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## NAFCU testifies on MBL cap lift

Rick Wieczorek, president of Mid-Atlantic FCU in Germantown, Md., told members of the House Financial Services and Small Business committees last week that credit unions are doing their best to meet small businesses' funding needs, but the arbitrary cap on member business lending limits them.

Wieczorek, testifying Feb. 26 on behalf of NAFCU, said the economy has underscored small businesses' need for capital. However, credit unions are hamstrung by the current member business lending cap of 12.25 percent of total assets.

To illustrate his point, Wieczorek said Mid-Atlantic, which has been a Small Business Administration-approved lender since 2004, has just over \$28 million in member business loans, which puts the credit union very near the cap. "This means that despite the fact that we have the capital and expertise needed to make loans to small businesses to hire workers and create jobs . . . we may soon face a situation where our efforts are curtailed arbitrarily."

He told lawmakers that NAFCU continues to advocate strongly for passage of H.R. 3380, the Promoting Lending to America's Small Businesses Act. The measure, introduced by Reps. Paul Kanjorski, D-Pa., and Ed Royce, R-Calif., would raise the MBL cap to 25 percent of assets and increase the threshold dollar amount of loans subject to MBL rules from \$50,000 to \$250,000. The association also supports S. 2919, the Small Business Lending Enhancement Act, which was introduced by Sen. Mark Udall, D-Colo., and reintroduction of the Credit Union Small Business Lending Act. Introduced by House Small Business Chairman Nydia Velázquez, D-N.Y., that bill would exempt participation in Small Business

Administration lending programs from credit union MBL limits.

### ☐ No MBL mention in jobs bill

Last week's hearing, which focused on the condition of small-business and commercial real estate lending in local markets, came at a crucial point in the MBL debate. The Senate voted 70-28 last week to clear a \$15 billion jobs-creation bill that still omits any mention of a NAFCU-proposed MBL cap lift. Senate Majority Leader Harry Reid, D-Nev., has said the Senate could move in piecemeal fashion on a larger package unveiled recently by the chairman and ranking member of the Senate Finance Committee.

NAFCU President Fred Becker said the association will continue to press for including an MBL cap lift in any jobs bill in play. "Credit unions are committed to helping small businesses through this challenging economic climate," he said.

### ☐ Cap lift touted

Last week, lawmakers speaking at the CUNA Governmental Affairs Conference encouraged credit unions to continue pressing for the MBL cap lift. House Financial Services Chairman Barney Frank, D-Mass., said he believes increasing credit unions' MBL authority would be good for the economy, but he said unless there are reasonable prospects that the Senate will act, it will be difficult to garner support among House members for taking it up.

NCUA Board members also spoke of their support for eliminating the credit union MBL cap. NCUA Chairman Debbie Matz wrote Treasury Secretary Tim Geithner last week, assuring him that if Congress were to raise or remove the member business loan cap for credit unions, NCUA would be vigilant in supervising such activity.

## CFPA may be shifting NAFCU's way

The Obama administration as well as the Senate Banking Committee may be moving toward a financial industry regulatory reform package that comes closer to what NAFCU has been proposing with respect to consumer financial protections.

The administration is reportedly considering inclusion of a consumer compliance office within Treasury, or something similar, though it still wants this office to oversee consumer protections throughout the financial industry. Meanwhile, Senate Banking Chairman Chris Dodd, D-Conn., may be amenable to including a consumer protection function within a merged banking regulatory agency.

Wherever the agency is housed, NAFCU remains committed to ensuring consumer

protections at credit unions remain solely the regulatory responsibility of NCUA, which set plans for its own Office of Consumer Protection in this year's budget.

NAFCU has noted to lawmakers, and lawmakers have agreed, that credit unions were not the cause of the economic crisis which helped spur lawmakers to commence work on reform. It supports subjecting non-federally regulated financial service providers, such as payday lenders, to supervision of a CFPA-like agency and having depository institutions' prudential regulators establish their own consumer protection offices.

Dodd and Sen. Bob Corker, R-Tenn., have been negotiating on a consensus bill and could unveil their new plan this week.

## Bernanke called on tax exemption comments

Over the last 90 years, neither Congress nor any government agency has said credit unions' tax-exempt status was in exchange for restrictions on their activities, NAFCU President Fred Becker said in a letter last week to Federal Reserve Chairman Ben Bernanke.

Becker was responding to a statement Bernanke made in a hearing of the House Financial Services Committee.

During the hearing, Rep. Brad Sherman, D-Calif., said credit unions are "begging to make more loans" to aid credit-frozen businesses yet are constrained by the current 12.25 percent member business lending cap. Bernanke replied that credit unions' favorable tax treatment is "a trade-off" for the MBL cap.

Wasting no time in responding, Becker

wrote, "I strenuously disagree with this characterization as there is nothing to indicate that the member business lending cap, or any other current restriction on credit union activities, was a trade-off in return for the credit union tax exemption."

