

The news you need, every week

UPDATE®



National Association of Federal Credit Unions • 3138 10th St., N. • Arlington, VA 22201 • (800) 336-4644 • www.nafcu.org

House-Senate conferees on reform named p.2

June 14, 2010

In This Issue

Reg reform conference begins

NAFCU continues to champion CU issues p.1

Buchanan at Congressional Caucus

He provides the keynote Caucus speech Sept. 20 p.2

Interchange concerns aired

NAFCU, CUNA, ICBA hold joint online press conference p.2

'Town hall' set June 28

NCUA to answer CU questions during online meeting p.2

Matz assures NAFCU on corporates

NCUA chairman promises to fully disclose legacy-asset plan p.3

NAFCU sends final reg on SAFE Act

Also urges NCUA against excessive fees for registry p.3

Interagency guidance released

'Bargain purchase gains' noted . . . p.4

CU consumer credit up

Credit unions fared better than other institutions p.4

Corporate video online

Video series to document history of corporates to present p.4

FCU helping with Gulf effort

Gulf Winds FCU to match funds for wildlife rescue p.4

☞ FOM on NCUA Board agenda . . p.3

☞ Yolles in Region III for year . . . p.4

NAFCU keeps CU concerns in front as conference on reform begins

NAFCU last week urged the leaders of a House-Senate conference committee on H.R. 4173, the Restoring American Financial Stability Act, to ensure that any final bill excludes harmful provisions on debit interchange fee caps and addresses consumer protection in a fair manner.



NAFCU President Fred Becker (left, with moderator Trish Wexler) discussed interchange in a video press conference last week. See story p.2 (NAFCU photo)

The conference committee, 43 members from key committees in the House and Senate, convened its first public meeting Thursday afternoon. The panel is expected to make quick work of its bill, which is starting out as a 1,400-plus-page document based on the version passed by the Senate in May.

The conference had an original goal of getting a bill out and through the House and Senate before July 4; the president wants to see that done even earlier, before he leaves June 24 for an economic summit in Toronto.

To keep credit union concerns out front, NAFCU President Fred Becker, before Thursday's meeting began, delivered a letter to conferees urging the following:

☐ **Interchange:** Remove the Senate-passed provisions, which would lead to federal price caps on debit interchange fees and force many providers, including credit unions, out of the payment card market.

☐ **Consumer protection entity:** Adopt the Senate's approach and place the Consumer Financial Protection Bureau within the Federal Reserve. This avoids the need for new infrastructure and ensures no fees will be assessed to sustain the entity.

Becker said if credit unions are subject to CFPB authority, auto dealers should be also.

☐ **CFPB rules:** Keep the Senate's provision allowing appeals of CFPB rules by any member of the proposed Financial Services Oversight Council for safety-and-soundness concerns. NCUA should be included on the council; other-

wise credit unions have no way of seeking appeal of a rule "that could have a particularly detrimental impact" on them.

☐ **Federal preemption:** Retain the Senate's approach, which Sen. Tom Carper, D-Del., said during debate is not directed at NCUA and credit unions. Conferees should make this clear in the final bill.

☐ **Data collection:** Align the House language on data collection with the Senate's, which was revised prior to passage to eliminate onerous data collection on depository institution accounts.

☐ **Remittances:** Narrow the scope of "remittance" to ensure new rules and disclosures only apply to transmittals from the U.S. to families in other countries, not ordinary items like mortgage payments.

NAFCU also made recommendations to ensure credit unions parity under risk retention measures, permit investments in some derivatives to hedge interest-rate risk and ensure only large bank holding companies pay for the resolution of large financial firms.

The conference can be followed at www.c-span.org.

House-Senate conference committee* on H.R. 4173

U.S. House

Financial Services

Barney Frank, D-Mass.
Paul Kanjorski, D-Pa.
Maxine Waters, D-Calif.
Carolyn Maloney, D-N.Y.
Luis Gutierrez, D-Ill.
Mel Watt, D-N.C.

Gregory Meeks, D-N.Y.
Dennis Moore, D-Kan.
Mary Jo Kilroy, D-Ohio
Gary Peters, D-Mich.

Spencer Bachus, R-Ala.
Ed Royce, R-Calif.
Judy Biggert, R-Ill.
Shelley Moore
Capito, R-W.V.
Jeb Hensarling, R-Texas
Scott Garrett, R-N.J.

Agriculture

Collin Peterson, D-Minn.
Leonard Boswell, D-Iowa
Frank Lucas, R-Okla.

