



Fourth Quarter 2009



Regulatory and Legislative Actions Mean Big Changes for Overdraft Services

Nearly a year after it proposed changes to Reg E (12 CFR Part 205) to address overdraft services for ATM withdrawals and one-time debit card transactions, the Federal Reserve Board announced its final decision on November 12. As anticipated, the new ruling will prohibit financial institutions from charging consumers fees for paying overdrafts on automated teller machine (ATM) and one-time debit card transactions, unless the consumer "opts in" to the service.

According to Fed Chairman Ben Bernanke, this change "represents an important step forward in consumer protection...giving both new and existing account holders the opportunity to make informed decisions about whether to sign up for overdraft service."

At the same time, committees in both the Senate and the House of Representatives are considering legislation that would dramatically impact how overdraft programs for checking accounts are processed and set limits on usage and fees. If passed, H.R. 3904 (The Overdraft Protection Act of 2009) and Senate companion bill, S. 1799 (The Fairness and Accountability in Receiving [FAIR] Overdraft Coverage Act), will adversely affect not only the credit union industry, but many members who are already experiencing financial challenges.

How would this legislation affect your members?

For consumers who periodically access overdraft protection to maintain financial stability, this legislation would limit their use of the service to once per month and six times per year for checking account overdrafts. And while sponsors of the bills declare this as a way to

protect consumers from abusive overdraft programs, it overlooks the consequences that the limits set in motion.

Unfortunately, as a result of this legislation, consumers will have fewer options when faced with unforeseen circumstances. Plus, once they have reached their overdraft protection limit, they could be faced with:

- additional merchant penalty fees and collection charges on NSF items;
- more credit card debt; and
- more costly, unregulated financial services products, such as payday loans in emergencies.

In addition, financial institutions will be forced to create new pricing scenarios to recover lost fee income. This will result in additional account holder fees, placing more burdens on families and individuals already straining to maintain financial stability.

How do these actions affect your overdraft program?

While discussion on the Senate and House bills is on-going, credit unions should take the necessary steps now to make sure their overdraft program is in compliance with the new Reg E requirements before the July 1, 2010 deadline. In addition to requiring members to opt in to overdraft services for ATM and one-time debit card transactions, credit unions will be expected to provide members with an explanation of how their overdraft program works and the fees associated with its use.

If your credit union has an established overdraft service program in place, it is imperative that you take a close look to make sure it is compliant. Failing to do so can damage member relationships and put your institution in jeopardy of increased regulatory scrutiny. If you are thinking of implementing an overdraft program, make sure you choose one that is 100% compliant with these and all regulatory requirements.

About JMFA

John M. Floyd & Associates (JMFA) a business member of the Delaware Credit Union League, is one of the country's most respected experts on overdraft privilege programs offering financial institutions more than 30 years of experience in compliance and performance consulting. As a direct result of its programs, JMFA has helped thousands of clients dramatically improve their performance and their bottom line. For more information, contact Greg Stumler, JMFA regional director, at Greg.Stumler@JMFA.com or (877) 817-7652.

Louviers FCU is First in State to Adopt DCUL Student Loan Program

Louviers FCU is the first Delaware credit union to adopt the student loan program, Custom Loan Source, offered by the Delaware League through an alliance with Education Loan Source, Inc. (ELS). The credit union will be offering private student loans for K-12 through graduate school including law school, continuing education and health care professions.

The Custom Loan Source program allows credit unions to develop their own customized student loan offering without the need for additional staff or resources – the program is completely supported by ELS and its affiliates. “This program offers credit unions a great way to provide a student loan product to their existing members, while attracting new members at the same time,” said Tracy Sniscak, Senior Vice President of Business Development, ELS. “Credit unions are stepping in to help finance education at a time when traditional lenders are backing away due to the current financial markets. I’m excited for the opportunity to work with Louviers Federal Credit Union to provide student loan solutions to their members.”

