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NAFCU offices are closed today, Memorial Day.

NAFCU: Continue interchange fight

NAFCU is asking credit unions to redouble their efforts during this week's congressional recess to contact lawmakers and urge them to oppose interchange language in regulatory reform legislation that is heading to a House-Senate conference.

The Senate-passed reform measure, which cleared May 20, included harmful interchange provisions sought by Sen. Dick Durbin, D-Ill., which set a mechanism for capping debit-card fees.

H.R. 4173, the Restoring American Financial Stability Act, will move to a House-Senate conference next week to be reconciled with the House-passed reform package. Bill managers are striving to deliver a final bill to the president by July 4.

Last week, NAFCU President Fred Becker told members it's important to keep up their frequent contacts with lawmakers. "The Senate language will likely have a significant negative impact on your credit union's interchange income," he wrote. "The so-called small institution provisions in the language will provide little protection."

Becker relayed these concerns last week in a letter to House Speaker Nancy Pelosi, D-Calif., and Minority Leader John Boehner, R-Ohio. Rep. Peter Welch, D-N.Y., is urging retention of the interchange provisions.

☐ No card company threats

At mid-week, Durbin, in a letter that was copied to NAFCU and other financial trades, wrote to Visa and MasterCard regarding what he said were apparent threats that, if the interchange provisions become law, the companies would raise their small-institution interchange fees and revise network agreements.

Becker wrote Durbin on Thursday noting that no such threats have been communicat-

Senate conferees on H.R. 4173

From Banking Committee

- ◆ Chris Dodd, D-Conn.
- ◆ Tim Johnson, D-S.D.
- ◆ Jack Reed, D-R.I.
- ◆ Charles Schumer, D-N.Y.
- ◆ Richard Shelby, R-Ala.
- ◆ Bob Corker, R-Tenn.

- ◆ Mike Crapo, R-Idaho
- ◆ Judd Gregg, R-N.H.

From Agriculture Committee

- ◆ Blanche Lincoln, D-Ark.
- ◆ Patrick Leahy, D-Vt.
- ◆ Tom Harkin, D-Iowa
- ◆ Saxby Chambliss, R-Ga.

ed. In fact, he said independent analysis shows the provisions would reap added income to big box stores and others, "all at the expense of consumers and small financial institutions."

☐ Conference panel being formed

Twelve senators were named last week to the conference committee that will decide how interchange and a host of other issues will be addressed in the final reform bill. This list includes Sen. Tom Harkin, D-Iowa, whose proposal to cap ATM fees, opposed by NAFCU, never saw a vote.

House conferees are expected to be named after this week's recess, but House Financial Services Chairman Barney Frank, D-Mass., has already recommended key Democrats from his panel: himself, the six subcommittee chairs and Rep. Carolyn Maloney, D-N.Y.

Conferees have been instructed by the Senate to preserve a House-passed exemption for automobile dealers from authority of the proposed consumer protection agency. NAFCU is continuing to seek a full exemption for all credit unions from that agency's authority or, at the least, to establish inflation indexing for those partially exempt.

The conference panel is expected to begin meeting June 9.

NAFCU hails Treasury support for MBL cap lift

NAFCU President Fred Becker last week lauded Treasury Secretary Tim Geithner for underscoring the administration's support for raising the credit union member business loan cap.

Geithner outlined the administration's position on credit union member business lending in a May 25 letter to House Financial Services Chairman Barney Frank, D-Mass.

The letter follows a recent discussion between Frank and Gene Sperling, counselor to Geithner, during a hearing on small business lending initiatives. In the May 18 hearing, Sperling said Treasury supports a compromise on credit union member business lending and promised the department's position would be forthcoming.

In conveying the details of Treasury's position, Geithner said Treasury could support allowing the MBL cap to go as high as 27.5

percent of a credit union's assets under certain conditions. Under these, the credit union must:

- ◆ have been near the current 12.25 percent cap for four straight quarters;
- ◆ be well-capitalized;
- ◆ have at least five years' experience underwriting and servicing MBLs;
- ◆ have strong policies and experience managing MBLs; and
- ◆ satisfy any other conditions set by NCUA.

Geithner also said a credit union's MBL growth should not exceed 30 percent in one year.