Energy and Commerce
Henry Waxman, D-Calif.
Bobby Rush, D-Ill.
Joe Barton, R-Texas

Judiciary

John Conyers, D-Mich.
Howard Berman, D-Calif.
Lamar Smith, R-Texas

Oversight/Gov't. Reform
Edolphus Towns, D-N.Y.

Elijah Cummings, D-Md.
Darrell Issa, R-Calif.

Small Business

Nydia Velázquez, D-N.Y.
Heath Shuler, D-N.C.
Sam Graves, R-Mo.

U.S. Senate

Banking

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.

Agriculture

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

*Conferees from Agriculture, Judiciary, Oversight/Gov't. Reform and Small Business will participate in measures under those panels' jurisdiction.

Pat Buchanan is 2010 Caucus headliner

Political commentator Pat Buchanan will be the keynote speaker for NAFCU's 36th Annual Congressional Caucus, which takes place Sept. 19-22 at the Grand Hyatt Washington near Capitol Hill.

Buchanan is a founding member of NBC's "The McLaughlin Group," where he is seen weekly, as well as the former political talk shows "The Capital Gang" and "Crossfire." He served as a senior advisor to three presidents and was a two-time candidate for the Republican presidential nomination. He was the presidential nominee of the Reform Party in 2000.

Buchanan is also a columnist, political analyst for MSNBC, chairman of The American Cause foundation and an editor of *The American Conservative* magazine.

Among his 10 books are the *New York Times* best-sellers "A Republic, Not an Empire" and "Where the Right Went Wrong."

Buchanan, slated to provide the Caucus keynote speech Monday, Sept. 20, headlines a wide array of Caucus speakers.

Speakers from the Senate Banking Committee, House Financial Services Committee, NCUA, Treasury and the White House will discuss the latest on regulatory reform, the midterm elections, interchange fees, potential Community Reinvestment Act revisions and more.

The Congressional Caucus is NAFCU's credit union lobbying event of the year. Registration discounts continue to July 30. For more, visit www.nafcu.org/caucus.

Becker: Interchange measures will cost consumers

The reduced income expected from debit interchange provisions included in a Senate-passed regulatory reform bill will only leave credit unions and their members more open to fraud losses, NAFCU President Fred Becker said last week in an online press conference.

Becker, appearing with Independent Community Bankers of America President Camden Fine and CUNA President Dan Mica, said if lawmakers pass the interchange provisions, merchants will have "no responsibility for the cost of fraud or theft of consumer accounts, even when . . . (it) is a direct result of their own negligence."

The June 9 press conference was held to ensure the public and Congress have accurate information on the impact of the interchange provisions.

The trade association CEOs in the press

conference were joined by John Blum of Chartway FCU (Virginia Beach, Va.) and Harriet May of Government Employees CU (El Paso, Texas). Blum said the interchange measures' "carve-out" for credit unions and banks with less than \$10 billion in assets doesn't protect their debit card programs from federal price caps as contemplated.

Also in the news

The interchange story was circulating in a variety of outlets last week. On Tuesday, NAFCU Executive Vice President Dan Berger was seen on CNBC discussing industry efforts to beat back the provisions. NAFCU's letters to the president and regulators on the issue were also picked up by Associated Press.

The June 9 press conference video is at thecardalliance.org/video/100609webcast.html.

NCUA online 'town hall' slated

NCUA said it will answer questions posed by credit unions during a free "virtual town hall" webinar on June 28.

NCUA Chairman Debbie Matz will host the webinar. No agenda has been advanced; NCUA just notes that the webinar will include discussion of "multiple topics."

Matz has said that agency staff could offer recommendations to the NCUA Board late this month on how to resolve corporate credit unions' legacy assets.

The agency is also expected to publish a final rule by September that will address corporate credit union capital standards, asset/liability management, risk concentrations and governance.

For more, visit www.ncua.gov.

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@nafcu.org. For daily news, visit NAFCU's website at www.nafcu.org.

Matz assures Becker full disclosure on corporates

NAFCU President Fred Becker last week welcomed NCUA Chairman Debbie Matz's assurance that the agency's primary objective in dealing with corporate credit unions' legacy assets is "to bring about the least costly solution possible" and that NCUA will be exercising full disclosure as the plan is finalized.

"NAFCU's top concern regarding corporate stabilization is the continued health of natural person credit unions and the National Credit Union Share Insurance Fund," Becker said. "We appreciate Chairman Matz's pledge of transparency and look forward to working with the agency in ensuring a best-case solution to the corporate credit union issue."

