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may be out in November** p.3

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NAFCU presses for MBL cap raise

NAFCU is urging its members to intensify their outreach to senators to build support for including an amendment to a small business job-creation bill that would raise the credit union member business lending cap.

The Senate took up consideration of H.R. 5297, the Small Business Jobs and Credit Act last week. However, questions arose on certain aspects of the bill, and the Senate had not yet determined at time of this writing whether to consider amendments to the bill, including the proposal to raise the credit union MBL cap.

NAFCU pressed the case for including the credit union MBL amendment in H.R. 5297 in July 22 letter to House Majority Leader Harry Reid, D-Nev., and Minority Leader Mitch McConnell, R-Ky. The amendment, proposed by Sen. Mark Udall, D-Colo., would raise the credit union MBL cap from 12.25 percent of credit union assets to as much as 27.5 percent.

It's a carefully crafted compromise among lawmakers, NCUA and Treasury that addresses safety and soundness concerns, NAFCU President Fred Becker noted in the letter. Among other actions, the amendment would limit a credit union's yearly MBL portfolio growth to no more than 30 percent.

Reid filed cloture Wednesday on an amendment proposed by Sens. Mary Landrieu, D-La., and George LeMieux, R-Ga., that would establish a \$30 billion lending pool for small banks to lend to small businesses. On this point, Becker said it's "unfathomable" for the Senate to consider giving this kind of aid to banks while not considering the MBL cap lift amendment, which would help 92 million credit union members at no cost to taxpayers.

"We can all agree that the strength of the economy and labor force is strongly influenced by the health and well being of the small business community," said Becker. "The adoption of such a proposal to the pending small business job-creation bill would be a significant step toward ensuring that small business owners have as many resources as possible to access credit."

☐ Republican backs MBL cap lift

While the Senate debated H.R. 5297 last week, the MBL amendment garnered its first Republican cosponsor. Sen. Susan Collins, R-Maine, became the bill's ninth cosponsor. In a statement praising the measure's objectives, Collins said it "would allow credit unions to offer more credit to their small business members, thus helping small businesses in Maine, and around the country, to save and create new jobs."

Becker told NAFCU members last week that it's critical they continue urging Senate support for the MBL amendment. Credit unions can contact senators by calling the Capitol Hill Switchboard at 202-224-312, or they can click on the Contact Congress link under the Legislation section of NAFCU's website (www.nafcu.org).



Oscar Reinzig photos

Both NCUA Chairman Matz (left) and outgoing NAFCU Board Chairman Brad Beal addressed critical credit union issues in their remarks during the NAFCU 43rd Annual Conference and Exhibition. For more, see p.3.

Financial regulatory reform signed into law

President Obama last week signed into law the most comprehensive financial regulatory reform since the Great Depression, setting the stage for sweeping changes in the financial services sector.

H.R. 4173, the Dodd-Frank Wall Street Reform and Consumer Protection Act, was enacted July 21. The law establishes a new Consumer Financial Protection Bureau to be housed within the Federal Reserve and charges the Fed with setting price caps on debit interchange fees for financial institutions with more than \$10 billion in assets.

NAFCU ardently opposed the interchange language in the law as well as extension of CFPB oversight and rule writing authority over credit unions. However, the law includes

some NAFUCU-supported provisions, including an exemption for credit unions with less than \$10 billion in assets from the CFPB's examination and enforcement authority.

NAFCU was among the trade groups invited to attend the bill signing. The association will continue to voice the concerns of credit unions as rules are issued to implement the law's provisions.

NCUA Chairman Debbie Matz, who attended the bill signing, noted her gratitude to the president for acknowledging NCUA's role in this historic process. "For consumers and for the credit union industry, the reform affords important protections and enhancements that will lead to a stronger and safer financial landscape," she said.

NAFCU cited at Internet gambling hearing

NAFCU's July 20 letter to the House Financial Services Committee calling for enactment of H.R. 2267 took the spotlight at a hearing last week when committee Chairman Barney Frank, D-Mass., cited the association's concerns over the Unlawful Internet Gambling Enforcement Act.

NAFCU's letter was highlighted when Frank responded to a statement made by committee Ranking Member Spencer Bachus, R-Ala., that Treasury believes the UIGEA has helped quell the possibility of national security threats associated with online gambling.

Frank noted that numerous organizations and constituents, including the Financial Services Roundtable, the U.S. Chamber of Commerce, community banks and credit unions, have all said that the UIGEA is overly burdensome. He then cited NAFUCU's letter, which notes the heavy

burden the UIGEA imposes on credit unions and other financial institutions by relying on them as a "backstop for guarding against financial crimes."

