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## The Daily Exchange -- September 18, 2014

**New Jersey Credit Union League** <news@njcul.org>

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The Daily Exchange

September 18th, 2014

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### Data Breach Protection on Assembly Committee Agenda, ELT Introduced in Senate

TRENTON, N.J. – Two league state legislative priorities are seeing action this week, data breach protection and electronic lien/titling bills.

This morning the Assembly Financial Institutions & Insurance Committee is scheduled to consider League-supported legislation (A1239) sponsored by Assembly Speaker Vincent Prieto (D-32) that would prohibit a retail sales establishment from retaining or storing magnetic-stripe data obtained from a credit or debit card after a sales authorization request has been answered. The bill also provides that a business or public entity responsible for a security breach will be liable to a card issuer for the costs incurred in protecting customers' personal information or providing on-going financial services to impacted customers.

A companion bill (S965) sponsor by Sen. Shirley Turner (D-15) is pending committee consideration in the upper house.

On Monday, a Senate companion bill (S2423) to a League-support Assembly legislation (A3211) requiring the NJ Motor Vehicle Commission (MVC) to establish an electronic lien and titling (ELT) system to replace the state's paper based system was introduced by Sen. Linda Greenstein (D-14). Introduced in May, the Assembly bill is sponsored by Asm. Craig Coughlin (D-19), chairman of the Assembly Financial Institutions & Insurance Committee.

This legislation requires the MVC to complete a study to determine whether it has the resources and capability to establish and implement ELT within one year of the bill's enactment. If the chief administrator determines that the commission does not have the necessary resources and capabilities, the commission must contract with a qualified private-sector ELT provider.



Finally, the bill mandates that within one year of the date upon which ELT becomes operational, all lien-holders must participate in the system, except individuals and those lien-holders who are not normally engaged in the business of financing motor vehicles and are administratively exempted by the MVC.

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## Executive Leadership Series

Brought to you by the New Jersey Credit Union League 

### Next ELS Session "Financing Innovation" on November 4th

Mark your calendars! The final ELS session of 2014 will take place Tuesday, November 4th at the League office.

Hear from John Best on "Financing Innovation". This session will help participants identify emerging financial technology such as mobile payments, wearable technology, emerging mobile cross channel opportunities, and the future of the credit union branch.

Click [here](#) for more information and to register.



#### Upcoming Events:

**October 21, 2014**  
**Teller Training for Frontline Staff**  
**Location: NJCUL and via Video Conferencing**  
**10:00 am to 3:00 pm**  
[More Information Click Here](#)

### Convention Corner: Be Sure to Attend the Annual Meeting to Be Entered to Win a \$1,000 Gift Card!

ATLANTIC CITY, N.J. – Be sure to stick around Tuesday morning for the League’s 80th Annual Meeting being held 10:00 a.m. - 11:00 a.m. to be entered into a drawing for a \$1,000 gift card sponsored by CU Direct!

You must be present to win, so be sure to join us for the meeting!

We’re excited to celebrate being “80 Years Strong” with our member credit unions. We’ll C U there!



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### CUNA Urges CUs to Tally Home Depot Breach Impact

WASHINGTON – CUNA is again turning to its member credit unions to help assess the costs of retailer security breaches—this time regarding the massive compromise of card information at Home Depot.

CUNA is urging credit unions to record breach-related activity and costs as they receive and process breach notifications in the upcoming weeks. The new survey will collect data to inform lawmakers, regulators, media, and others about the effects of the data breach on credit unions.

The Home Depot breach could top 60 million compromised cards—significantly higher than last year's Target breach that affected 40 million cardholders.

CUNA executed a similar survey on the 2013 Target breach and found that credit unions incurred \$30.6 million in costs directly related

**October 22, 2014**  
**Business Development**  
**Roundtable: Business**  
**Development that Works**  
**Location: NJCUL and via**  
**Video Conferencing**  
**10:00 am to 12:30 pm**  
[More Information Click Here](#)

**October 23, 2014**  
**Webinar: GFE & HUD-1**  
**Now: Dealing with Current**  
**Forms, Current Challenges**  
**& Regulator Hot Buttons**  
**3:00 pm to 4:30 pm**  
[More Information Click Here](#)

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to the breach—not including fraud costs. The average cost per affected card was \$5.68, and 4.6 million cards were compromised, the survey found.

The results of that CUNA survey made headlines in national media outlets for weeks.

While Target's breach lasted about three weeks and included about 1,500 stores, the Home Depot breach has the potential to be the largest breach ever. The home improvement retailer has 1,977 stores in the United States and 180 in Canada, and the breach went unnoticed for five months. Home Depot confirmed the breach Sept. 8 but has not released any further information.

Among the information CUNA will collect on the Home Depot breach:

- Number of debit and credit cards affected;
- Costs incurred for card reissuance;
- Costs related to additional staffing, member notification, account monitoring, etc.;
- Changes in call volume;
- Changes in staffing; and
- Any specifically identifiable fraud-related losses.