About Education Loan Source, Inc. (ELS), ELS is a wholly owned subsidiary of National Lending Associates, Inc. which is based in San Diego, California, with offices in Ohio, Arizona, Georgia, Pennsylvania and New York. National Lending Associates, Inc. is a nationwide specialty service company focused on providing financing solutions, loan and portfolio administration services, and technology options for the education financing marketplace (www.nationallendingassociates.com).



Delaware State Police FCU goes Live on the Shared Branching Network

Delaware State Police FCU came live on the shared branching network Monday, November 16, 2009, so their members can now go to other shared branching locations. Delaware State Police has also opened their three branches in Delaware as outlets to service other credit union members that are part of shared branching. Their three branches are located in each of the three counties in Delaware - New Castle, Kent and Sussex Counties. These locations are currently in the process of being added to the website, www.cuservicecenter.com.

With these additional locations, we currently have 6 shared branching locations in Delaware (2 Chestnut Run FCU branches and American Spirit FCU) and over 3,858 nationwide.

Contact Jane Bailey, 800.292.7875 or jane@dcul.org for more information.



Enhance Membership Value with Invest in America

Invest in America was created to help make resources and discounts available to participating credit unions that they can pass onto their members, adding value to their credit union membership. When you support this credit union member enhancement program, you're supporting the workers and products that make our country strong.

Our Partnerships

Invest in America has cultivated significant partnerships with great U.S. based companies like GM and Chrysler to bring their members significant savings on new vehicles, which is driving new membership and increasing vehicle loan volume for credit unions across the country. Plus, thanks to a collaboration with Sprint, credit union members are saving on their wireless services through lower monthly bills, waived fees and discounts on products and accessories.

Since it started, Invest in America has achieved remarkable results.

- Over 200,000 vehicles were sold since the inception of the program, resulting in \$4.2 billion in revenue for GM and Chrysler.
- About 80% of vehicles sold through Invest in America have been financed through credit unions.
- This program has brought in nearly \$3.2 billion in new auto loans.
- Our partnership with Sprint produced a yearly incremental value of approximately \$400 million in 2008.

Our goal is to bring everyone together in these difficult times, get behind U.S. companies and bring more added value to credit union members nationwide.

For More Information ...

For the most current offers and newest partnerships, or to learn more about Invest in America visit www.LoveMyCreditUnion.org or call Jane at 302.322.9341 or 800.292.7875.



CUNA Mutual Group Maintains Financial Strength, Credit Union Commitment

As the economy has impacted industries and organizations across the country, credit unions are showing extra consideration with their business partners. Financial strength and long-term commitment to the credit union industry should remain as two critical factors in their analyses.

For CUNA Mutual Group, their continued strength and stability were reflected in recent second quarter results. In addition, the company's solid position is represented in recent actions to strengthen their core products for credit unions, as well as new acquisitions for the company's long-term growth.

In 2009 alone, the company has invested in enhancements to the MemberCONNECT program (Medicare Suite), life insurance (Wealth Protector Whole Life), and credit union protection products (Management Protection & Liability coverage). CUNA Mutual recently acquired CPI Qualified Plans Consultants, Inc. and Producers Ag Insurance Group (ProAg) as part of a careful diversification strategy to assure the company's long-term growth, offsetting challenging economic conditions and diminishing credit unions numbers.

While these actions demonstrate CUNA Mutual's strong position, critical financials reinforce their stability. The company forecasts solid capital levels throughout the year and their risk-based capital ratio stands at 300% - more than double required by insurance regulators. In addition, CUNA Mutual holds a diverse and highly liquid investment portfolio and continues to run scenarios and modeling to retain portfolio stability through challenging economic conditions. Earlier this year, A.M. Best reinforced [CUNA Mutual's "A" \(Excellent\) rating](#).

CUNA Mutual CEO Jeff Post reports that "credit unions remain our primary focus and primary market." The company continues to strengthen its commitment to provide industry-leading solutions to credit unions through new and expanded partnerships with respected vendors such as State National, Humana and Liberty Mutual Group.