Responding to concerns raised by Becker over recent months regarding corporate stabilization and its impact on natural person credit unions and the share insurance fund, Matz, in a letter delivered June 8, said annual assessments from the Temporary Corporate Credit Union Stabilization Fund

will allow the agency to spread out losses over seven years. This will "save hundreds of credit unions" that would be lost if the costs were to be recognized immediately, she said.

She added that she is committed to providing transparency in dealing with the problems of the corporates. "Once NCUA has finalized the plan for corporates' legacy assets, we will launch a comprehensive communications effort to reach out to the entire credit union system," Matz wrote. "We will fully disclose the plan for resolving the legacy assets, as well as our future plans" for the Temporary Corporate Credit Union Share Guarantee Program and Temporary Corporate Credit Union Liquidity Guarantee Program.

Matz also told Becker that NCUA will soon finalize and announce changes to the corporate credit union regulation. She said she plans "an open dialogue" so credit unions know where they can obtain liquidity and settlement services in the future.

NAFCU sends SAFE Act Final Regulation

A NAFCU Final Regulation sent to members last week explains the requirements ahead under the Secure and Fair Enforcement of Mortgage Licensing Act.

NCUA's board approved the SAFE Act final rule in April and released it during its open meeting last month.

The rule requires employees of federally insured credit unions that act as residential mortgage loan originators to register with a Nationwide Mortgage Licensing System and Registry. The registration requirement is due to take effect 180 days following the launch of the national registry, expected early next year. Originators and credit unions will be required to register, obtain unique identifiers and maintain their regis-

trations.

Those making only a small number of mortgages will not have to register, but they will be required to adopt policies and procedures to ensure compliance. The exception from registration applies to those originating five or fewer residential mortgage loans a year.

The registry is expected to assess fees for registrations and related activities, and NAFCU President Fred Becker last week urged NCUA Chairman Debbie Matz and the agency's board members to ensure such fees are not unduly burdensome.

For the NAFCU Final Regulation (member only), visit the Regulation section of NAFCU's website (www.nafcu.org).

HMDA, CRA on Fed council agenda

The Federal Reserve Board Consumer Advisory Council meets June 17 to discuss requirements under the Home Mortgage Disclosure Act, the Community Reinvestment Act and foreclosure issues.

The HMDA discussion will focus on the Fed Board's review of Regulation C, HMDA's implementing rule. CRA discussion will address possible changes in light of financial services industry developments

and "issues associated with the foreclosure crisis." The foreclosure discussion is expected to center on loss-mitigation efforts.

The CAC advises the Fed Board on its responsibilities under the Consumer Credit Protection Act and related matters.

The meeting is open to the public. For more, visit www.federalreserve.gov/secure/forms/cacregistration.cfm.

FOM rule, stabilization accounting slated

A final rule on chartering and field of membership tops the agenda for NCUA's June 17 open board meeting in Alexandria, Va.

The chartering/FOM rule is being presented as Interpretive Ruling and Policy Statement 10-1. As proposed last December, the rule would remove the requirement for federal credit unions seeking community charters to submit lengthy narratives on why their proposed communities meet the "local, well-defined" criterion.

Under the proposal, a single political jurisdiction would continue to be treated as a well-defined local community; a standard utilizing statistical areas would be set for areas involving multiple political jurisdictions. The proposed rule also sets a definition for rural district.

The June 17 agenda also includes:

- ◆ a proposed rule on interest-rate-risk policies and programs under the agency's share insurance rules;
- ◆ report on the National Credit Union Share Insurance Fund;
- ◆ Temporary Corporate Credit Union Stabilization Fund accounting standard;
- ◆ TCCUSF payment of insured shares;
- ◆ TCCUSF assessment.

Member call-in notes assessments

CUs can expect two assessments from NCUA this year, one for corporate credit union stabilization and one for the share insurance fund, some 500 listeners heard during NAFCU's June 7 Member Call-in.

The assessments are still expected to equal an amount ranging from 0.15 percent to 0.4 percent of insured shares in the aggregate, said Carrie Hunt, NAFCU's director of regulatory affairs. In other comments, Hunt said NCUA is expected to release a letter in the near future detailing its assisted merger process. NAFCU has been pressing for transparency in this area for years.

An archive file of the call is available online; go to www.nafcu.org.

Interagency guidance focuses on merger gains

Interagency guidance on fair value measurements and supervisory considerations for credit union, bank and thrift mergers involving potential “bargain purchase gains” was transmitted last week by NCUA in Accounting Bulletin 10-01.