H.R. 2267, the Internet Gambling Regulation, Consumer Protection, and Enforcement Act, introduced by Frank, is aimed at curtailing some of the regulatory requirements that credit unions and others currently face under the current statute. The measure, among other things, would require licensing of online gambling businesses and set rules for enforcement against those operating without licenses.

Frank said that he was prepared to make some changes to the legislation, but he did not indicate any specifics.

The House Financial Services Committee is expected to mark up this legislation soon.

Gift card extension set to become law

Companies would have until Jan. 31, 2011, to implement new disclosure requirements on gift cards issued prior to April 1, 2010, under legislation that is expected to be signed into law soon by President Obama.

H.R. 5502, recently passed by the Senate, is aimed at addressing concerns from companies about the current Aug. 22, 2010, effective date for the new disclosure requirements, promulgated by the Federal Reserve in revisions to Regulation E under

the Credit CARD Act. The current deadline for implementation would force companies to eat the cost of their old inventories of gift cards that lack the proper disclosures; under H.R. 5502, companies would have several more months to sell off their old gift cards.

However, there are strings attached: In order to be eligible for the extension, companies must agree to eliminate the gift cards' expiration dates, and consumers would be entitled to receive a free replacement card or certificate.

Lussier elected NAFUCU chair

Michael Lussier, president and CEO of Webster First FCU in Worcester, Mass., has been elected NAFUCU's chair and began serving his one-year term following the association's July 22 annual business meeting.

Lussier has 20 years' worth of credit union experience. Most recently, he served as vice chair of NAFUCU and NAFUCU Services Corp.

In addition to Lussier, the NAFUCU officers for the 2010-2011 term are:

- ◆ Vice Chair Michael Parsons, president and CEO of First Source FCU in New Hartford, N.Y.;
- ◆ Treasurer Ed Templeton, president and CEO of SRP FCU in North Augusta, S.C.; and
- ◆ Secretary Shelley Clarke, president and CEO of Goldenwest FCU in Ogden, Utah.

NCUA Board to examine golden parachute rule

The NCUA Board will examine a proposal regarding golden parachute policies and indemnification payments during its next meeting, which is set for July 29 at the agency's headquarters in Alexandria, Va.

In addition, the board will act on interim final rules pertaining to Part 707 of the Truth in Savings Act and the agency's low-income definition. The board will also hear from staff regarding the reprogramming of NCUA's 2010 operating budget.

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43rd Annual Conference and Exhibition

Matz AC remarks note NCUSIF assessments

NCUA Chairman Debbie Matz said Thursday that if certain trends persist within the credit union industry, the equity ratio for the National Credit Union Share Insurance Fund will drop below 1.2 percent by the end of the summer.

Speaking before NAFCU's 43rd Annual Conference & Exhibition in Chicago, Matz said that while the credit union system is strong, it is enduring an increased number of costly failures.

She also noted that for the first half of this year the NCUSIF had absorbed \$1.1 billion in losses, compared with the \$124 million in losses for all of last year.

These losses are key in determining assessments for the NCUSIF, Matz noted. She urged credit unions to act prudently, because the assessment amount depends on the industry's performance.

"Simply put: If credit union *losses* are lower, credit union *assessments* will be lower," she said.

NAFCU continues to urge NCUA to set the fund's normal operating level below 1.3 percent and, if it drops below 1.2 percent, to consider spreading the restoration over eight years.

November estimate eyed on 2011 assessments

NCUA may be ready in November to release an estimated range for next year's share insurance and stabilization assessments on credit unions, NCUA Chairman Debbie Matz told NAFCU Thursday during the NAFCU Annual Conference and Exhibition in Chicago.

Following her general session speech, Matz spent some time at the NAFCU booth in the exhibit hall, where she answered questions from individual credit union representatives. When asked about next year's assessments, she said the estimated range could come in November.

Becker: CUs must prepare for the unexpected

Credit unions must persist in adapting to the demands of an unpredictable economic environment and shifting financial services landscape with a continued focus on superior member service, NAFCU President Fred Becker said last week.



Oscar Reinzig photo

Becker speaks about being ready for the unexpected.

Speaking July 21 at NAFCU's 43rd Annual Conference & Exhibition in Chicago, Becker called on credit unions to "be ready to meet the unexpected" and "build on the strength of our cooperative system to successfully navigate the roads ahead."

To underscore his message, Becker described the concept of the "black swan," a rare event of extreme impact that is completely unpredictable. Calling black swans "the new normal," Becker predicted continued challenges to come for the industry. "We can only expect to face increased ambiguity and uncertainty," he said.

Becker urged credit unions to prepare to make adjustments as their needs—and those of their members—change. "This could mean developing more products related to savings or short-term loans. It could mean new programs based around building credit or teaching the basics of financial literacy. Or, it may mean streamlining back-office operations to become more efficient," Becker said.

