Perspectives

The Official Publication of Cornerstone Credit Union League

Fall 2014

Marketing Your Cooperative Advantage

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Managing Editor
Linda Webb-Mañon

Associate Editor
Kimber Cockrill

Contributing Writers
Steve Gibbs
Karen Houston-Johnson
Kimberly Jones
Susan Looney

ADVERTISING
Advertising Sales Directory
& Account Executive
Tracy Florida

BUSINESS
Subscription Coordinator
Sue Epperson

HOW TO REACH US
4455 LBJ Freeway, Suite 1100
Farmers Branch, TX 75244-5998
e-mail: lwebb-manon@
cornerstoneleague.coop
Website:
www.cornerstoneleague.coop

Main Office: (469) 385-6400
(800) 442-5762 Ext. 6400

Editorial: (469) 385-6486
Advertising Sales: (469) 385-6641

Advertising Design: (469) 385-6473
Subscriptions: (469) 385-6668
Letters to the Editor:
lwebb-manon@cornerstoneleague.coop

CORNERSTONE CREDIT UNION LEAGUE

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GRAPHIC DESIGN
Bonnie Hickman

FEATURES

DEPARTMENTS

CEO's Column

By Dick Ensweiler
CEO
Cornerstone Credit Union League

The role of the Cornerstone Credit Union League is to serve as the essential partner for credit unions in our region through educational programming and facilitation of collaborative opportunities such as our nine credit union councils. We help to empower credit unions to realize their full potential as financial educators and advocates for nearly 10 million members in our region.

We offer support and leadership in the areas of advocacy, regulatory and compliance support, ALM, and other areas that help to ensure your continued success, as well as provide immediate access to solutions-oriented products and services from Credit Union Resources and other strategic business partners.

CO-OP Financial Services, Catalyst Corporate FCU, Ser Tech, CU Members Mortgage, JMFA, Credit Union Student Choice, Level 5, SIGNix, and CUNA Mutual Group, are just a handful of organizations with whom we collaborate.

We only collaborate with organizations that can provide real value to our member credit unions and who continually give back to and support the credit union system. Perhaps that's why we have maintained such a close relationship with CUNA Mutual Group for so many decades. They have been a beacon of strength in the movement for more than 75 years. Their value isn't only measured in the wealth of insurance products, lending solutions, and marketing programs they provide. They are a major pillar in our movement, working closely with state leagues and the national credit union movement.

CUNA Mutual Group sponsors a number of Cornerstone events, supports the efforts of the Cornerstone Credit Union Foundation, and contributes to the Southwest CUNA Management School Scholarship Fund. They also support CUNA in virtually every major initiative to protect and promote the credit union movement throughout the U.S. Additionally, CUNA Mutual Group closely monitors state regulatory agencies and legislative initiatives in order to ensure the laws and regulations are current, enabling credit unions to insure members appropriately.

We are a movement of people, and relationships are key to our continued growth and success. Through essential partnerships like the one we have with CUNA Mutual Group, we are able to provide credit union members with meaningful products and services that help increase productivity and improve overall bottom lines.

If you are not taking advantage of the partnerships we have forged on your behalf, I encourage you to learn more about these companies and explore how they can bring greater value to your organization by visiting curesources.coop. If you aren't currently using CUNA Mutual Group, I ask that you reconsider, as credit unions across the country are benefitting every day by the products and services they provide, which in turn allows CUNA Mutual Group to continue to invest in and support the credit union system at all levels.

Chairman's Forum

By Paul Trylko
President and CEO
Amplify FCU

It's hard to believe we are just a few months away from the New Year. I know the closer we get to the end of 2014 our attention will be called in a myriad of directions. And while advocacy might not be on the forefront of our minds, 2015 is a legislative year in Arkansas, Oklahoma, and Texas, and we need to be ready.

The decisions of our lawmakers directly impact our ability to what we do best – serve our members. The national credit union movement is 100 million members strong. In our region we have 9.7 million members. Our growth can be partly attributed to the legislative environment in which we operate.