NAFCU understands the caveats outlined by Treasury, Becker noted. "We welcome continuing to work with the Obama administration and members of Congress to further demonstrate our commitment to sound financial policies and making the increase of the member business lending cap a reality," he said.

8 win in NAFCU Annual Awards program

NAFCU last week announced the winners in its 2010 Annual Awards Competition and will recognize them during its 43rd Annual Conference & Exhibition this July in Chicago.

The eight NAFCU award winners were selected by asset size in the following categories: Federal Credit Union of the Year, CEO of the Year, Professional of the Year and Volunteer of the Year. The winners include:

Federal Credit Union of the Year

- ◆ CORE FCU of East Syracuse, N.Y. (less than \$150 million)
- ◆ Pentagon FCU of Alexandria, Va. (\$150 million or more)

CEO of the Year

- ◆ Jeffrey Bocach, Advantage FCU in Rochester, N.Y. (less than \$150 million)
- ◆ Patrick McPharlin, Michigan State University FCU in East Lansing, Mich. (\$150 million or more)

Professional of the Year

- ◆ Diane McDuff, Main Street Financial FCU in Denham Springs, La. (less than \$150 million)
- ◆ Susan Ward, Finance Center FCU in Indianapolis (\$150 million or more)

Volunteer of the Year

- ◆ Patsy Koenig, Washington Gas Light FCU in Springfield, Va. (less than \$150 million)

- ◆ Frederick Walters, Randolph-Brooks FCU in Live Oak, Texas (\$150 million or more)

The NAFCU Annual Award winners will be profiled in an upcoming issue of *The Federal Credit Union* magazine. Also, NAFCU will name the 2010 White Hat Award recipient during NAFCU's Annual Conference.

For more information on the conference, visit www.nafcu-annual.org.

Wielga led on early CU issues

Frank Wielga, who died May 22 at the age of 75, was a former NAFCU board president and credit union chief executive who served the association during the early days of share drafts.

Wielga was NAFCU's board secretary from July 1971 to July 1976 and afterward served as its president, holding what was then the top board position, until July 1977.

As NAFCU's board president, Wielga was a leader in efforts to expand federal credit union powers and to ensure for credit unions a strong federal regulator in Washington.

His background in credit unions included service as manager of Wilkes-Barre VA Employees FCU, as a senior staffer at Philadelphia City Employees FCU and manager of Pennsylvania State Employees CU.

Marquette, Templeton reelected to NAFCU Board

Bob Marquette and Ed Templeton were reelected to new three-year terms as at-large directors for NAFCU in the association's 2010 Board of Director elections, which closed May 24.

Marquette is president and CEO of Members 1st FCU in Mechanicsburg, Pa., and Templeton is president and CEO of SRP FCU in North Augusta, S.C.

Regional elections ended in April. Charlie Thomas, a board director at Mid-Atlantic FCU in Germantown, Md., won his second term as director of NAFCU's Region II, and Richard Harris, president and CEO of Caltech Employees FCU in La Canada, Calif., won his first term as Region V director. Harris will succeed Brad Beal, president and CEO of Nevada FCU in Las Vegas, in the regional post.

The board is slated to select its officers in July. Board members begin their new terms following the close of NAFCU's Annual Business Meeting, which will be held in conjunction with the NAFCU Annual Conference.

Late-breaking: NAFCU's Member Call-In has moved up two days, to June 7, in light of activity related to the House-Senate conference on regulatory reform. Register at www.nafcu-training.org/callin.

NAFCU UPDATE

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RegFlex proposals too prescriptive, NAFCU says

NCUA's proposals to eliminate two Regulatory Flexibility provisions on fixed assets and member business loan rules seems overly prescriptive and should be withdrawn, NAFCU said in an official comment letter last week.

NAFCU President Fred Becker, in the letter, recognized that NCUA must set general rules under which credit unions should operate, but within those broad outlines the agency should also provide flexibility. "Unfortunately, this proposal assumes that these two goals are in conflict and, as a consequence, the agency eliminates the purpose of RegFlex by drafting an inflexible, new bright line rule," he said.

RegFlex allows eligible federal credit unions to exceed the usual 5-percent-of-assets limitation on investments in fixed assets, and it allows foregoing personal guarantees by an MBL borrower's princi-

pals. NCUA proposes to eliminate both authorities.

