




## EDITION

**NCUA** – Projected 2019 costs at NCUA will be lower than budgeted so the Board agreed to reprogram some of those funds to add four new staff members to the Public and Congressional Affairs office. The office will also be renamed as the Office of External Affairs and Communications. While the first-year costs of nearly \$1 million for these positions will be absorbed without impacting the 2019 budget, all future costs will be paid for with “new money” – money that comes from credit unions. Which raises the question: are there enough legislative and communication issues to warrant hiring four new people? To paraphrase the oft-repeated Sen. Everett Dirksen quote, “a million here, a million there and pretty soon we’re talking about real money.”

By the time you read this, Board member Mark McWatters’ term will have expired. If history is any indicator, he will remain on the board past his August 3 term, but rumblings are that the White House is interviewing possible candidates.


**CRYPTO CURRENCY** – The recent hearing on Libra, the Facebook-backed crypto currency brought to surface some of the issues confronting any new payment system. And in the final analysis, that’s really all crypto currencies are – a new payment system. For all the talk about innovation and technology, crypto currency is just another way for one entity to pay another entity. Ranking Senate Banking Committee member Sherrod Brown (D-OH) compared crypto currency to the subprime mortgages that were part of the 2007-2010 financial meltdown. He also compared Libra to “toddler with a book of matches.” If the market is to have confidence in any type of crypto currency, there needs to be some form of oversight. A recent study claimed that nearly \$1.7 billion was stolen from exchanges or scammed from investors in 2018. This represents a 400% increase over the previous year. When someone loses money, they want an avenue to pursue recovery, litigation or both. Under the current crypto currency, this doesn’t exist. While I understand the desire for confidentiality and the removal of roadblocks, there still needs to be some safeguards in place or the innovation doesn’t solve problems, it merely creates more.



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- TAXI MEDALLIONS** – This issue continues to percolate with credit unions with the indictment of former Melrose CU CEO Alan Kaufman. The Report wrote on this issue last month and we received the following letter to the editor from former NCUA Chairman Dennis Dollar. Read Dennis' letter [here](#).
- CANNABIS BANKING** – Serving the cannabis industry was the focus of a hearing before the Senate Banking Committee. The focus of the hearing was the Secure and Fair Enforcement (SAFE) Act but the hearing reflected some informational holes in the message that is getting through to member of Congress. For example, there seemed to be some confusion on if all credit unions were state chartered and there was discussion about linking cannabis legislation to protecting financial institutions that do business with payday lenders or gun dealers. The Obama administration instituted Operation Choke Point, which targeted payday lenders and gun dealers and their relationships with financial institutions. One of the efforts being discussed would create a bill that allows for cannabis and hemp banking while also removing any restrictions for financial institutions to deal with payday lenders and gun dealers. This appeals to Senate Majority Leader McConnell (R-KY) as his state has a growing interest in hemp products.
- ON THE RIGHT MEMBER TRACK?** – A recent study by Yes Marketing revealed that most consumers are not in the market for a new financial services provider. Nearly three fourths (72%) of respondents say that they are not considering a switch and over a third (36%) said that negative feedback from a friend or relative motivated them to leave their existing financial institution. With a large number (73%) seeking rewards as a way to strengthen their loyalty, these numbers seem counter to the thought that credit unions can “market” their way to new members. With a small amount of possibilities and the desire for rewards – which can be costly to offer – the best marketing for credit unions still appears to be word of mouth, family or friend referral and loyalty rewards.
- CECL** – The long-awaited Current Expected Loan Loss implementation will continue to wait as the date for credit unions has been pushed back to 2023. But this should only temporarily ally any credit union fears. FOR Buddy Gill has been outspoken in his concerns about CECL as a front-line issue. Should you need any guidance or assistance with CECL, please contact me at [Geoff@bacinoassociates.com](mailto:Geoff@bacinoassociates.com). We have been able to put together a team of experts to address this topic.



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**ELECTION 2020** – The first two rounds of debates are in the books and the Democrats still appear to be deciding which approach will best serve them in trying to knock off President Trump...do they want to appeal to moderates or is the progressive game going to get them over the top? Offering free college and Medicare for all appeals to a section of the voting population but they not universally loved ideas. Democrats agree that they do not want four more years of Trump but they will need to unite around a set of ideas that a majority of voters want. The field of candidates will most likely narrow in September as the qualifications for getting on the debate stage becoming more difficult. As of August 1, only eight candidates would qualify for the September 12 and 13 debates. Those candidates are: Vice President Joe Biden, former Rep. Beto O'Rourke (D-TX), South Bend Mayor Pete Buttigieg and Senators Sanders (I-VT), Warren (D-MA), Harris (D-CA), Booker (D-NJ) and Klobuchar (D-MN).

**BETTER REGISTER SOON!** –Don't forget to register for the Elephant in the Room conference coming up August 25-27<sup>th</sup>. Several prominent CEOs have communicated to me the need for such a conference – where topics that aren't often discussed ARE discussed. Be part of this groundbreaking event and don't miss the chance to add your voice. Register now at [www.ElephantConference.com](http://www.ElephantConference.com). Be sure to use the code "BR19" to receive an exclusive **\$250 discount** exclusively for devoted Bacino Report readers.



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