Over the course of our history, we have enjoyed many legislative victories that have afforded us the opportunity to expand our outreach and add new products and services that will help us remain relevant for our members of today and tomorrow.

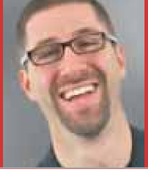
Each and every one of us can contribute to our future growth and success by becoming more engaged in our advocacy efforts. When we unite through political advocacy, we are in a much stronger position to influence public policy – not for self-serving purposes, but for the 100 million consumers already enjoying the benefits of membership and the millions more who haven't yet found their way to a credit union.

To ignore the importance of advocacy would be detrimental to our future growth and success. It would mean allowing someone else to be in the driver's seat – someone who may not fully comprehend the value of financial cooperatives in the market space.

Through advocacy we are able to bolster awareness and understanding of credit unions. Together, we have the power to protect and preserve our cooperative movement.

It's important to remember that advocacy isn't a single activity or event that can be checked off your "to-do" list. It is an ongoing effort and it is vital to strength and vitality of our movement.

By Jeff Trachtman
Director, PULSE Product Management



Trends in Debit Rewards Programs Focus on Value Creation

Debit rewards programs have gone through a seismic shift in recent years, primarily due to Regulation II's impact on interchange rates. Many financial institutions moved away from issuer-funded debit rewards after regulatory limits on interchange made many such programs uneconomical.

With financial institutions continuing to face intense pressure to engage and retain cardholders, and consumers responding to rewards propositions in which they find value, a new generation of debit rewards programs has emerged.

The *2014 Debit Issuer Study*, commissioned by PULSE, found that debit rewards programs regained some momentum last year, largely driven by the increasing popularity of merchant-focused rewards. After declining significantly in 2011 and 2012, post Reg II, 47 percent of all issuers offered a rewards program in 2013.

Consumers Can Be Fickle

Not all debit rewards programs are created equal. What might seem like the easiest part – attracting cardholders into a rewards program – can be a significant challenge. The relatively low level of consumer participation is often due to a lack of marketing support. Digging deeper, we've found that most rewards programs just aren't very interesting to cardholders. People may sign up but not find enough value to stay.

Therefore, financial institutions constructing rewards programs to encourage cardholders to exhibit a desired behavior – such as using a specific payment product, opening new accounts, or maintaining certain balances in their deposit accounts – must figure out the consumer's sweet spot. What does the cardholder value? Once that piece of the puzzle is in place, the challenge turns to structuring a program in which the value and cost of the rewards don't exceed the value of the behavior.

In this post Reg II era, in which many financial institutions are working with razor-thin margins, issuer-funded programs are simply not as profitable as they used to be, particularly for interchange-regulated issuers.

A Time for Experimentation

At PULSE, we use the word "laboratory" a lot to describe how we are approaching this current period of re-imagining debit rewards. We encourage all parties, including financial institutions, to experiment with new types of rewards programs in order to see which resonate with their cardholders, get them to act, and keep them engaged over time.

It is easier said than done. Just a few of the key variables considered in financial modeling of card-based rewards programs include:

- Point of accumulation
- Rates
- Caps
- How many points are required to redeem for what types of value
- How long before the points expire, if they ever expire

Meanwhile, financial institutions also need to determine the value being created for their organization. This can include fostering better relationships with merchants as well as customers, cardholder retention, and encouraging changes in cardholder behavior, such as increased spending on their debit card.

In the midst of this analysis, the silver bullet financial institutions have is transaction data. Every time a card is used, it generates extremely valuable information, such as, when and where the debit is used most, ticket size, frequency of use, and in what merchant categories. By aggregating that data across segments of customers, patterns in behavior reveal themselves. Profiles of customer segments and their associated behaviors emerge. This data-centric approach leverages information, which once was underutilized, to inform critical business decisions that can have an enormous impact on the issuers' bottom line.