Eliminating the fixed-assets privilege, he noted, affects credit unions' long-term planning, not only with respect to facilities investments but costly systems changes that may be called for under the Federal Reserve Board's Regulation Z requirements affecting credit-card programs.

"These concerns are exacerbated by the fact that the proposal provides no explanation of how the agency plans to treat credit unions that are currently making use of the exemption," Becker added.

If NCUA moves forward with this change, he suggested that it at least provide a grandfather clause; implement a sliding scale that ties the limit on fixed assets to the credit union's net worth ratio; or provide at least six months following the effective date of the rule change for compliance.

Non-federally insured institutions must disclose

Depository institutions operating without federal share or deposit insurance will be required soon to disclose that fact under a final Federal Trade Commission rule issued last week and welcomed by NAFCU.

The rule implements a provision of the 1991 Federal Deposit Insurance Corporation Improvement Act that requires the FTC to set disclosure requirements for institutions lacking federal deposit coverage. It issued its proposed rule in 2005 and made additional revisions to conform with later amendments to the underlying statute.

NAFCU President Fred Becker welcomed the FTC final rule. "NAFCU has always advocated that all credit unions should have federal insurance, but in the absence of that, consumers should be well-informed of their choices regarding deposit insurance," he said.

NCUA Chairman Debbie Matz likewise applauded the move. "Effective consumer protection starts with relevant, practical information, and the FTC has taken an important step to equip members of non-federally insured institutions with essential details about their accounts," she said.

All federally chartered and most state-chartered banks, thrifts and credit unions are required to maintain federal deposit or share insurance, which currently guarantees all deposits to \$250,000. Shares insured by

the NCUSIF are backed by the full faith and credit of the United States government.

Under the rule, all non-federally insured institutions must disclose that they lack federal coverage and that the federal government does not guarantee consumers will get their money back if the institution fails.

NAFCU's 2005 comments are noted in the preamble to the final rule. The rule takes effect 30 days after publication in the *Federal Register*.

NAFCU urges SAFE Act conformity

NAFCU urged the Federal Housing Finance Agency to modify its Secure and Fair Enforcement for Mortgage Licensing Act requirements to match those set by NCUA and other agencies.

The regulators have adopted a final rule implementing the SAFE Act, which requires registration by all mortgage originators, but the national registry that will be necessary for compliance won't be available until next year. When it's available, all originators will have 180 days to register and to obtain unique identifiers; also, only those making more than five mortgages a year will be required to register.

NAFCU, in a letter last week, urged the FHFA to revise its rules to match the above with respect to mortgage lenders working with Fannie Mae and Freddie Mac.

Credit card agreement database online

Consumers can view credit card agreements from more than 300 issuers, including some credit unions, on an online database designed to help them comparison-shop for cards that best fit their needs, the Federal Reserve Board said last week.

Under the Credit Card Accountability, Responsibility and Disclosure Act, credit card issuers with more than 10,000 open card accounts are required to submit their current consumer card agreements to the Federal Reserve, post them on their websites and make them available upon request.

Initially, the agreements were due to the Federal Reserve Feb. 22. They must be resubmitted on Aug. 2 and quarterly thereafter.

Financial institutions, including credit unions, with fewer than 10,000 open credit card accounts are exempt from this provision of the Credit CARD Act.

To view the online database, visit www.federalreserve.gov/creditcardagreements.

Chippewa Eagle FCU gets charter

NCUA last week approved a charter for the Chippewa Eagle FCU in Mount Pleasant, Mich.

The credit union will start out with a field of membership of about 7,800 persons who are regular members or employees of the federally recognized Saginaw Chippewa Indian Tribe of Michigan. It plans to open for business this August, offering regular shares, club accounts, money market shares, share certificates and share drafts. It also plans to offer signature loans, used automobile loans and recreational vehicle loans.

Credit cards, unsecured lines of credit, residential mortgage loans, individual retirement accounts and member business accounts are planned in the future, NCUA said.

This is the second federal credit union chartered this year.

Hyland notes interchange, CU financials in podcast

NCUA Board Member Gigi Hyland last week urged credit unions to continue monitoring the progress on financial regulatory reform and to reach out to legislators to make sure their voices are heard on issues such as interchange fees.

