



The Oak Tree Advantage

Published By



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▶ PERSONNEL PROFILE—John Richardson



John Richardson
Account Executive

Oak Tree Business Systems, Inc. would like to introduce you to the newest member of the sales department—Account Executive, John Richardson. Some of you may have already “met” him over the phone. He comes from a background of business ownership/management and he is excited to hit the road and meet with present and future Oak Tree customers! You can find John at upcoming industry events and golf tournaments, including NAFCU, Indiana League Convention, and CA/NV League Convention. He is set to hit the road in July and will be in a town near you soon. Should you want to drop John a line to introduce yourself or welcome him to the industry, you can contact him via email at john@oaktreebiz.com or via telephone at 1-800-537-9598.

In his spare time, John enjoys cooking (see the included recipe on page 3A), weekend music festivals, golf, snow and water sports, and driving his car at law-breaking speeds on California’s San Bernardino Mountain roads. 

▶ OUR REGULATORS AT WORK — Part 2*

Rod G. Terry, Director of Product Management


A little over one year ago, the Board of Governors of the Federal Reserve System (“Board”) solicited additional public comment on their proposed amendments to Regulation Z, which we reported to you in our Autumn issue. So, what has happened since? Well, the Board received over 2,500 comments of which approximately 85% were from consumers and consumer groups while the remaining industry comments were primarily from credit unions. As a result of these comments the Board is now seeking comment on a limited number of additional revisions to the regulation and commentary.

The proposed 2007 amendments addressed disclosures provided: (i) with credit card applications and solicitations; (ii) at account opening; (iii) on periodic statements; (iv) when terms are changed on an account; and (v) in advertisements. The new proposed revisions address: (i) creditors’ responsibilities to establish reasonable instructions for receiving timely payments and when a due date falls on a weekend or holiday; (ii) creditors’ responsibilities when investigating a claim of

unauthorized transactions or an allegation of a billing error; and (iii) advertisements for deferred interest plans would be required to provide additional information about how interest could be imposed.

It is likely that in the not too distant future, the Board will adopt amendments governing open-end lending and in so doing change the regulatory landscape as we know it today. When that happens, Oak Tree will be here to assist and guide you through that minefield so as to assure you that your financial institution is in full compliance.

Should you desire to comment on these revisions, your comments must be received by the Board on or before July 18, 2008, reference Docket No. R-1286 in the subject line, and be sent via e-mail to: regs.comments@federalreserve.gov.

**Continued from the Fall 2007 Oak Tree Advantage, which can be downloaded from www.oaktreebiz.com. Hard-copy print editions are also available upon request.* 

▶ SPRING GREENING AT OAK TREE

With the latest campaigns about going green over concerns with global warming, Oak Tree is getting a bit green itself. Optical storage has been implemented and we have cut down on, and are taking steps to further reduce, our consumption of paper throughout our forms-production process. All of our pre-printed forms are direct-to-plate files sent electronically to press...terminating any need for film developing (which required the use of, and proper disposal of, environment-threatening chemicals). The forms we produce have signature-capture capabilities, which allow our Credit Unions to use less paper.

Among future plans to stay green, Oak Tree has been considering Webinars (web conferencing) in some form or another, which can reduce the need for travel for all involved.



The Oak Tree Advantage

▼ THE IMPORTANCE OF BEING EARNEST


Genelle Rich, President



With Oak Tree Business Systems’ continuing efforts to support your Credit Unions, we are diligent in addressing the constantly changing regulations and requirements. In order for Oak Tree to support your documents, we continually educate ourselves and pass that information on to you...the customer. If you have had an existing Open-End Home Equity package with Oak Tree for more than one year, you probably already know that we annually update your Open-End Home Equity Early Disclosure. All this for one form...*Why?* You may be asking yourself.

The reason: **Index movement.** Index values and annual percentage rates must be shown for the entire 15 years of the historical example and must be based on the most recent 15 years. The example must be updated annually to reflect the most recent 15 years of index values as soon as reasonably possible after the new index value becomes available. If the values for an index have not been available for 15 years, a creditor need only go back as far as the values have been available and may start the historical example at the year for which values are first available.

On an annual basis, we will update your Home Equity Early Disclosure and send you a proof based on the regulation provided above. This is why it is imperative that you return your proof in a timely manner so that we can be sure to not only maintain the integrity of your document, but to uphold the regulations as well. This would also give you—the Credit Union—an opportunity to make any additional updates that you may have at the time. Once you have returned your proof approved, Oak Tree would then send your finished document to the appropriate person at your Credit Union or Data Processor. If you have any questions, please feel free to contact Oak Tree. As always, we look forward to continuing to take the worry out of your hands and provide the regulatory support that your Credit Union needs.

Thank you in advance for returning Home Equity Early Disclosure proofs in a timely manner. 