Therefore, having the back-end data infrastructure to collect and analyze this information has become necessary to properly construct and target debit rewards offers.

Strategic financial institution marketing will define the next generation of debit rewards. Many of the larger institutions are already investing heavily in data analysis and will gain more insights into what makes their customers tick. Debit rewards programs that provide value to all participants, while also generating indispensable marketing data, can help level the playing field for smaller institutions.

Debit rewards can help your institution compete in a world where information reigns supreme.

Doing the Right Thing

To best explain the state of the economy and the federal government's tepid attempt to address its pitfalls, one might turn to a quote from the great economist, Milton Friedman, who once said, "Unless it is politically profitable for the wrong people to do the right thing, the right people will not do the right thing either."

With consumer spending accounting for two-thirds of the nation's gross domestic product, much of the "recovery" over the past few years has actually come from its other contributors: government spending and corporate capital investment. Despite the fact that the nation's unemployment rate has dropped from 10 percent to 6.2 percent, the growth in consumer spending is finding it difficult to surpass 2.5 percent, which is significantly below the 5.5 percent average growth rate experienced the last three times the unemployment rate was 6.2 percent.

As to Friedman's quote, the Federal Reserve is now eager to use its best influence to push for higher short-term interest rates, possibly as soon as next spring. If consumers are hesitant to spend money at today's interest rates (financing), one might question why the Federal Reserve would think it could stimulate more spending with higher rates. To inject a higher rate environment too soon, too fast, could be met with a consumer that will remain on the sidelines and create the actual opposite of what it desires. This potentially could send the economy back into a tailspin.

Through the first half of the year, the economy expanded at a very modest +0.95 percent, a full percentage point below the growth rate for all of last year and 2 percentage points lower than the first of 2013. The "strong" 4 percent growth rate for the second quarter was more about a "return of normal"—coming off a -2.9 percent contraction during the first quarter—than it was about any form of recovery.

Fundamentally, the economy remains very fragile and is greatly exposed to "event risk."

Yet, although many economists project growth to average about 3 percent for the second half of the year, there's serious doubt that consumer spending will be a principal contributor with sub-3 percent growth projections for both the third and fourth quarters.

By Brian Turner
President and Executive Director
Meridian Alliance LLC

As a result, consumer loan demand will most likely remain cool during the second half of the year. Traditionally, loan demand is at its weakest during the first quarter of each year; however, for the past three years, it has been the period when loan origination has been the strongest for credit unions. This will most likely be the case in 2015.

Unfortunately, although most can expect improvement, many credit unions will once again be challenged with loan growth in 2015. Demand for mortgage originations will center on purchase applications, and consumer loans will continue to rely on auto sales. Don't expect much growth coming from credit cards or other unsecured loans. Share growth will be moderate again in 2015, but credit unions with less than $250 million in assets can expect improvement from the dismal showing over the past couple of years.

Next year will prove to be nothing more than a transition year for credit unions to position their balance sheets properly in anticipation of the pending rise in short-term rates. Still, this doesn't mean that credit unions should fundamentally shorten earning asset duration any more than what they have today. That time will come later. But each credit union should ensure its liquidity profile (surplus and cash flow structure) will be strong enough to not only benefit from the increase in short-term rates but enable it to avoid a competition for funds while putting downward pressure on cost of funds.

This way, net interest margins will widen as higher marginal asset yields increase at a faster pace than cost of funds, pushing net returns back to pre-2008 levels.

By Rick Grady
Vice President, Research
Cornerstone Credit Union League

Making Sense of Cloud Computing

After 22 years of working in the high-tech space with two of the leading companies in information technology (formerly called data processors), I have to smile every time I read or hear about cloud computing. In a recent article, an author wrote "Cloud computing is now evolving like never before, with companies of all shapes and sizes adapting to this new technology."