Hyland, speaking in a podcast, discussed the reform legislation and other issues affecting the credit union industry.

Hyland said credit unions remain healthy and strong, but quarterly data show they are not immune to this economic climate. She said credit unions' aggregate net worth ratio dropped from 11.51

percent to 9.91 percent during the past three years. At the same time, delinquency and loan charge-off ratios have doubled, and earnings have fluctuated between negative and marginal levels. Yet with all the struggles credit unions have faced, she said the NCUA Board remains "impressed by the resilience of credit union officials."

Hyland also discussed information security challenges for credit unions and noted employee theft of data at the top of her list.

Next year, credit unions will face the

challenge of transitioning their operations from a crisis mode to implementing business strategies with long-term objectives, Hyland said. "Credit unions need to look forward to carefully assess how their business models presently function and how well they position credit unions for the future," she said.

The podcast was hosted by Tom Field, editorial director of the Information Security Media Group Corp.

The podcast can be download at www.cuinfosecurity.com/podcasts.php?podcastID=536.

NAFCU training offers education, flexibility

Credit unions looking for a fast, convenient and cost-effective way to provide volunteers and staff with industry-specific education that can help them in their roles should check out NAFCU's online training for volunteers and staff.

The training is tailored to the needs of volunteers and staff and covers essential topics such as the Bank Secrecy Act, asset/liability management and the regulation and examination of credit unions. It is regularly refreshed to reflect industry changes and is currently being updated to include a module on discrimination.

The online training is also a good way for federal credit union directors to meet their fiduciary duties under NCUA rules and regulations.

NAFCU's training is easily accessible via the Internet and allows unlimited access for an entire year. It's this ease of use and flexibility that Eric Marshall, information technology and compliance officer at Hawaiian Electric Employees FCU (Honolulu), truly appreciates.

Marshall said that since the training is online, staff and volunteers at his credit union were able to access it at any time and at different locations.

Price is another attractive aspect of NAFCU's program, he said, noting that other providers do not price their programs by asset size.

For more information about NAFCU's online training program, visit www.nafcu-training.org.

CU loses suit over mortgage recording tax

A state supreme court judge in New York has dismissed a suit filed by Hudson Valley FCU over the state's mortgage recording tax, stating the claim was not actionable.

NAFCU supported the credit union in this case. It filed a brief stating the credit union, under the Federal Credit Union Act and the Supremacy Clause of the U.S. Constitution, is immune from the tax because it is a federal instrumentality.

Notably, the judge did not challenge the credit union's status as a federal instrumentality. The trial court based its decision on prior decisions by the highest court in the state, the Court of Appeals, that the mortgage recording tax is not a property tax but a tax on the privilege of recording a mort-

gage.

"NAFCU does not agree with the court's findings," NAFCU President Fred Becker told members in a recent e-mail. "However, we also recognize the judgment to be limited in its scope."

Banks, thrifts report \$18B 1Q profit

FDIC-insured commercial banks and thrifts reported \$18 billion in profits for the first quarter, which shows that the economic recovery has spread to the for-profit banking industry.

However, loan losses posted a year-over-year increase for a 13th consecutive quarter, and net charge-offs totaled \$52.4 billion.

FTC eyeing copier security risks

The Federal Trade Commission is reviewing its educational materials regarding data security risks arising from digital copiers that retain sensitive data on hard drives, FTC Commissioner Jon Leibowitz told Rep. Ed Markey, D-Mass., recently.

Markey, having seen CBS' news report about the machines, in late April asked the FTC what it was doing to address these risks. According to Leibowitz, the FTC is "reaching out to copier manufacturers, resellers and retail copy and office supply stores to ensure that they are aware of the privacy risks . . . and to determine whether they are warning their customers."

FTC is focusing on education for now. Leibowitz said the FTC acquires ownership of the hard drives in digital copiers it leases and erases and destroys the drives when the copiers are returned. At Markey's urging, he said the commission would expand its consumer education materials to address information stored on hard drives of digital copiers "and other devices."

Credit unions can still register for NAFCU's webcast set for Wednesday

to address hot issues at NCUA. Agency officials will discuss credit union risk trends and other topics. For more, visit www.nafcu.org/ncuahotissues.