**TO: CUNA Members**

**FROM: Bill Cheney, President/CEO, CUNA**

**DATE: November 3, 2010**

**RE: 2010 Election Results and Credit Unions**

Yesterday’s election results clearly represent a significant change of direction for Washington. As has been widely reported, Republicans took control of the U.S. House of Representatives, picking up a net of at least 60 House seats, with the outcome of 13 races yet to be determined as of early this morning. Democrats retained control of the U.S. Senate; despite a six seat pickup by Republicans and three yet-to-be-called races, they maintain a minimum of 51 seats.

As for credit unions, we had a strong night despite losses of Democratic friends. We engaged in this election to a greater degree than ever before. CUNA/League support, as defined by CULAC donations, extended to 358 House candidates and 31 Senate candidates, meaning we backed a pro-credit union candidate in 82% of the seats up in Congress. As of this writing, 26 of our Senate candidates won and just three lost (Brad Ellsworth in Indiana, Lee Fisher in Ohio, and Joe Sestak in Pennsylvania). A fourth race, involving credit union-backed incumbent Sen. Patty Murray (D-WA), remains too close to call. In the House, 300 CULAC-backed candidates won election, and 48 lost, with 10 races yet to be determined. Overall, as of this morning, 93% of candidates in called races who received CULAC support won election.

Of perhaps greater note, our involvement extended beyond mere CULAC donations in a number of key races. CUNA, CULAC, Leagues and individual credit unions spent a combined $1.1 million on direct communications with voters in 13 races, ten in yesterday’s General Election. Millions of voters heard some form of communication from us in 12 targeted states, all positive and all in support of candidates from both parties who understand and back credit unions. Indeed, a *Washington Post* analysis in late October ranked CUNA the 5th largest outside spender in campaigns among trade associations, and the most bipartisan among the top 50 organizations.

Our efforts ranged from statewide television ads in South Dakota and radio ads in Colorado, Missouri and New Hampshire, to over 1 million pieces of mail sent to voters since early August. Of particular note, 22 credit unions worked with CUNA and their Leagues to send more than 600,000 pieces of direct mail to their members in support of their local Congressional candidates.

**Results in Key Races**

Of course, this record involvement would be for naught had we not succeeded in helping elect our credit union friends in these key races. **Of the ten races on the ballot yesterday in which we invested in paid voter communications, we won eight**. We won a major victory in Nevada, where our independent expenditure (IE) helped Senate Majority Leader Harry Reid (D-NV) win a key victory for Democrats on an otherwise difficult evening. CULAC’s other IEs, with one exception, also resulted in victories for strong credit union friends. Our statewide radio buy for Rep. Roy Blunt (R) in the Missouri Senate race helped him win easily. Freshman Rep. Kurt Schrader (D-OR) won with the help of CULAC direct mail. And Cory Gardner (R-CO), a credit union champion in the Colorado legislature, defeated incumbent Rep. Betsy Markey (D) with assistance from CULAC radio ads.

Our partisan communications campaigns, in which leagues and credit unions mailed to credit union members, were similarly successful. Incumbents and credit union champions Reps. Ed Perlmutter (D-CO) and Larry Kissell (D-NC) won while many of their Democratic colleagues lost, and we believe their success can be attributed at least in part to our efforts. Credit union mailings also helped Kevin Yoder (R-KS) win an open seat and Steve Stivers (R-OH) defeat incumbent Rep. Mary Jo Kilroy (D-OH).

We did lose two key races: that of credit union champion Rep. Paul Kanjorski (D-PA) and Rep. Stephanie Herseth Sandlin (D-SD). Despite our best efforts–we mailed over 50,000 pieces of mail to credit union households and organized volunteer canvassing and phone banking efforts—the Republican wave, particularly in Pennsylvania, proved too much for Rep. Kanjorski. Indeed, the result confirms what our internal polling had indicated in the weeks leading up to the election. While this is obviously a difficult loss for credit unions, it also demonstrates why we have worked so hard to develop new up-and-coming champions on both sides of the aisle.

It should also be noted that while we were successful in eight of the ten races in which we did conduct paid communication efforts, there are many other races involving credit union friends in which we couldn’t help in a similar fashion given the unprecedented number of competitive races and our limited resources. In determining which races to engage, our Political Affairs staff works closely with Leagues, the CULAC Executive Committee, and professional political pollsters and consultants. Given the resources available, including not only funds but credit union penetration in a given district, we try to invest in races where we can make a difference in the outcome. This is a key component of our strategy to expand our base of credit union support in both the House and Senate.

We are confident though, that our successes can be attributed to the strong, favorable image of credit unions, both among our own members and the voting public at large. Throughout the year, CUNA’s research and polling indicated that voters react favorably to both candidates endorsed by credit unions and to candidates who support credit union issue positions. The election results, particularly in the races where we communicated directly with credit union members, bear that out and offer a road map not only for future efforts at the ballot box but for grassroots campaigns on credit union legislation as well.