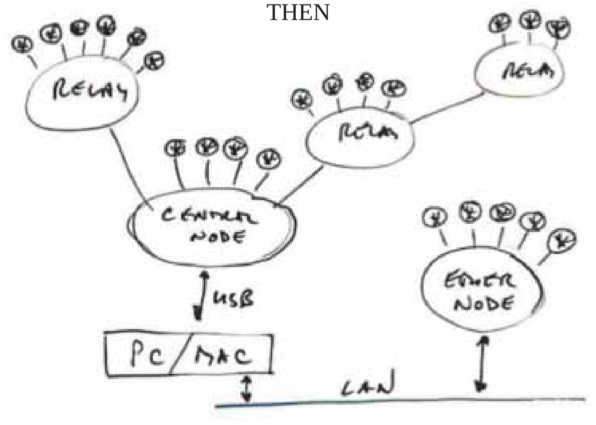
Let me be honest…in the technology world of the recently passed, we used to call these statements "smoke and mirrors," a reference to magician props designed to conceal what really is taking place. There is nothing new about this concept, and it has been evolving now for over 60 years. In fact, the word "cloud" comes from the engineering drawings we made first on chalk boards and then on white boards.

People do not need massive computers, storage systems, networking devices, and transmission gear wherever they go. Thanks in part to Moore's Law these have been reduced in size to fit in the palm of one's hand.

Similarly, distribution of software and firmware (code in a device telling a component it is a video screen, a signal transmitter, connected to a microphone, etc.) can be done uniformly across hardware platforms.

Storage of accessible data to create information can be performed at central locations called data centers, information processing centers, or clouds. The data can be in multiple locations, with an application pulling components to a single device to give the operator useful information or knowledge.

THEN



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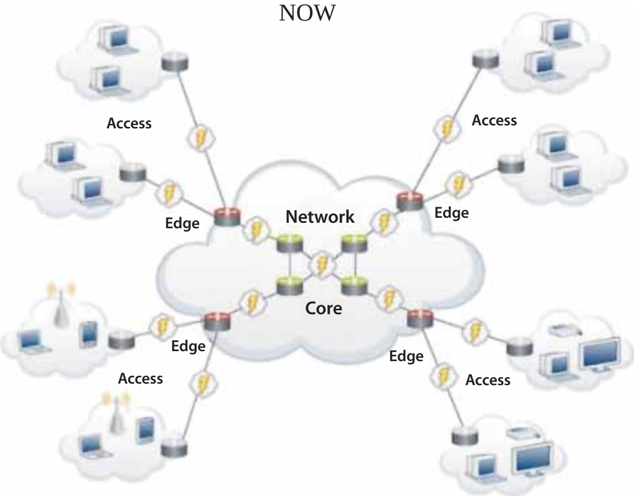


To represent large connected networks, we simply drew a cloud and then drew lines to attached devices. Again as fact, we sometimes drew a series of clouds, one attached to another, like cloned vessels attached to a mother ship. Then we used to call the designed system on-line processing or distributed processing. Now we call it cloud computing and native applets.

The concepts then are still true today. People can have a plethora of devices (smartphones, tablets, wireless devices, computers, and other wired or wireless equipment), and information can be pushed to (or pulled from) these devices within milliseconds from a single source or multiple sources, all with a similar look and feel (what we call "responsive design").

Thus, if I look at my Facebook account on my desktop computer and then change to my tablet, I get a similar look and the same information. When I change to my smartphone, I get a similar look with the same information.

The advantages today are similar to the advantages in the 1980s—and before. Don't be fooled. Humans have transmitted information wirelessly since the invention of hand signals and the semaphore – long before the Morse code.

More importantly, what used to cost millions of dollars to support is now delivered for fractions of a penny.

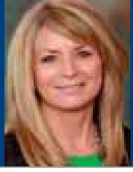
Also true, similar to Wind Talkers in World War Two, transmissions using clouds need encoding, back-up paths, protection, and all types of security. Data flowing from point A to point B can be intercepted anywhere along the way.