Beal reflects on tenure, touts NAFCU members

Outgoing NAFCU Board Chair Brad Beal told attendees of NAFCU's 43rd Annual Conference & Exhibition Wednesday that serving on the board over the past 10 years has deepened his appreciation for the role NAFCU members play in the association's legislative successes.

The impressive list of legislative victories that NAFCU has won since 2000 could not have been achieved without NAFCU-member efforts, Beal said. Some of these victories include:

- ◆ an updated definition of net worth in mergers;

- ◆ the 21-day credit card fix (all open end credit);
- ◆ the creation of the corporate stabilization fund;
- ◆ passage of bankruptcy reform with reaffirmation rights preserved; and
- ◆ prevention of mortgage cramdown.

Beal also applauded "the courage, commitment and strength of character of credit union leaders" he has seen in the industry while serving on NAFCU's board. These qualities "will enable our industry to persevere, and prosper," as it faces future challenges, he said.

Ditka to A.C.: Leadership wins by example

Football great Mike Ditka says leadership isn't so much about being in the limelight as it is being a good team player — and it's about character, as credit unions already know.

During his speech before NAFCU's Annual Conference opening general session last week in Chicago, Ditka talked about qualities great leaders often possess. Character in particular is something

he believes credit unions understand.

"Character is knowing the right thing, doing the right thing," Ditka said. "I think in your industry, . . . I think it's the way you treat people, the way you deal with people. I think that's very, very, very important, because there are too many financial institutions who take advantage of people and take advantage of them dearly."



Oscar Reinzig photo

Flash: Mid-year outlook reflects big challenges

The realities of a tough economy, NCUA assessments and new regulations are weighing on credit unions' mid-year outlook, according to NAFCU's July *Flash Report*.

The report provides a look at NAFCU member credit unions' expectations for 2010. Among the chief findings: Most credit unions expect the slow loan growth seen in 2009 to continue this year. Only 30.5 percent of respondents indicated they expect loan growth in 2010 to increase, while almost half (47.5 percent) said they expect a decrease. Meanwhile, expectations for asset growth were mixed: 40.3 percent of respondents expect an increase, while

38.8 percent expect a decrease.

The survey results also confirm that NCUA assessments and pending regulations continue to affect credit unions' net income growth outlook: 42.4 percent expect net income growth to decrease this year, and only 37.9 percent expect an increase. More specifically, price controls for debit card interchange fees are expected to have an average negative impact of 365 basis points on credit unions' net income; a proposed Regulation Z amendment is expected to have an average negative impact of 44 basis points; and a Regulation E amendment is expected to have an average negative effect of 236 basis points.

House considers wind coverage NFIP bill

The House nixed plans to take up consideration of a bill Thursday that would give consumers the option of purchasing wind coverage through the National Flood Insurance Program—legislation the White House voiced disapproval over last week.

H.R. 1264, sponsored by Rep. Gene Taylor, D-Miss., would allow property owners to purchase government-backed insurance for both wind and flood coverage in one policy under the NIFP. As written, the legislation says that in order for a home owner to get the former, he or she would be required to have the latter.

While the House considered and passed the rule to govern debate over H.R. 1264, the bill was subsequently pulled from

the floor.

On July 21, the Obama administration issued a Statement of Administration Policy on H.R. 1264, stating that allowing the NFIP to cover wind insurance “would unnecessarily duplicate available insurance products and could ‘crowd out’ such products where they are offered, while offering little to no savings to the American public.”

Previously, Taylor was unsuccessful in adding the bill as an amendment to H.R. 5114—legislation recently approved by the House that would reauthorize the NIFP for an additional five years. H.R. 5114 is currently awaiting action in the Senate where its future remains unknown.

A similar attempt to add wind coverage to the NFIP failed in 2007.

‘Great CU Contest’ winners announced

NAFCU Services Corporation received more than 1,000 entries from credit union members for “The Great Credit Union Contest,” and the winners were announced last week.

The contest, powered by CULookup.com, asked members to submit essays explaining why their credit unions are great.

Fifty-one prizes were awarded. The two grand prize winners of a \$500 Discover® gift card are members of GFA FCU and COMSTAR FCU in Clarksburg, Md. Four secondary prizes of a \$250 Discover® gift card were awarded to members of Robins FCU in Warner Robins, Ga., Greater Metro FCU in Long Island City, N.Y., Lafayette FCU in Kensington, Md., and NAPUS FCU in Alexandria, Va.

The winning entries will be posted on CULookup.com.

Tentative ruling issued in WesCorp suit

A federal court has issued a tentative ruling on NCUA's recent motion to substitute the agency as conservator for Western Corporate FCU in place of the seven natural person credit unions that filed against several current and former employees and officials of WesCorp FCU.

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