**Outlook for Credit Unions in 112th Congress**

Going into the election, most pundits expected the 112th Congress to be a gridlocked Congress no matter who is in charge.  Certainly, a divided government presents its challenges in terms of enacting legislation -- whether that's a repeal of previously enacted bills (i.e. health care reform or financial reform) or enactment of new legislation (i.e capital reform for credit unions).  Congressional leaders might have a list of things that they would "like" to do, but political realities often prompt them instead to answer the question, "what can we do?" or "what must we do?"

Out of the gate, expect Congress to consider tax reform and ways to tackle the federal budget deficit.  It is also possible that Republicans, now in control of the House of Representatives, may force symbolic votes to repeal the Health Care Reform law or parts of the financial reform bill; however, with President Obama wielding a veto pen, we do not expect those measures to be enacted.

Housing finance reform will be the top agenda item for the House Financial Services Committee and the Senate Banking Committee.  This would have been true no matter which party controls the chambers.  The key question here will be:  what role should the federal government have in the secondary mortgage market?  It is a question that will sharply divide Congress, but it is also one that will be incredibly important to credit unions which rely on the secondary mortgage market.  With Republicans in control of the House of Representatives, it is safe to expect a number of oversight hearings on the implementation of the Dodd-Frank Act as well as the administration's handling of the financial crisis.  However, an ambitious legislative agenda is not expected because very shortly the 2012 campaign season will begin and both parties will be posturing for position in the Presidential election.

While it is obvious that Rep. John Boehner (R-OH) will be Speaker and Rep. Eric Cantor will most likely become Majority Leader, other leadership positions and committee chairmanships will be determined in the coming weeks. However, at this time, this is what we expect:

House Financial Services Committee Chairman Spencer Bachus (R-AL)

House Ways and Means Committee Chairman Dave Camp (R-MI)

House Appropriations Chairman Jerry Lewis (R-CA)

House Judiciary Committee Chairman Lamar Smith (R-TX)

House Rules Committee Chairman David Dreier (R-CA)

House Small Business Committee Chairman Sam Graves (R-MO)

House Oversight Chairman Darryl Issa (R-CA)

In the Senate, we expect that Senator Reid will remain Majority Leader and that other leadership positions will remain unchanged. The key change in the Senate relevant to credit unions will be the Chairman of the Senate Banking Committee; Senator Timothy Johnson (D-SD) is expected to claim the chairmanship of that committee.

All of this is subject to change as the party caucuses meet over the next several weeks. We will of course follow these meetings closely and communicate updates as developments warrant.

**Highlights of CUNA’s 2010 Election Involvement**

Below follows some brief highlights of our involvement and results in the 2010 Midterm Election.

* **86% of CUNA/League-backed candidates won election to 112th Congress**
  + 300-48 in House races (93%), 10 races undetermined
  + 26-3 in Senate races (90%), 1 race undetermined
* **Nearly $3.9 million spent by CULAC, CUNA, Leagues & Credit Unions**
  + $1.1 million spent on Direct Voter Communications (10 general election, 3 primary)
* **Over $2.7 million contributed directly to federal candidates and committees (56% D, 44% R)**
  + Supported 358 House candidates in General Election (out of 435 races)
  + Supported 31 Senate candidates (out of 37 races)
  + Supported challengers (5 R, 2 D) against 7 House incumbents
* **Record $837,000 spent on CULAC Independent Expenditures (IEs):**
  + MO Senate – Rep. Roy Blunt (R) - **WON**
  + NV Senate – Sen. Harry Reid (D) – **WON**
  + NH Senate – Ovide LaMontagne (R) *\*GOP Primary -* LOST
  + CO-4 – Cory Gardner (R) - **WON**
  + OR-5 – Rep. Kurt Schrader (D) - **WON**
  + SD-AL – Rep. Stephanie Herseth Sandlin (D) - LOST
* **CULAC ranked 5th among trade associations engaged in IE spending(source: *Washington Post*)**
  + Most bipartisan among Top 50 IE spenders
  + 49th overall among 212 organizations
* **Record $300,000 spent on CUNA/League/Credit Union Partisan Communications:**
  + AZ-7 – Jim Waring (R) *\* GOP Primary -* **WON**
  + CO-7 – Rep. Ed Perlmutter (D) - **WON**
  + GA-3 – Rob Woodall (R) *\* GOP Primary* - **WON**
  + KS-3 – Kevin Yoder (R) - **WON**
  + NC-8 – Rep. Larry Kissell (D) - **WON**
  + OH-15 – Steve Stivers (R) - **WON**
  + PA-11 – Rep. Paul Kanjorski (D) - LOST
* **Over 1 million pieces of direct mail sent to voters:**
  + 402,398 credit union households (partisan communications)
  + 616,200 targeted to likely voters (IEs)
* **Copies of CUNA’s ads and mailings can be found here:**
  + <http://www.cuna.org/pol_affairs/direct_voter.html>