Intruders can infiltrate point A or point B and, once in, take anything they want or just listen and wait. Hackers can cut into pathways and replicate, duplicate, or impersonate information sources.

Thus, service providers need to deliver outer perimeters, inner perimeters, and central fortification. In essence, strong security and coded checkpoints must be in place. What we used to protect with armed guards, specialized housing, security badges, and biometrics (finger prints, thermal scans, and iris and retina patterns) now must be done by applications, passwords and, in some cases, biometrics.

So, as technology and terminology change, the principles remain the same.

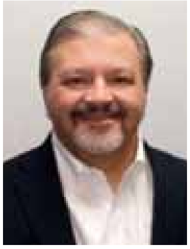
By Kimber Cockrill
Communications Specialist, Advocacy
Cornerstone Credit Union League



Stepping into New Leadership Roles

The credit union industry is one in which its key leaders tend to stay a long time. But with an increasing number of departures, much of it from aging out, the need for a clear-cut succession plan remains essential for all credit unions.

Stephen Brown has been the chief executive officer of Alcoa Community Federal Credit Union in Benton, Ark., since Jan. 15, 2014. As a new leader in the credit union movement, Brown faced the usual challenges of management change, plus a few more because he didn't "grow up" in credit unions.



Brown served as the chair of the Alcoa board's supervisory committee for five years, so he had a good understanding of the institution; but it was still a relationship at arm's length because he wasn't living and breathing it like one who operated inside the credit union on a daily basis.

His background and strengths lie in marketing, organizational skills, strategic thinking, contract negotiations, and vendor relations. He also has significant experience in commercial lending and banking, giving him a solid foundation of financial services know-how to build on. But he says, "I was weak from an operational perspective. I was familiar with most of the credit union terminology, but not all."

For new leaders, especially those from outside the credit union movement, Brown expresses caution, "When you hit the seat on day one, and people start coming to you saying, 'Hey, we've got this issue, what do you think about it?' you have to be careful. Without fully understanding the regulations and other processes, your answer from a purely logical perspective may not be the best or right answer."

Whether for profit or not, businesses need to adapt with the times and new technology. But how do new leaders decide what changes need to be made? "New leaders coming in ought to get intimately familiar with the credit union's contracts," Brown advises. "That should give them the foundational understanding of opportunities and challenges. If you can aggressively work with vendors for equitable agreements that benefit both parties, you can make a big impact."

On becoming CEO of Alcoa FCU, Brown quickly approached one of his largest vendors and negotiated a new contract for an almost 50 percent reduction in costs.

Brown may have had a slight disadvantage when he arrived at the CEO's desk, but he brought advantages that many of his counterparts lack. He had previously worked for one of the largest direct marketing data and services providers in the country developing marketing campaigns and strategies. He can apply those same principles on a smaller scale to his credit union.

Staff is one of those standard issues that test all new managers. In Brown's case, he began by examining tradition.

"You can look at how things were done historically, but then challenge your staff with new ideas to get them energized and find ways that they can best serve our members," he suggests.

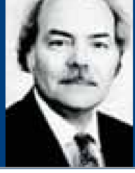
Brown adds that new leaders should not be afraid to share their strategic vision and goals with staff, but don't stop there.

"Help staff understand why you're doing things," he advises. "This will encourage a quicker buy-in and help energize them to do their jobs."

Brown admits that compliance matters were initially challenging, despite having reviewed many audits previously. He suggests that new leaders embrace compliance quickly, as well as get to know their auditors and really understand the many things involved.

"Understand that it's a marathon, not a sprint," Brown says in closing. "Most new leaders have a list of known challenges when they walk in, or they come in with a list of things they want to address. If you're a driven leader, it's easy to get caught up in trying to fix everything at once. But that's just not practical. Stage those goals out, and work them individually and diligently. That will pay off big time for your institution and your members."