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NEW REGULATORY STRUCTURE

Michael Kus—Kus, Ryan, Schluentz & Brown, PLLC

On March 31, 2008, the Treasury unveiled its 212-page “Blueprint for a Modernized Financial Regulatory Structure” to promote market stability and consumer protection. In announcing the Blueprint, Secretary Paulson noted that the current U.S. regulatory structure in the financial services sector is a functional one that has developed over time, largely in response to financial or economic events in United States history, and that the resulting regulatory system does not reflect a comprehensive, systemic regulatory scheme. As a result, the existing patch-work quilt regulatory structure is incompatible with the current market conditions and trends.

According to the Treasury, the current financial services regulatory system lacks any regulatory body with the authority and information necessary to truly measure and respond to systemic risk in the financial services sector. Moreover, the current structure suffers from redundancies that often result in jurisdictional disputes. The Treasury believes that these redundancies and disputes only serve to frustrate financial services innovation and drive market participants to foreign jurisdictions that are more adaptive to financial services innovation and product development.

To promote market stability and consumer protection, the Blueprint contains short-term recommendations to provide some near term market stability and consumer protection, intermediate-term recommendations to increase the efficiency of financial regulation, and longer-term suggestions that would represent a structural and ideological change in financial services regulation in the United States.

Short-term Recommendations

In the near term, the Treasury recommends that the President’s Working Group in Financial Markets (“PWG”) be allowed to function more effectively as a coordinator of financial regulatory policy for the entire financial sector, including better interagency coordination and communication and expanding the PWG’s membership to include the heads of the OCC, FDIC, and OTS.

The Blueprint recommends the creation of a federal commission to address nationwide licensing standards for mortgage market participants, reinforcement of the authority of the Federal Reserve to draft national mortgage lending laws, and provides for clarification and enhancement of the authority for enforcing federal laws. The short-term recommendations also consider necessary oversight enhancement with respect to non-depository institutions being allowed to use the Federal Reserve’s discount window as a liquidity tool for market stability.

Intermediate-Term Recommendations

In the intermediate-term, the Blueprint calls for the elimination of the thrift charter over a two-year period in favor of the national bank charter. The Treasury



believes this is appropriate because the purpose behind the thrift charter, to ensure availability of residential mortgage loans to consumers in the U.S., is largely being fulfilled by other market participants, thus rendering the thrift charter moot.

The Blueprint further recommends either the Federal Reserve or the FDIC should regulate state-chartered banks, but not both as is the case under the current regulatory structure. It is recommended that a study be conducted to determine which federal regulator should oversee state-chartered banks. An overhaul of the Securities and Exchange Commission is also recommended to modernize regulations and merge the regulatory oversight of the futures and securities markets to more accurately reflect the convergence of those markets that has taken place over time.

Another intermediate-term recommended regulatory change is the creation of an optional federal charter for insurers. The Treasury believes this is necessary to make U.S. insurers more competitive in the global financial services market by eliminating the need for insurers to comply with numerous and sometime conflicting state laws under the current state-law insurance regulatory structure, although the Blueprint recommends leaving the state level regulatory regime intact thereby giving insurers a choice of regulatory structures under which to operate.

Long-Term Suggestions

Perhaps the most intriguing part of the Blueprint is the Treasury’s suggestion for a complete structural and ideological change in the regulatory scheme for U.S. financial services providers. The Treasury calls this a conceptual model for an optimal regulatory structure that is objectives based, with a separate federal regulator focusing on one of three objectives: (1) market stability; (2) prudential financial regulation (e.g. safety and soundness); and (3) business conduct (e.g. consumer protection.) Because the envisioned regulatory scheme would be objectives based, separate

regulatory authorities would be created or existing ones reformed to focus on these objectives.

In addition, the Blueprint suggests three new federal charters: (1) financial services providers with federal deposit insurance; (2) financial institutions offering retail insurance products that have a federal guarantee; and (3) all other financial services entities not fitting into either (1) or (2).

As part of this regulatory transformation, the Blueprint proposes that the only way for a financial institution to obtain deposit insurance, including insurance currently provided by the National Credit Union Share Insurance Fund (NCUSIF), the financial institution would be required to have a federal charter under a newly created Federal Insured Depository Institution (FIDI) charter.

The stated goal of the FIDI is to create a level playing field where competition operates on an economic basis rather than on the basis of regulatory differences. The FIDI charter would consolidate the national bank, federal savings association, and federal credit union charters. A FIDI charter would provide what is fundamentally OTS “field” preemption over state laws to reflect the national scope of financial services.

The creation of the FIDI charter would effectively eliminate the current dual banking system. In order for deposits or shares to be federally insured, the financial institution would necessarily have a federal FIDI charter.

The Blueprint says that in the optimal structure, states should continue to have authority to charter financial institutions and state authorities should

continue to have a role in the development and enforcement of business conduct regulation, however the practicalities of how this would actually work in the absence of federal deposit insurance for state chartered financial institutions is not explored in the Blueprint.

