CU CFPA exclusion

NAFCU continued its push last week to exclude credit unions from any proposed Consumer Financial Protection Agency in a letter sent to Senate Banking Chairman Chris Dodd, D-Conn., and Ranking Member Richard Shelby, R-Ala.

NAFCU President Fred Becker said the Restoring American Financial Stability Act of 2009, as written, would create additional regulatory and cost burdens to credit unions.

Rather than extend broad CFPA authority to federally insured depository institutions, NAFCU recommends that each functional regulator establish a new or strengthened office on consumer protection.

Lawmakers back expanding MBL authorities

Support continues to build for legislation that would raise the current 12.25 cap on credit unions' member business lending to 25 percent, with Sen. Kay Hagan, D-N.C., vowing last week that she will back such a measure.

NAFCU President Fred Becker noted the association's appreciation for her support. "Credit unions, as member-owned, not-for-profit financial institutions, are keen to do more for small business owners, but this cap has created a huge obstacle," he said.

S.2919, the Small Business Lending Enhancement Act of 2009, and H.R. 3380, the Promoting Lending to America's Small Business Act, both would increase the current 12.25 percent cap to 25 percent of a credit union's total assets. Both bills would also increase the minimum business loan subject to the cap to \$250,000.

HFSC eyes housing, bank failures, compensation

NAFCU will be closely monitoring three hearings this week being held in the House Financial Services Committee.

On Wednesday, the House Subcommittee on Housing and Community Opportunity will hold a hearing on H.R. 476, the Housing Fairness Act. The House Subcommittee on Financial Institutions and Consumer Credit on Thursday will examine bank failures and the health of financial institutions. On Jan. 22, the full committee will discuss executive compensation for both financial and non-financial firms.

Also, the House Rules Committee will hold a hearing Jan. 27 on H.R. 4300.

The bill's language allowing the CFPA to assess credit unions to fund its operations is also of great concern. Becker noted that credit unions already fund the NCUA, and this new requirement would be a significant financial burden for credit unions and their members.

As written, credit unions with more than \$10 billion in assets would fund the CFPA, while those under that threshold could also face assessments if more funding is needed. Such a proposal would lead to higher loan rates and fees for credit union members, Becker wrote. "Furthermore, NAFCU does not support arbitrarily dividing the credit union industry based on asset size."

Sen. Kirsten Gillibrand, D-N.Y., one of the sponsors of S.2919, touted the legislation last week during a campaign stop at Bethpage FCU in Long Island, N.Y. Gillibrand said she and the bill's other co-sponsors are pushing to add it to a jobs bill.

□ Frank considers boosting MBL

House Financial Services Chairman Barney Frank, D-Mass., said in the Jan. 10 *Boston Herald* that since banks are not lending enough to small business, he might consider giving credit unions increased business lending powers. In the article, said both large and community banks have been shying away from providing commercial loans to small businesses, which has led to a stagnation in potential job growth. The lawmaker also said he hopes to organize a hearing in the coming months regarding loan practices.

Introduced by House Rules Chairwoman Louise Slaughter, D-N.Y., and Rep. John Tierney, D-Mass., would establish a national cap of 16 percent on credit card rates, and impose new limits on late payments and overdraft fees. The bill already has 70 co-sponsors.

NAFCU Executive Vice President of Government Affairs Dan Berger said last week that NAFCU is concerned the bill would undermine credit union efforts to serve members at a time when they need help the most. A similar bill, one that would have capped rate limits at 15 percent, failed last year in the Senate.

CUs would not pay Obama bank fee

No credit unions would be subject to President Obama's proposed new fee on large financial institutions, based on details announced Thursday.

According to reports, the Financial Crisis Responsibility Fee would amount to a 0.15 percent tax on the liabilities of financial institutions with assets over \$50 billion. The fee would become effective June 30 and remain in place 10 years or longer, if needed, to ensure all the bailout funds provided to large firms are repaid.

The administration estimates that the proposed fee would raise \$117 billion over about 12 years, and \$90 billion over the next 10 years. Sixty percent of the revenue would come from the 10 largest financial entities, it said.

