



# UPDATE<sup>®</sup>

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## Becker: Include CUs in small-biz effort

NAFCU President Fred Becker last week lauded President Obama's pledge to promote new small-business lending and said such efforts must also include greater authority for credit unions to provide business loans to their members.

In his Jan. 27 State of the Union address, the president said he wants \$30 billion of the Troubled Assets Relief Program aid that has been repaid by the nation's largest banks to be used to provide community banks incentives to boost small-business lending. Becker said credit unions should be factored in as well and renewed NAFCU's call for greater member business loan authority for the cooperatives.

The administration and Congress have noted often the need to help "Main Street" – ordinary Americans – and Becker said credit unions, with 92 million consumer-members, are a vital part of that community. "The president need not assign any new funds to credit unions to facilitate more business lending. All that's necessary is an increase in the arbitrary 12.25 percent-of-assets cap on credit union member business lending."

Also during his remarks, President Obama tied the growth of small businesses with efforts to spur job creation. He noted that the House recently passed a measure aimed at improving the current, bleak employment situation. He urged the Senate to do the same. "I want a jobs bill on my desk without delay," said Obama.

NAFCU has been urging that any jobs bill or economic package include a credit union member business loan cap lift. It is promoting H.R. 3380 and S. 2919, two bipartisan bills that would raise the cap to 25 percent of credit union assets, as one way to aid the economic recovery without taxpayer dollars.

### WSJ quotes Becker reaction

Offering comments regarding the direction of financial reform, NAFCU President Fred Becker was one of five company executives providing "instant reactions" to a *Wall Street Journal* blog late Wednesday on the president's State of the Union address.

Becker told Washington Wire that any financial reform "must be focused on those that operated outside the federal regulatory scheme and who caused the current crisis."

Also quoted were Bill McComb, CEO of Liz Claiborne Inc.; Dan DiMicco, CEO of steelmaker Nucor Corp.; Julie Cripe, president of OmniBank in Houston; and Fletcher Steele, president of Pine Hall Brick Inc. in Winston-Salem, N.C.

"Credit unions are eager to help small business and promote our nation's economic recovery, and lifting this arbitrary cap would create a direct solution with a positive bottom-line impact and promote job creation," Becker said.

The president's address covered a wide range of topics, including business lending and job creation as well as financial industry regulatory reform, controls on federal spending, health care and, among other things, a change in federal student loan programs that would exclude private lenders.

NAFCU is continuing to urge that any final regulatory reform package for the financial services industry not place credit unions under authority of a proposed Consumer Financial Protection Agency. Instead, it is pressing to keep credit unions' consumer practices under supervision of NCUA.

The association is also seeking to ensure credit unions a continued role in government-backed student lending.

## FOMC vote to hold rates not unanimous

As NAFCU and others expected, the Federal Open Market Committee voted last week to keep the federal funds rate at a range of zero to 0.25 percent, again noting it anticipates keeping it there “for an extended period.”

The vote was not unanimous, said NAFCU Staff Economist Katrin O’Connor. “Kansas City Fed President Tom Hoenig questioned whether keeping the rate at the current level ‘for an extended period’ was still warranted given the improvements in economic and financial conditions,” she said.

The dissenting vote came as the FOMC agreed that economic activity “has continued to strengthen” and that “deterioration in the labor market is abating.”

## Frank: Fannie, Freddie should be replaced

House Financial Services Chairman Barney Frank, D-Mass., said in a Jan. 22 hearing that he would like to abolish Fannie Mae and Freddie Mac and create a new system for housing finance.

The hearing focused on executive compensation in the financial industry. During discussion regarding compensation received by executives at the government-sponsored enterprises, Frank said he plans a hearing this month with witnesses who administer pay programs at public institutions. Ed DeMarco, acting director of the Federal Housing Finance Agency, is

The FOMC also reiterated that inflationary pressures are likely to remain under control “for some time” and expectations for longer-term inflation are stable, O’Connor observed. “This gives the committee flexibility to focus on economic growth.”

However, the statement also expressed concerns about a number of ongoing drags on economic growth, including the weak labor market, modest income growth, lower household wealth and tight credit conditions. “As long as these concerns remain, it is unlikely the committee will raise rates,” O’Connor said. “NAFCU is forecasting that the current record-low rate level will remain until the end of this year, and possibly into 2011.”

expected to be among them.

NAFCU has been urging lawmakers over the past several Congresses to ensure a strong secondary mortgage market for credit unions. “Fannie Mae especially has served as a valuable resource and partner in credit unions’ efforts to promote homeownership to their members, particularly low- and moderate-income members,” said NAFCU President Fred Becker. “We don’t think the GSEs should be jettisoned but would look forward to working with Congress on ways to improve the current system.”

## Huffington touts CU alternative to payday loans

The Huffington Post continues to tout credit unions, with San Francisco Mayor Gavin Newsom contributing a Jan. 22 blog posting about a new payday loan alternative program that several local credit unions, including a NAFCU member, are offering.