CUNA strongly advocates on behalf of legislation that would protect financial institutions and consumers from the harm such breaches cause by subjecting merchants to the same federal data protection standards to which credit unions and other financial institutions are already subject.

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## Think CUs Deserve a Spot at the Fed Table? Use Hashtag #FedSeat4CUs!

HIGHTSTOWN, N.J. – New Jersey Credit Union League

#FedSeat4CUs



President/CEO Greg Michlig recently advocated for the need and logic of a credit union seat on the Federal Reserve Board in his blog post "[Time for a Seat at the Fed Table](#)".

In his latest blog post "[#FedSeat4CUs](#)", urges credit unions to bring that message to social media with the hashtag, #FedSeat4CUs.

All credit unions and credit union supporters are urged to use this hashtag to express the need for a credit union seat on the Federal Reserve Board. With the push for candidates to be identified before year-end, now is the time for credit union leaders to increase momentum in the usual and effective grassroots fashion of the movement.

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## Congress Should Listen, Act on Regulatory-Relief, Lawmakers Say at Forum

WASHINGTON – The three lawmakers present at Wednesday's *The Hill* forum agree on at least one thing: credit unions are an integral part of the country's financial services landscape. Reps. Denny Heck (D-Wash.), Brad Sherman (D-Calif.) and Rob Woodall (R-Ga.) spoke at the CUNA-sponsored forum.

The three admitted that banking industry representatives are often pushing them and others to reconsider credit unions' tax status.

"I think the economic revenue that would come with taxing these institutions would be far less than the economic benefit we see now," Sherman said. "And that's not even taking into account the fact that a credit union that charges a little less interest, or pays a little more interest on deposits, is generating personal income tax. If you can make 2% on that account, Uncle Sam is getting a piece of that."

He added that while some opponents of credit unions advertise an additional \$2 billion to \$3 billion in revenue, the Joint Committee on Taxation has estimated the number to be almost 40% less than that.

Heck said he has a standard response to banking officials that keep pushing him to re-examine credit unions' tax status, paraphrasing a famous quote from economist Walter Heller on supply-side economics.

"To keep coming to us and asking for that, waiting for it to happen, is a little bit akin for leaving the landing lights on for Amelia Earhart," he said. "Credit unions are not taxed the same as banks as a matter of policy."

Woodall said he has an answer prepared as well, should the question be put to him.

"If they believe the credit union structure is so advantageous that it must be changed in order for you to maintain your competitive edge, maybe just join the credit union movement," Woodall said. "I think it's a red herring to suggest that the playing field we have today is somehow uneven."

When the topic shifted to ideas for regulatory relief, Heck admitted that "there's an appetite in the United States House of Representatives for regulatory relief," but the process has been difficult.

"As credit unions have become a bigger and more integral part of the fabric of the community, their concerns about the regulatory environment have grown over time, and I think it behooves Congress to listen to that and act on it," he said.

The second part of the forum, moderated by CUNA interim President/CEO Bill Hampel, featured Steve Pociask, president of the American Consumer Institute, and Michael Mandel, chief economic strategist of the Progressive Policy Institute.

Both were asked about the consequences of overregulation on credit unions, and how this overregulation can affect recovery from the economic crisis as a whole.

Pociask pointed to the 12.25% member business lending cap for credit unions as a regulation that could be slowing recovery. He emphasized the importance of credit unions for picking up their small business lending by 38% since the onset of the recession, while banks have reduced their small business lending by 17% over that same time period.

"As banks were dropping their lending to small businesses, credit unions were stepping up and increasing that lending," he said. "Why is that important? Because if you look at how the cycle works, 65%-70% of jobs created in the upturn are jobs from small businesses. So it's very important to get capital to them. There's definitely demand for it, but the banks aren't meeting it."

With regard to the NCUA's risk-based capital proposal (RBC), Mandel said it was a "classic case of regulatory oversight."

"It's tightening up regulations just when we need more lending. We saw this after 2000, with the change in accounting rules, which was an overreaction that imposed a lot of costs, but it didn't stop the next financial crisis," he said, adding, "This is the same type of thing, imposing extra costs without doing what needs to be done."

Mandel didn't mince words when he said that the post-crisis reaction of targeting institutions like credit unions "is going to turn out in retrospect to be a disaster. Because it misses the point about what caused this disaster."

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## November 4th ELS Session will Identify Emerging Financial Technology

HIGHTSTOWN, N.J. – The November 4th Executive Leadership Series session “Financing Innovation” will help participants identify emerging financial technology such as mobile payments, wearable technology, emerging mobile cross channel opportunity and the future of credit union branches.



Speaker John Best, President of Best Innovation Group (BIG), with a mission to help credit unions create an innovative culture inside their organizations, will review technology from other industries such as retail, medical, and airline for use at the credit union.

Finally, we will explore Mobile as a cross-channel enabler.

Join the discussion and network with your peers at this must-attend session being held at the League office from 10 a.m. to 2

p.m.