Bargain purchase gains occur when the fair value of the net assets acquired in a merger exceeds the fair value of the consideration transferred by the acquiring institution. NCUA and the federal banking agencies, in their June 7 guidance, note a recent uptick in such activity, particularly in cases involving NCUA or FDIC assistance.

Since only limited due diligence may be possible at acquisition, the agencies say institutions should provide their best estimates of the fair values of assets acquired and liabilities assumed and, within a year, adjust them to reflect information that would have affected those measurements if

it had been available at the time of acquisition. “Any retrospective adjustments to acquisition-date fair values will affect the provisional amount of goodwill or bargain purchase gain recognized in a merger,” they wrote.

The guidance also instructs institutions contemplating an acquisition to discuss regulatory reporting requirements and supervisory considerations with their regulators first. Where a bargain purchase gain is expected, regulators may decide to set conditions for approval to address any concerns about capital.

Possible conditions include a capital preservation plan, dividend limitations, independent audits, independent valuations and limitations on legal lending limits.

The guidance makes no changes in current regulatory reporting requirements or accounting requirements under generally accepted accounting principles.

CUs’ share of consumer credit up to 9.44%

Consumers remained hesitant to borrow in April, but credit unions fared better than financial institutions overall, increasing their share of the consumer credit market three basis points to 9.44 percent.

The Federal Reserve reported last week that total consumer installment credit increased 0.5 percent in April to \$2.4 trillion on a seasonally adjusted, annualized basis.

NAFCU Staff Economist Katrin O’Connor noted that the slight increase in consumers’ borrowing, which does not include real-estate-secured loans, was a bit higher than expected but still weak overall. “The Fed also revised the previously reported gain in March to a loss, which further underscored the anemic state of consumer borrowing,” she said.

At credit unions, total consumer lending rose from \$228 billion to \$228.7 billion in April on a non-seasonally adjusted basis, a 3.7 percent annualized surge. Non-revolving credit union consumer lending increased \$0.6 billion to \$194.3 billion in April, while revolving credit rose \$0.1 billion to \$34.4 billion.

Looking ahead, consumer borrowing is expected to remain below potential until the labor market shows sustainable job growth. “That means it will be a long time

before consumers ramp up their credit card use,” she said.

NCUA releases video on corporates

NCUA on Wednesday released the first of three videos tracking the history of corporate credit unions to the present day on its website.

The videos will cover:

- ◆ Track 1 – history and services of corporates;

- ◆ Track 2 – types of corporate credit union investments; how these investments were affected by financial market declines; and how problems with the investments affected corporates and threatened the entire credit union system;

- ◆ Track 3 - NCUA efforts to stabilize the credit union system, ensure access to adequate liquidity and uninterrupted lending and payment processing and achieve the least costly outcome for credit unions.

NCUA said the series is intended to offer a broad overview in simple terms of various aspects of the corporate credit union crisis.

Once all three tracks have been completed, NCUA plans to send a free DVD to all federally insured credit unions.

Get the first track at www.ncua.gov/GenInfo/Members/Matz/MatzAnnouncement.aspx.

Yolles at Region III office through 2010

Herb Yolles will serve as temporary director of NCUA’s Region III office through the rest of 2010, NCUA said last week.

Yolles was named to the post in acting capacity last month following the reassignment of Alonzo Swann to the agency’s central office as assistant to the executive director. Swann was reassigned the same day that NCUA placed the \$238.8-million-in-assets St. Paul Croatian FCU of Eastlake, Ohio, in liquidation following a one-week conservatorship.

CU to match \$50,000 for Gulf wildlife rescue

Gulf Winds FCU of Pensacola, Fla., is working to generate funds for wildlife rescue in connection with British Petroleum’s offshore oil-drilling disaster with a \$50,000 match for donations to the Wildlife Sanctuary of Northwest Florida.

Donations will be matched dollar for dollar, the credit union said, and anyone can contribute.

Gulf Winds FCU is gathering donations via its website at www.GoGulfWinds.com; click on the “Wildlife Relief Fund” button.

CU liquidated

Orange County Employees CU in Orange, Texas, was closed

Thursday as NCUA signed an agreement with Sabine FCU to assume its assets and liabilities.

Orange County Employees CU, a federally insured, state-chartered institution, had \$1.7 million in assets and more than 1,000 members. NCUA cited declining financial condition. It’s the ninth failed credit union to be liquidated this year.

Failed banks reach 81

The FDIC recently announced three more bank closures which, together, are expected to cost the Deposit Insurance Fund an aggregate \$313.6 million.

A total of 81 insured banks have been closed in 2010, according to FDIC data through June 4.