As *NAFCU Today* reported last week, the city is working with credit unions to offer Payday Plus SF, a low-cost alternative to the types of loan products popular at check cashing services and payday lenders. The program offers eligible borrowers short-term loans of up to \$500, with low interest rates, financial counseling and an extended repayment term.

Writing to The Huffington Post Jan. 22, Newsom said the program “shows what can happen when elected leaders, neighbor-

hoods and the financial community come together to help low-income families in dire, but temporary, financial straits.”

## Bank growth hearing set

Paul Volcker, a former Federal Reserve Board chairman who now heads the President’s Economic Recovery Advisory Board, is slated to testify tomorrow before the Senate Banking Committee on the president’s proposed limits on banks’ growth and investment activities.

The president unveiled an outline of his proposal recently, and Senate Banking Republicans said they want a series of hearings on the measure, which is intended for inclusion in financial industry regulatory restructuring legislation.

## Bernanke confirmed

**The Senate on Thursday approved Ben Bernanke’s nomination** to a second term as Federal Reserve Board chairman. The vote was 70-30.

Bernanke was facing some vocal opposition, including among some Democrats, and Senate Majority Leader Harry Reid, D-Nev., had stepped up efforts in recent days to shore up support.

Bernanke’s current term as chairman expires Jan. 31; his full board term continues to Jan. 31, 2020.

## NAFCU Services offers CUs 2 video ads

**NAFCU Services Corporation announced two new customizable video ads** last week that credit unions can use on TV/cable, online and elsewhere to promote awareness of the safety of member funds at federally insured credit unions.

NAFCU Services President David Frankil hopes the new video ads will help credit unions as they inform “both prospective and existing members that their money in a federally insured credit union is safe.”

The ads are free to those using them as-is; customization is available for a one-time fee of \$150 payable to the ad designer.

NAFCU Services began offering free videos to NAFCU members in 2009. It has received requests for more than 250 versions of the ads. They can be viewed at [www.nafcu.org/video-ads](http://www.nafcu.org/video-ads).

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## NAFCU objects to Fed process in credit card reg

NAFCU President Fred Becker recently urged the Federal Reserve Board to reconsider its treatment of interest rate floors and implementation of a 45-day advance notice requirement in its latest final rule under the Credit CARD Act.

This final rule takes effect Feb. 22, and it

effectively eliminates interest rate floors on variable-rate cards and provides no time for compliance with a requirement for 45 days' advance notice of changes in terms on existing balances.

Becker noted that the Fed Board's proposal last October made no mention of the rule's potential treatment of variable-rate accounts that use an interest rate floor, and there appeared to have been no informal discussion of it.

Interest rate floors are important in managing risk, Becker said, and more and more

### Blog highlights rate-hike ban

A Jan. 27 NAFCU Compliance Blog post notes that a ban on interest-rate hikes on existing credit card balances, which kicks in Feb. 22, will continue to apply following certain balance transfers.

The ban, set under the Credit CARD Act and implemented by the Federal Reserve Board's Regulation Z, applies to open-end, non-home-secured card plans.

To read the post, visit [www.nafcu.complianceblog.typepad.com](http://www.nafcu.complianceblog.typepad.com).

issuers are using variable-rate accounts where a floor is part of the card agreement. "Given the significance of interest rate floors, NAFCU and the entire credit union industry find it particularly troublesome that the floors were effectively eliminated – or at the very least, made much less useful – with little

public comment," he said.

The rule's 45-day advance notice requirement is also a problem as it was set to take effect 45 days before the Feb. 22 effective date of the final rule.

To comply, issuers would have to have sent their notices out Jan. 7 – five days before the final rule was released. "It is frustrating that the Board chose to reverse its normal stance on the timing of disclosure requirements," Becker wrote, adding that this makes compliance "a practical impossibility."

## NCUA opines on state mortgage licensing

The Federal Credit Union Act preempts state law regarding the licensing of mortgage lenders and related exemption notices, but FCUs will be subject to national registration once a federal interagency rule is final, NCUA said in a recent legal opinion.

In the opinion, NCUA Associate General Counsel Sheila Albin said federal credit unions do not have to file a notice of exemption with North Carolina to be excluded from that state's mortgage licensing requirements. She said the authority to enforce such a provision "is within NCUA's exclusive jurisdiction" and that FCUs do not have to comply with the state's rule.

Albin did note this could preclude an FCU from accessing a state foreclosure database. Reportedly, North Carolina is considering such a database, with access keyed to the filing of a notice of exemption.

"In the interest of federal and state comity, our view is administration of the database should be designed so that FCUs will have access without filing a notice of exemption so that they can accommodate requests from state courts," she wrote.

Albin also pointed to a federal rulemak-

ing underway that, under the 2008 Secure and Fair Enforcement for Mortgage Licensing Act, will impose a national registration requirement on those conducting residential mortgage loan originations. She said a final rule is expected soon.

As proposed, the interagency rule would give those originating mortgage loans 180 days to comply, but NAFCU is hoping for a one-year implementation period.

### Reverse-mortgage input due Feb. 8

NAFCU members have until Feb. 8 to respond to the association's Regulatory Alert on proposed interagency guidance on reverse mortgage lending compliance and reputation risks.