For recent company financials, contact your CUNA Mutual Sales Executive at 1-800-356-2644.



Plastic Cards... Are Credit Unions Missing the Mark?

Credit Union Plastic Card programs have been around for years, but have Credit Unions utilized their benefits to the fullest when it comes to the needs of their members? With the full array of plastic card options and functionalities, looking for product niches should be the focus of today's Credit Unions.

In many Credit Unions, Credit Card programs continue to be a main stay, core product while in other credit unions they have often been somewhat down-played. Credit limits and aggressive offerings to members weigh on the side of being conservative. In today's economy, we see even more reluctance to promote, extend or even offer a credit card program. Every day we see or hear on television or radio, or read in the papers, the need to re-invest in our consumers to stimulate the economy. Credit Unions have an excellent opportunity presented to them. The banking industry is taking a no-credit stand and definitely not serving the core of consumers' needs. Credit Unions should be touting LOUDLY and STRONGLY, in addition to our safety and soundness position, that we are in the credit business and have money to lend.

Debit Card programs again need a focus. If a member has a share draft account they should have a debit card. You found them receptive to having a share draft account, so why not utilize that avenue to increase member service and usage, as well as generate income associated with transaction volume. You make money by investing in your members not by processing checks.

The Underserved and Unbanked is another segment of today's consumers that definitely needs the assistance of the Credit Union industry more than ever. Wal-Mart recently announced its extremely successful introduction of their pre-paid debit card program, touting they serve over 35 million American families "underserved by traditional financial institutions." They go on to claim this is an alternative for consumers looking for checking accounts or credit cards. Credit Unions should be looking at the opportunity in the same way. Every credit card not granted, every share draft account not opened, could be an opportunity to issue a pre-paid debit card and add a loyal member you didn't have before.

We are America's Credit Unions, "People Helping People." We need to continually look for ways to serve America's Consumers. Plastic Card options are definitely a way to fit that bill. We, at the (insert name) League, are here to help you by providing the best products and services to your Credit Union. In partnership with the ICUL Service Corporation, we have created tools with proven results, which provide options for successful Plastic Card Programs for your Credit Union.

For more information on all our Plastic Card Product offerings, please call Jane Bailey at 1-800-292-7875.



Welcome to the following credit unions for recently signing up for new League services:

Delaware State Police FCU – Shared branching
New Castle County School Emps. FCU – Acre Mortgage
Chestnut Run FCU – Acre Mortgage
Louviers FCU - Education Loan Source Student Loan Program
DEXSTA FCU – Education Loan Source Student Loan Program
Sussex County FCU - CUDL (Indirect Lending)
American Spirit FCU – CUDL (Indirect Lending)
Delaware First FCU – Sprint Discount Program
Delaware Alliance FCU – Sprint Discount Program
Chestnut Run FCU – DCUL Strategic Planning Service

Best wishes for success to all our member credit unions. If you would like more information on these or any of the League's services, please visit us on the web at <http://dcul.org/creditunions/services.htm> or contact me at jane@dcul.org.



Strategic Planning Services

Strategic Planning for Boards of Directors and Management is an important step in improving the vision and operations for credit unions. The DCUL Strategic Planning Service provides planning and facilitation to member credit unions with a variety of sessions at pricing gauged to asset sizes.

Below is a list of the items you may choose to have your planner cover:

- Review of the Credit Union's Mission Statement
- Review of last year's strategic objectives and goals
- Review of the current financial standings of your CU
- Peer to Peer analysis
- Review of current products and services offered
- Pre Planning Session Survey
- Perform a Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis
- Define objectives and goals for the next 3 years
- Identify strategies for each objective
- Identify persons responsible for each objective and goal
- Board Roles and Responsibilities Training

For more information and a price quote, contact Jane Bailey, jane@dcul.org.

Thank you for reading Service Issues!
Jane Bailey, Editor