The proposal would also require Treasury to report on the fee's effectiveness after five years.

In announcing the plan, President Obama asserted that "this will not be a cost borne by community banks or small financial firms."

He also said that his determination to recover bailout funds via the new fee was heightened by recent reports that many of the banks that received bailout funds are now making massive profits and issuing employees copious bonuses.

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NAFCU restates call for clarity in merger process

NAFCU last week reiterated its call for the NCUA to clarify the process it employs to match troubled credit unions with merger partners, while advising the agency to issue standardized merger procedures and timelines.

In writing the NCUA Jan. 11, NAFCU President Fred Becker said many credit unions remain considerably confused and frustrated with the NCUA's current selection process for merger partners.

Becker said NAFCU continues to strongly encourage the NCUA to issue a proposed rule detailing standardized agency merger procedures and timelines that prospective merger partners can follow as they seek to assist the ailing credit unions.

Credit unions are being left out of "fair and equitable" consideration as merger partners due to the lack of standardized

agency procedures for mergers, explained Becker. He added that such procedures would spur competition and strengthen protection to the National Credit Union Share Insurance Fund.

NAFCU also believes potential merger partners should be given the opportunity to provide a final, written statement outlining their case for the merger, Becker said. "At the very least, the agency should provide some sort of written explanation detailing the primary reasons for its decision," he wrote. "

NAFCU is also encouraging its members to contact NCUA regional directors regarding their credit union's availability to merge with another credit union. Becker advised the NCUA to provide the same encouragement to credit unions in a formal communication.

NCUA, bank agencies issue rate-risk advisory

Federal financial institution regulators recently issued an advisory reminding credit unions, banks and thrifts of supervisory expectations for sound practices in managing interest rate risk.

While recognizing some interest rate risk is inherent, the agencies said institutions must have sound risk-management practices to measure, monitor and control their exposure to interest rate risk. "The financial regulators expect each depository institution to manage its IRR exposures using processes and systems commensurate with its complexity, business model, risk profile and scope of operations," they said in a joint statement.

Those practices must also include risk

controls, they noted. For example, if earnings and capital are insufficient to support the institution's level of interest rate risk, it should move to mitigate that exposure, increase capital or both, they noted.

Interest rate risk management is particularly important for institutions experiencing downward pressure on earnings and capital due to lower credit quality and market liquidity, the regulators said.

The advisory addresses corporate governance, policies and procedures, measurement and monitoring of interest rate risk (including stress testing), risk mitigation steps (limit controls and hedging activities, for example) and internal controls and validation.

Business lending webinar now available

NCUA is encouraging credit unions that missed the agency's Nov. 18 webinar on member business lending to access the presentation via its Web site archive.

The webinar, moderated by NCUA Board Member Gigi Hyland, provides credit unions with the agency's perspective on the rise in member business loan delinquencies and what that means for examinations. It also includes an overview of MBL-related trends, economic data, best practices and other important information.

NCUA has also archived a full transcript, presentation slides, and a frequently

answered questions section. "Now, more than ever, credit unions need to fully understand the regulators' perspective about credit unions' member business lending programs," Hyland said.

The webinar also features Linda Jekel, director of credit unions in Washington state's credit union division; NCUA Member Business Lending Program Officer Erika Eastep; and NCUA Region IV Agricultural and Commercial Lending Specialist Linda Vick.

To view the webinar visit www.ncua.gov and look under "Highlights."

Huffington media blitz spikes CULookUp traffic

CULookUp.com, NAFCU and credit unions are continuing to benefit from Arianna Huffington's "Move Your Money" campaign, especially from recent features in the *American Banker* publication and ABC Nightly News.

A Jan. 11 *Banker* story examines the campaign, which calls for people to move their banking from larger institutions to smaller ones. The article notes that since the campaign's Dec. 29 kickoff, daily Web traffic has more than tripled on CULookUp.com, a credit union finder site created by NAFCU Services Corporation.