He noted that federal credit unions have been exempt from federal income tax since 1917 and have long engaged in member business lending. He added that Congress reaffirmed its support for the tax exemption when it passed the Credit Union Membership Access Act in 1998. Congress stated that credit unions "are exempt from federal and most state taxes because they are member-owned, democratically operated, not-for-profit organizations . . ."

NAFCU has requested a meeting with Bernanke to discuss the issue further.

## Becker urges Warner, Corker on resolution fees

The leaders of the Senate Banking Committee are expected soon to reveal a revamped financial regulatory reform bill, and NAFCU is urging that the asset-size threshold for institutions required to pay resolution fees be set at \$50 billion or more.

"At a \$10 billion threshold, three natural-person credit unions, including the two largest credit unions that serve our men and women in the armed forces, could be assessed to pay for the resolution of future failures of large for-profit Wall Street firms," wrote NAFCU President Fred Becker in a letter last week to Sens. Mark

Warner, D-Va., and Bob Corker, R-Tenn. Resolution fees on credit unions to clean up Wall Street "could potentially amount to a tax on our troops," he wrote.

Becker noted that the House-passed regulatory reform package, H.R. 4173, sets a threshold of \$50 billion in assets, indexed for inflation, on institutions that would pay to close down firms that have grown so large as to pose a systemic risk.

Credit unions are not the intended object of the resolution provisions, and Becker said similar Senate legislation should also set a \$50 billion threshold.

## 4 nominated for BSA group

**NAFCU nominated four member credit unions** for the Financial Crimes Enforcement Network's Bank Secrecy Act Advisory Group, which advises Treasury on BSA operations.

The nominations are for:

- ◆ Coastal FCU (Raleigh N.C.), to be represented by Lin Jordan, the credit union's vice president of risk management and a former FBI agent;
- ◆ MIDFLORIDA CU (Lakeland, Fla.), to be represented by Donna Brown, its senior vice president of risk management and in charge of all BSA activities;
- ◆ Notre Dame FCU (Notre Dame, Ind.), to be represented by Emily Borowski, assistant vice president of risk and compliance, who created her credit union's BSA program in-house; and
- ◆ State Farm FCU (Bloomington, Ill.), to be represented by Theresa Kerber, who is responsible for all the credit union's regulatory compliance matters and managed the gradual consolidation of the institution from what used to be 27 separate State Farm-sponsored credit unions.

All four are seeking financial industry openings on the BSAAG; there are three openings to fill.

**There is still time to register for NAFCU's March 3 webcast**, which will detail Real Estate Settlement Procedures Act requirements that took effect Jan. 1. To register, visit [www.nafcuh.org/RESPA](http://www.nafcuh.org/RESPA).

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## Fed site answers consumers' credit card questions

The Federal Reserve Board has launched a new Web site for consumers, which card issuers are required to promote, to find out more about Credit CARD Act rules that took effect last week.

The site summarizes key rule provisions and how they affect card users. Interactive features will allow consumers to learn about terms and fees of card offers and new features of monthly credit card statements.

The Fed's Regulation Z requires that card issuers include a link to the Fed's information beginning July 1 with their model applications and solicitations. Card issuers must also provide access to information for determining how long it will take to pay off a balance; the Fed site includes an online calculator.

### WSJ: CUs offer alternative

A Feb. 20 *Wall Street Journal* article notes credit unions as an alternative to big banks that have undertaken moves to offset the income they expect to lose under the new credit-card rules. The article acknowledges that "credit unions often offer lower rates than large banks."

NAFCU has a number of resources avail-

able to credit unions and consumers in navigating the new rules. Consumers can get state-by-state comparisons of credit union and bank rates by checking the "daily credit union/bank rate comparison" link under the economic trends section of NAFCU's Web site ([www.nafcu.org](http://www.nafcu.org)). Consumers can also use CULookup.com, a credit union locator site created by NAFCU Services, to find credit unions in their areas.

Credit unions can also check out the NAFCU Compliance Blog ([www.nafcu.complianceblog.typepad.com](http://www.nafcu.complianceblog.typepad.com)). A webcast held Feb. 17 provides a section-by-section overview of Reg Z provisions. For more, visit [www.nafcu.org/arhivedwebcasts](http://www.nafcu.org/arhivedwebcasts).

### Guide explains overdraft rules

The Federal Reserve Board unveiled an online publication explaining rule changes for overdraft services and fees that take effect July 1. It's titled, "What You Need to Know: New Overdraft Rules for Debit and ATM Cards."

NAFCU published an online Final Regulation on the Fed's overdraft rules in early December.

## Geithner: No GSE reform until 2011

Treasury Secretary Tim Geithner told Congress last week that the administration will hold off on proposing reform of Fannie Mae and Freddie Mac until next year.

House Financial Services Chairman Barney Frank, D-Mass., postponed a March 2 hearing that will look at the future of housing finance, including the role of public and private entities. These include Fannie and Freddie as well as the Federal Housing Administration, Ginnie Mae, the Federal Home Loan Banks and private

lenders and securitizers. Both Fannie Mae and Freddie Mac remain in conservatorship.

On Tuesday, House Republicans announced legislation to require the Office of Management and Budget to place the entities' losses on the federal government's balance sheet. Geithner has said such action is unnecessary.