By John A. Vardallas CUDE
Founder/CEO
The AmericanBoomeR Group



Strategies for Building a High-Performance Dream Team

Creating a vision of greatness for your credit union starts with your most important asset—your people. Their attitudes, their productivity, and the climate in which they work and how well they are led and managed all influence your credit union's success in serving members effectively.

Great organizations foster a team environment and are the sum total of the experiences and skills that their people bring to the workplace to achieve their mission and business goals.

Building high-performance work teams in your credit union involves dual commitment from both staff and leadership.

What does "team" really mean? Team is really a unit from which "Together Everyone Achieves More."

In our fast-paced financial services industry, it is impossible for any one individual in the workplace to master the complexities of the work world and the challenges of change. The new mantra in the business workplace is "the task is the boss."

High- performing, multi-skilled work teams can have an impact on productivity in a much greater way than any individual. Hence, the team slogan: "All of us working together are better than any one of us working alone."

In developing a high-performance team, credit union leaders must realize that this is no easy task, and all groups must go through four phases for cohesion:

1.Forming
2.Storming
3.Norming
4.Performing

Forming is the first stage of team building and involves the behavior of individuals desiring to be accepted by others. Team members behave independently, and a key element of this stage is that all team members get to know each other, agree on goals, and understand the task at hand.

Advantages of Working in a Team Environment

1. More input leads to better ideas and decisions
2. Output is higher quality
3. Everyone is involved in the process
4. Ownership and buy-in by members increases
5. A circle of communication is widened
6. Shared information increases learning
7. Opportunity to increase draw on individual's strengths
8. Ability to compensate for individual weaknesses is provided
9. A sense of security is provided
10. Personal relationships and trust develop

Storming is the stage where different ideas from individuals compete for consideration. Team members begin to open up to each other and challenge one another's ideas and perspectives. Resolution of issues in this stage of team development can be contentious and painful to members who are adverse to conflict. Each team member practices tolerance and patience for the good of the group. Resolution of individual differences is the key growth element in this stage.

In the norming phase of development, the team focuses on one goal and develops a plan with the tasks needed for achievement. All team members forgo their individual preferences and agree with each other in order to make the team properly function, and all team members commit to a shared responsibility to work toward the success of the team's goals.

When teams reach the performing stage, they are able to function as a high-forming team that gets the job done with limited supervision and without conflict.

This is the high-productivity stage where team members feel competent and are motivated by the collective accomplishment of achieving goals.

High-performing teams share come common characteristics that help to maintain healthy team member relationships.

Your credit union team must have a shared and meaningful purpose for what they do. The credit union "people helping people" philosophy is a driver and reason for their work.

The goals of the team must be in alignment with the business objectives of the credit union. Team members must be clear on their roles and how they benefit the team. They also must possess complementary skills and the right combination of experience, knowledge, and competencies to perform effectively.

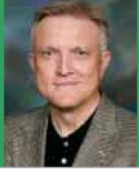
The team must also commit to their "team charter." In the team charter, the ground rules are agreed upon for appropriate behaviors and actions, as well as the scope of the team's responsibility in making decisions and developing strategies to ensure that commitments are kept.

To ensure that your credit union's team is functioning and performing at its highest levels, leadership must foster a climate where there is a high degree of trust among team members, no fear of conflict, a commitment and accountability by all team members, and a focus on achieving results.

Your credit union's team is only as strong as its members.

John Vardallas is a nationally recognized speaker and business strategist to the Credit Union System. He is founder/CEO of TheAmericanBoomeR Group and is also senior faculty advisor/project evaluator for Southwest CUNA Management School.

By Steve Gibbs, CUCE, BSACS
AVP, Shared Compliance Resources
Credit Union Resources



Five Things We Need to Know About Building a Strong Compliance Program

Compliance is a recognized safety and soundness issue, influencing the direction of examinations and influencing the perception of management's effectiveness in the organization. The nature of compliance has become a landscape of almost constant change. Those credit unions who wish to weather the onslaught of regulatory upheaval have come to recognize that an effective and robust compliance program will protect the credit union in these challenging times.