## Executive Leadership Series

Brought to you by the New Jersey Credit Union League 

The cost to attend is tiered based on assets and is as follows: \$209 per person for credit unions over \$150 million, \$149 per person for credit unions \$50 - \$150 million, and \$69 per person for credit unions under \$50 million. A 25% discount is available for credit unions that send three or more

people.

Click [here](#) for more information and for the [full brochure](#).

You may register online through the NJCUL site at [www.njcul.org/els-registration.aspx](http://www.njcul.org/els-registration.aspx). Or simply send an email to Mary Zelinsky at [mzelinsky@njcul.org](mailto:mzelinsky@njcul.org) (be sure to note name(s) of attendee(s) and credit union).

*EDUCATION CANCELLATION POLICY: NJCUL must receive written cancellation in our office seven (7) days prior to the education session in order for you to receive a refund; substitutions only after this date. All cancellations will be subject to a \$25 cancellation fee.*



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## September 2014 Edition of NCUA's OSCUI Newsletter Available

ALEXANDRIA, Va. – FOCUS is the monthly e-Newsletter of the Office of Small Credit Union Initiatives (OSCUI). It focuses on helping small credit unions achieve success by providing news and highlighting opportunities. [Click here](#) to subscribe to FOCUS.

The September 2014 edition is now available.

Feature this month:

- Headliner: Paving the Way for Future Leaders
- In FOCUS with Bill: Securing the Future of Small Credit Unions
- OSCUI in the news: Recent citations about our office and services
- Advisories: Don't Miss the 5300 Call Report Filing Deadline
- Consulting: The Keys to the Credit Union
- Grants and Loans: 2014 Student Internship Grant Highlights
- Partnerships & Outreach: Establishing a Student Branch
- Training: OSCUI Training Events
- Happening in OSCUI: Information and updates
- Announcements: Non-NCUA sponsored events and opportunities

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## Senate Banking Leaders Request FHLB Membership Comment Extension

WASHINGTON – The top Democrat and Republican of the Senate Banking Committee are asking the Federal Housing Finance Agency (FHFA) to apply the brakes on a recent proposal that would change Federal Home Loan Bank (FHLB) membership rules.

Sens. Tim Johnson (D-S.D.) and Mike Crapo (R-Idaho) Tuesday asked FHFA Director Mel Watt to extend the comment period for the proposed rule by 60 days.

On Sept. 2, the FHFA issued a notice of proposed rulemaking that would, in part, require all credit unions to hold 10% of assets in residential mortgage loans on a constant basis to become and remain members of the FHLB system. Currently, the rule requires the 10% to be held only at the time membership is approved.

In a letter to the agency, the senators wrote, "Given the important role the Federal Home Loan Banks play in providing liquidity to small financial institutions and supporting community development efforts ... any change to membership criteria should only be undertaken after thorough consideration."

CUNA backs a longer comment period. In a Sept. 8 letter to Watt, CUNA interim President/CEO Bill Hampel warned the proposal "could create significant barriers to credit union membership in FHLBs." The letter went on to cite the critical role FHLBs play as a source for credit union liquidity.

"The FHFA has not explained why this proposal should be processed on an accelerated basis and thus, we are not aware of the need to expedite it now, particularly since the Advance Note of Proposed Rulemaking was initially issued almost four years ago," the letter reads.

CUNA is deeply concerned that credit unions are not given membership parity with community banks that are not required to maintain the 10% threshold on an ongoing basis in order to retain their FHLB membership.

NJCUL will be filing its own letter in support of the extension.

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## Credit Unions, Mark Your Calendars

HIGHTSTOWN, N.J. – The New Jersey Credit Union League would like you to mark your calendars for these upcoming events:

### **NJCUL Education**

October 7 -- [VirtualCorps Webinar: Why Your CU Needs CBSV to Prevent Fraud and ID Theft](#)

October 14 -- [VirtualCorps Webinar: Big, Balanced and Sustainable Loan Growth](#)

October 21 -- [Teller Training for Frontline Staff](#)

November 5 -- [Lending Roundtable: Lending Best Practices](#)

November 5 -- [Collections Roundtable \(Afternoon Session\): Collections Best Practices](#)

### **Industry Events**

September 20 -- [Renaissance Community Development Credit Union's 7th Annual Bike-A-Thon](#)

September 20 -- [Affinity Federal Credit Union Foundation's Run for Scholars Twilight 5K & Kids' Fun Run](#)

September 20 -- [First Financial Foundation Food Truck and Restaurant Birthday Bash Fundraiser](#)

September 21-23 -- [NJCUL's 80th Annual Meeting & Convention at Trump Taj Mahal](#)

October 7 -- [3rd Annual Affinity Federal Credit Union Foundation Casino Night](#)

October 9 -- [Reality Fair at Ocean County College \(main campus\)](#)

October 16 -- [International Credit Union Day](#)

October 16 -- [Shop for Miracles](#)

November 10 -- [Reality Fair at Ocean County College Southern Education \(SEC\)](#)

### **2015**

April 13-15 -- [CU Reality Check at the Golden Nugget Hotel & Casino in Atlantic City](#)

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