The proposal is from the Federal Financial Institutions Examination Council, which includes NCUA and the federal bank and thrift agencies. If adopted, regulators would seek to apply it to all lenders involved in the Department of Housing and Urban Development's home equity conversion mortgage program and those operating proprietary programs. See the alert at [www.nafcu.org/regulation](http://www.nafcu.org/regulation).

## NCUA expected to pull unfair/deceptive acts rule

**The NCUA Board was set to approve withdrawal of a final rule** on unfair or deceptive acts or practices during Friday's open meeting.

Much of NCUA's rule, which would have taken effect July 1, is now addressed in the Federal Reserve Board's Regulation Z amendments under the Credit CARD Act. (The Federal Reserve has also posted a notice, due for publication soon, that will withdraw a similar rule that preceded the Credit CARD Act.)

A report on the National Credit Union Share Insurance Fund was also slated for Friday's meeting.

## Agenda for next town hall on corporates set

**NCUA published its agenda for the Feb. 4 town hall meeting** in Orlando on the agency's proposed corporate credit union regulation and other issues. The meeting will take place at the Buena Vista Palace Hotel in Lake Buena Vista.

The town hall will provide an overview of NCUA's proposed corporate credit union regulation and address the agency's recent proposal to streamline the community charter process. For the agenda or to register, visit [www.ncua.gov/GenInfo/Members/Matz/meetings2010.aspx](http://www.ncua.gov/GenInfo/Members/Matz/meetings2010.aspx).

## NAFCU Member Call-In Feb. 10

**NAFCU members still have time to register for the association's Feb. 10 Member Call-In**, where they will learn the latest on critical Washington issues from association President Fred Becker and senior staff.

NAFCU's legislative, regulatory, compliance and economic experts will be on hand to talk about regulatory reform legislation, interchange fees, overdraft protection and the many regulations that will go into effect in 2010.

The Feb. 10 call is free to NAFCU members, but registration is required. To register, visit [www.nafcu-training.org/callin](http://www.nafcu-training.org/callin).

## Mortgage fraud reporting rule for GSEs final

A final rule on mortgage fraud reporting by Fannie Mae, Freddie Mac and the Federal Home Loan Banks was published in the Jan. 27 *Federal Register* and takes effect Feb. 26.

The rule, implementing requirements of the 2008 Housing and Economic Recovery Act, responds in part to revelations of widespread fraud in mortgage lending that contributed to the mortgage market meltdown.

Issued by the Federal Housing Finance Agency, the final rule requires the government-sponsored enterprises to report all

fraud or suspected fraud in all their mortgage programs. It provides an example in the preamble, such as when a substitution is made in a pool of mortgage-backed securities and the entity is notified that it was due to fraud. In such a case, the information must be reported.

Each GSE is required under the rule to submit a report to FHFA upon discovering it has purchased or sold a fraudulent loan or suspects fraud. The rule protects the GSEs and affiliated parties from liability related to reports made in good faith.

## NCUA says CUs still give better rates

Credit unions continued to offer better rates on savings and loan products last month than banks, including banks that had converted or merged from credit union charters, according to data reported last week by NCUA.

Using information from DataTrac – the same firm NAFCU partners with in its daily, state-by-state rate comparisons – NCUA found that credit unions in December posted better rates on average than banks in 21 of 23 loan and savings categories. “Credit unions provided significantly lower rates on all consumer loan types and provided higher yields on all savings products,” the agency reported. It said credit unions had lower average rates on adjustable rate mortgages, while banks’ average fixed rates were marginally lower.

Credit unions compared favorably also with banks that converted from credit unions, merged with credit unions or merged with former credit unions, the agency said. Average rates of these “converted” institutions wound up somewhere between credit unions’ rates and banks’ rates, but converted institutions’ rates on fixed-rate mortgages were higher than credit union as well as all-bank averages.

### Webcast to discuss risk tolerance

Credit unions can still register for NAFCU’s Feb. 3 webcast on how to maximize earnings while staying within risk tolerance levels.

The webcast will help credit unions assess their ability to take on more risk; go to [www.nafcu.org/risktolerance](http://www.nafcu.org/risktolerance).

## New York mayor touts CU initiative

**New York Mayor Michael Bloomberg touted a financial initiative** being offered by five community development credit unions in the city that he said would help members avoid costly overdraft fees.

In giving his state-of-the-city address Jan. 22, Bloomberg highlighted the NYC Safe Start program, which features bank checking accounts without overdraft protection. “With NYC Safe Start, you can’t withdraw more than you’ve got, so you can’t be penalized for forgetting your balance,” he explained, noting that consumers who want overdraft protection can opt for a traditional account.

The CDCUs that are volunteering to offer the accounts include Bethex FCU, Lower East Side People’s FCU, Brooklyn Cooperative FCU, Neighborhood Trust FCU and Union Settlement FCU.

Also during his remarks, the mayor noted that the city will seek to deposit \$25 million of city tax dollars in federally insured credit unions. “It’s a relatively small amount of city resources, but it will have a big impact by allowing credit unions to make more loans to more low-income families.”