Given the diversity of programs, five qualities appear to be consistent in those effectively addressing compliance concerns:

1. Employing experienced compliance professionals

Regulations require that a compliance officer be appointed by management. Ideally, this person should be experienced, have a financial industry compliance certification, and be given sufficient authority to do the job.

Experience may be considered from prior employment with a credit union or other financial institution following similar regulatory guidelines. Regulatory experience (such as a prior position as an examiner) is also a good indicator of knowledge. Certification may be attained through most trade associations or formal training programs, like CUNA's Credit Union Compliance Expert designation.

2. Senior management buy-in

It is important for all of senior management to not only buy in, but also encourage compliance efforts as part of an effective business strategy. The key here is education. The more meaningful information you can provide, the more comfortable senior management will be with your recommendations.

3. Educate staff and directors

Everyone in the organization should be aware of the importance of regulatory compliance. Effective training is accomplished by the constant monitoring of data from all available resources. Information is now at a premium, but we have the means to efficiently capture it. Resources available include state and national trade association periodicals, online databanks and manuals, webinars, and list serves. Vendors produce timely information that can be obtained through any search engine. Regulatory agencies, including the NCUA, Consumer Financial Protection Bureau, Federal Reserve, and the Federal Financial Institutions Examination Council, provide perspectives on laws and regulations.

4. Develop a compliance culture

Have staff consider the role of compliance in each of their areas of responsibility. Don't depend wholly on exams and audits to gauge your program's effectiveness. The biggest mistake many compliance professionals make is assuming that because an exam or audit did not pinpoint a particular inaccuracy or omission, it's therefore not important. In a compliance culture, staff should be attempting to weed out problems and issues in their individual areas, independent of audits. That said, coming across problems or issues that examiners/auditors failed to find is a benefit for us in that it reveals the effectiveness of our internal system and showcases our ability to cure these items expeditiously.

5. Proactivity

To be proactive is to anticipate regulatory changes by studying trends and watching how supervisory and regulatory professionals are reacting. Make a determination based upon past and recent regulatory trends. Once the trends and facts align, we can usually determine what will be coming in the way of regulation or guidance.

The key is to consistently review and audit policies and procedures. Never be satisfied, no matter how well you believe your policies and procedures are written. Regularly test them to determine shortcomings or hidden problems. Policies and procedures should always be a work in progress.

For Compliance Geeks Only!

The Risks of Copying Driver's Licenses

Credit unions face an apparent regulatory tug-of-war when trying to reconcile two pieces of legislation: The Bank Secrecy Act and the Equal Credit Opportunity Act, implemented by Regulation B of the Code of Federal Regulations. How does a credit union ensure it complies with the BSA without running afoul of Regulation B?

The Customer Identification Program component of the BSA requires credit unions to verify the identity of its members. One of the documentary methods by which to verify a member's identity involves review of a member's driver's license or other photo identification.

Some credit unions photocopy the member's photo identification and place the copy in the member's file as evidence of compliance with the credit union's CIP. Some credit unions also use the copy of the member's identification to verify the identity of the member when the member cashes a check, makes a withdrawal, or otherwise transacts business with the credit union. Despite a proposal which considered requiring retention of a copy of the identification, the final CIP rule issued by FinCEN removed such a requirement. The final rule enacted only requires credit unions to review the member's identification and copy down verifying information found on the identification, e.g., license number, social security number, birth date, and address.

For credit unions that choose to copy the ID anyway, there are a few obstacles in doing so. First of all, some states prohibit the copying of driver's licenses and/or State ID. In addition, federal law prohibits the copying of military identification.

To further complicate matters, there is Regulation B…

Regulation B prohibits unlawful discrimination against an individual in a credit transaction based on that individual's race, national origin, sex and age, among others. While the regulation does not specifically prohibit the photocopying of a member's photo identification, it does prohibit the collection of certain demographic information about members, unless related to certain dwelling-related loans or self-tests. Photo identification often contains information about the member that credit unions should not collect pursuant to Regulation B.