Should the long-term suggestions made by the Treasury in its Blueprint be adopted, most financial institutions would be subject to regulation and examination by multiple federal regulators. For example, a financial institution with federally insured deposits would be regulated by the market stability regulator (presumably the Federal Reserve), a Prudential Financial Regulatory Agency, and a Conduct of Business Regulatory Agency.

Summary

Although current stress in the financial services industry and markets makes it likely that some regulatory changes will come about, it is unlikely that the recommendations and suggestions contained in the Blueprint will be adopted. Many recommendations insert federal oversight where state regulatory authority historically existed. The recommendations also appear to elevate the type and extent of the authority of the Federal Reserve at the expense of existing state and federal regulatory agencies. Moreover, it is not clear that an objectives-based regulatory regime would be more adept at identifying and proactively responding to market stability and consumer protection issues present in the financial services industry and markets than the existing functional regulatory model. 🌳

RISK-BASED PRICING NOTICES?

Rod G. Terry, Director of Product Management

After nearly five years, the Federal Reserve Board and the Federal Trade Commission announced proposed regulations that would implement section 311 of the Fair and Accurate Credit Transactions Act of 2003, which amended the Fair Credit Reporting Act. The proposed regulations would generally require creditors to provide consumers with a risk-based pricing notice when the creditor offers or provides credit to the consumer on terms less favorable than the terms it offers or provides to other consumers based on the consumer’s credit report.

Risk-based pricing refers to the practice of using a consumer’s credit report in setting or adjusting the price and other terms of credit offered or extended to a particular consumer. Many creditors offer more favorable terms to consumers with better credit histories while offering less favorable terms to consumers with credit histories that reflect poor payment histories. The proposed regulations would apply, with certain exceptions, to all creditors that engage in risk-based pricing and require that a risk-based pricing notice be provided to the consumer after the terms of credit have been approved but before the consumer becomes contractually obligated on the credit transaction. Additionally, notice requirements would also apply when creditors conduct account reviews and subsequently increase the Annual Percentage Rate on the

consumer’s existing account due to information obtained from the consumer’s credit report.

The proposal provides a number of different approaches that creditors may use to identify the consumers to whom they must provide risk-based pricing notices, and includes certain exceptions to the notice requirement. The most significant of which permits creditors, in lieu of providing a risk-based pricing notice to those consumers who receive less favorable terms, to provide all of their consumers with their credit scores and explanatory information. The proposed regulations have been published in the Federal Register and the comment period closes on August 18, 2008.

If you would like to make your voice heard, you may submit your comments, identified by Docket No. R-1316, using any of the following methods:

- Agency Web Site: www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm
- Federal eRulemaking Portal: www.regulations.gov.
- E-mail: regs.comments@federalreserve.gov.
- Fax: (202) 452-3819 or (202) 452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551. 🌳

The “A” Page

COOKIN’ UP SALES AND SOME GOOD FOOD

John Richardson, Sales Account Executive

Pork Tenders with Hard Cider Sauce and Chayote Pickles

3-4 pieces pork tenders (serves about 4-6)

Marinade:

- 1 C. soy
- 1 C. Worcestershire
- 1 C. coffee
- 1/2 C. oil (not olive)
- 3T. minced fresh garlic
- 1- 6" sprig of rosemary

marinate for a minimum of 2 hours

Hard Cider Sauce:

- 1 C. molasses
- 1 C. dijon
- 1 C. apple cider vinegar
- 1/2 C. brown sugar
- 1 t. Angostura bitters

Optional: 1 C. hard cider

Reduce by 1/2 or until cooked down to a sauce consistency

Chayote Pickles:

Per 1 chayote squash, peeled and sliced, add:

- 1T. granulated sugar
- 2T. vinegar
- 2T. water
- 1/2t. turmeric
- 1/2 t. mustard seeds
- 1/2 sliced red onion

Put peeled and sliced chayote in a pan with all ingredients except the red onion, stir and cook 10-15 minutes, or until chayote is soft but still crisp. Add red onion, stir, cover, and remove from heat until ready for service.

Sear pork evenly on all sides either on a outdoor broiler or in a small quantity of oil in a pan on the stove. (Searing creates a wall on the outside of the protein—in this case, pork—and, when baked, keeps the juices in. In addition, when pork is removed from the oven and let to rest allows the rarer meat and blood to transfuse to the outer, hotter part of the meat.) Bake seared pork 20 minutes @ 350. Remove and let rest 5-10 minutes. Don’t over cook, if using smaller tenders, cook shorter time. Center of meat should be 140 with meat thermometer.

Presentation: Nap plate with hard cider sauce, slice pork and fan over sauce, glaze pork one more time with sauce over top of entree, then spoon chayote into curvature or onto top middle of pork entree. This dish is best served with roasted garlic-spinach-goat cheese mashed potatoes and steamed vegetables of your choice.

Key: C.=Cup, T.=Tablespoon, t.=Teaspoon 🌳