NAFCU President Fred Becker is quoted in the article as saying it is a good indicator that bank customers are looking for alternatives.

Meanwhile, ABC Nightly News mentioned credit unions twice during its Jan. 8 feature on Huffington's campaign.

NCUA liquidates Kern Central CU

NCUA has liquidated Kern Central CU of Bakersfield, Calif., and signed an agreement with Self-Help FCU of Durham, N.C., to assume Kern CU's assets and liabilities.

Kern Central members will experience no interruption of credit union service, and their accounts are insured for at least \$250,000 by the National Credit Union Share Insurance Fund, NCUA said recently.

Simulated cyber attack slated for February

Credit unions can participate in a simulation next month to test their readiness for dealing with cyber attacks on payment processes.

The Financial Services-Information Sharing and Analysis Center is leading the exercise. Set to take place Feb. 9-11, this will involve a series of simulated attacks involving depository institutions, payment processors and retailers. Credit unions must register by Jan. 29. For more, visit www.fsisc.com/capp.

Blog post previews Strategic Growth presentation

A new blog post offers credit unions a preview of what one leading expert will be saying at NAFCU's 2010 Strategic Growth Conference about using social media channels.

Sundeep Kapur, vice president of eCommerce for NCR Corporation, a NAFCU Services Preferred Partner, is a leading expert on social media and one of many speakers slated for the conference set for March 9-11 at Bally's in Las Vegas. One of the key areas of focus of the conference will be using social media in credit unions' strategic plans.

A Jan. 11 posting on Kapur's blog offers credit unions a preview of his presentation. Credit unions must first engage new mem-

bers with a welcome stream of messages via channels such as Facebook, Twitter and YouTube and aim to have an "interactive dialogue that is best delivered across channels," Kapur wrote. Credit unions would benefit from having someone specifically charged with managing this process, he noted.

Exchanging information is of the utmost importance to taking advantage of the social media channels, Kapur said. Having members fill out a Facebook-style personal profile form, with likes and dislikes, can help with this.

To read the full post, visit www.emailyogi.com. For more on the Strategic Growth Conference, visit www.nafcu.org/growth.

Corporate rule dominates talk at MACUMA

NAFCU was on hand for a panel discussion last week, which focused on NCUA's proposed corporate credit union rule, at a Metropolitan Area Credit Union Management Association dinner in Arlington, Va.

The panel featured David Marquis, executive director of NCUA, Jane Melchionda, president of EasCorp, and Jay Murray, president of Mid-Atlantic Corporate. NAFCU Director of Regulatory Affairs Carrie Hunt and NAFCU Associate Director of Regulatory Affairs Tessema Tefferi were among the attendees.

The proposed rule has a public comment deadline set for March 9 (NAFCU is asking

its members to send comments to the association by Feb. 5.) Marquis confirmed that the agency isn't waiting for comments from credit unions to continue making progress on the regulatory framework for the corporates going forward.

He told attendees that NCUA has already hired an outside consultant to help the agency answer the questions regarding securities. Marquis also noted that changes to Part 703 of the proposed rule (which addresses investments in securities, deposits and other obligations) will be worked on further. Credit unions can expect to hear about those proposed changes, he said.

RESPA booklet on HUD Web site

Credit unions can now download the special information booklet

that lenders must give consumers applying for a mortgage loan from the Department of Housing and Urban Development's Web site.

New requirements relating to the Real Estate Settlement Procedures Act went into effect Jan. 1. Credit unions must now provide members with a new standard good faith estimate and corresponding HUD-1/1A form. The standard three-page GFE form is designed to improve comparison shopping for mortgage loans.

All lenders must also provide HUD's special information booklet to consumers within three days of the borrower's application for a mortgage loan. The aim of the booklet is to familiarize consumers with the home-purchasing process.

It includes key information on purchase contracts, what a GFE is, settlement services and the HUD-1 Settlement Statement. It also simplifies information about interest rates, points, balloon payments, prepayment penalties and how these affect mortgage payments.

Credit unions can download the booklet from HUD's Web site (www.hud.gov).