NAFCU has urged lawmakers that any reform of the GSEs ensure a continued, strong secondary market for credit union mortgage loans.

## Becker's 10 years at NAFCU recognized

During NAFCU's Feb. 19 "all staff" meeting, association President Fred Becker was feted for recently marking his 10th year of service.

Pat Morris, NAFCU's executive vice president and chief operating officer, said Becker had eschewed any special treatment for his 10-year milestone. He then regaled the staff with a presentation depicting Becker in a number of venues, including the 2006 conference in Toronto, where he opened his shirt to reveal a Spiderman costume.

Becker joined NAFCU Jan. 31, 2000. Since then, NAFCU, with its members, has built upon its reputation as the industry leader in education and compliance and expanded its reach on Capitol Hill through lobbying, grassroots and political action activities.

## Calls will detail capital program

**NCUA and the Community Development Financial Institutions Fund will hold an audioconference and conference calls** over the next few weeks on the Community Development Capital Program.

On March 4, NCUA and the National Federation of Community Development Credit Unions will hold a joint audioconference for CDFI-certified, low-income credit unions regarding the CDC program.

The audioconference is set for 2 p.m. Eastern and is open to all low-income-designated credit unions interested in the CDC program. To participate, dial in at 877-293-6129 and use the conference ID number 58577856.

The CDFI Fund has calls slated for 4 p.m. on March 4, March 18 and April 1 for all CDFI-certified institutions. To participate, dial in at 202-927-2255 and enter the PIN 864232.

## Fed hikes discount rate

**NAFCU's view that the Fed is showing growing optimism regarding the economy was underscored** by the Federal Reserve's recent move to increase the rate it charges banks for emergency loans from 0.50 percent to 0.75 percent.

The change in the discount rate was made "in light of continued improvement in financial market conditions," the Fed said, and is not expected to lead to tighter financial conditions for households and businesses.



As part of his efforts to promote credit unions, Becker (far right) participated in a Pentagon Financial Fair Thursday with NAFCU's Javier Sanchez (middle) and Scott Jones of Navy FCU. (NAFCU photo)

## Senate tax package addresses Internet gambling

Sens. Ron Wyden, D-Ore., and Judd Gregg, R-N.H., are eying a proposed rewrite of the federal tax code that would reduce individual and corporate tax rates, retain some popular exemptions and, among other things, address Internet gambling.

The proposal seeks to simplify the tax code, keep down rates, continue a set of tax cuts in place now for the middle class and set 24 percent as the top corporate income tax rate. The bill preserves certain credits and deductions, including the deduction for mortgage interest paid and charitable contributions, and credits for children and earned income.

It would eliminate the alternative minimum tax. It also appears to revive previous proposals to replace current individual retirement accounts with a Retirement Savings Account and Lifetime Savings Account into which a married couple could contribute up to \$14,000 a year.

Small businesses, or those with gross receipts of up to \$1 million, would be able to expense all equipment and inventory costs in a single tax year.

The only mention of credit unions is in the bill's section on gambling. The bill addresses withholding of tax from gambling winnings and then proceeds to address implementation of the Internet Gambling Regulation, Consumer Protection and Enforcement Act and pro-

tecting financial transaction providers from liability for "engaging in financial activities and transactions" for licensed persons.

The Internet gambling measure, offered to replace the Unlawful Internet Gambling Enforcement Act, was introduced last May as H.R. 2267 and is supported by NAFCU.

### HAMP permanent loan modifications surge

More than 116,000 homeowners have received permanent mortgage-loan modifications via the government's Home Affordable Modification Program, according to January data from Treasury and the Department of Housing and Urban Development.

The data, released recently, show a doubling in total permanent modified loans from December. An additional 76,000 permanent modifications have been offered and are waiting to be signed by borrowers, the government reported.

HUD Senior Advisor for Mortgage Finance William Apgar said HUD will continue to work with Obama administration partners and "utilize our broad network of housing counseling agencies to increase those numbers still further."

In a press release announcing the data, the government said mortgage modifications are just "one piece of the administration's broader housing market stabilization plan."

### *The Hill* runs NAFCU MBL piece

**NAFCU President Fred Becker was featured in the Feb. 25 *The Hill* newspaper** noting that

President Obama's \$30 billion capital program for community banks in the name of more small-business lending is well-intended but flawed in ignoring calls for a credit union member business loan cap lift.

"The president has stated that he would like a job creation bill passed that doesn't burden taxpayers," Becker reminded. "This vital piece of legislation would raise the member business lending cap while also allowing credit unions to supply much-needed capital to small businesses, all without costing the American taxpayer a cent."

S. 2919 and H.R. 3380, which would raise the arbitrary cap on credit union MBLs from 12.25 percent to 25 percent of a credit union's assets, would seem to be a natural extension of the president's desire to help small businesses and create jobs, he said.

Becker noted the special problem the current cap on MBLs poses: Some CUs are bumping up against the cap and can't do more; others would like to do MBLs but have yet to develop their programs because of the cap.