The most conservative practice, therefore, is not to retain a copy of the member's photo identification. At the very least, credit unions must ensure that any copies of members' photo identification remain distinctly separate from any loan related documents. In fact, credit union loan officers should not have access to the file(s) containing members' photo identifications. It is imperative that credit unions avoid even the appearance of discrimination on a prohibited basis. The best way to accomplish this objective is to avoid "collecting" this information in the first place. Also keep in mind that if the credit union has overdraft protection lines of credit tied to its deposit accounts, maintaining a copy of a member's photo identification in connection with this service arguably violates Regulation B as well.

In the end, there really is no true conflict between the BSA and Regulation B, as the BSA requires nothing of credit unions that violates Regulation B. The safest tactic, steering clear of potential violations of Regulation B while completely satisfying the requirements of the BSA's CIP provisions, is to copy down verifying information without retaining a photocopy of the identification used to verify identity. If this procedure is impractical for credit unions, at the very least, segregate copies of photo identification from loan files.

Marketing Your Cooperative Advantage

Can credit unions in Arkansas, Oklahoma, and Texas build greater awareness for themselves and individual credit unions? Perhaps…If they're willing to change their thinking about the business they're in and who they're talking to. Credit unions could maybe learn a trick or two from a dairy cooperative—Cabot Creamery—that has built a brand featuring their cooperative position.

Cabot launched its brand in 1984, but by 1990, we teetered on bankruptcy. Why? Too few farm family members to share the costs of growing a business and too much expensive cheese put up for aging in a declining price market.

Strengthened by a merger with the Northeast's largest dairy cooperative, Agri-Mark, in 1992, we grew into a half-billion-dollar branded business with record member profits year after year. How did we grow? By making a great product and practicing the kind of basic marketing shared here.

1. Know your members

To market your cooperative advantage, research comes first. You must learn what you can about your members. Use Survey Monkey or take advantage the Cornerstone Credit Union League's resources, and then start with those who know you. You'll probably find out that a good number of your members don't realize you're a cooperative. Ask nicely, be creative, and incent members to help you.

For instance, instead of "October is International Credit Union Day," why not make April "Let Us Get to Know You" month. Put up signs in March, and let folks know you're coming with questions. In your marketing letter, box this to the side:

"Our credit union hopes to do more good for you and our community. Answering our survey will help. Every survey response will earn a $5 savings deposit for you or your child."

Standard survey questions can include:

1. Standard demographics - What is your gender, age, education?
2. Who in your household uses a credit union?
3. Did you know that credit unions are cooperatives?
4. What other cooperatives do you belong to or use? Electric, food, housing, other?
5. How long have you been a member?
6. Why did you join?
7. How have you used our credit union? Home, savings, education, car, credit card, other?

At the same time, from your membership list, create a matrix that identifies which services each member uses. Quantify numbers in each service area. Document the earliest and newest members. See the shape of your membership. Quantify how savings increased, and build trend models. Note how many members use which of your services to build a profile of your impact. This is the basis of your homework.

Certainly you're already targeting specific groups for home equity loans or those who used you to buy a car. After five years, it might be time to ask them if they want a new car. But when was the last time you sought to know more about them as people? And when you ask, know what you're going to do with the information. Use it to shape your messages, engage members in new member development, and amplify your brand awareness.

Once you have your data and questions, take advantage of the best opportunity, which is to talk to your consumers. Have questions queued for tellers, who can easily scan for services the member has used and suggest services the member has not used. Have employees in the lobby ask questions to members waiting in line. Stage a group survey night when employees stay late to call members at home.

You're looking to find out more about each member's use of your credit union. Why do members who use you for X service not use you for Y? Why never a car loan? Do as much as you can by sorting lists. Split up names so some staff actually calls people they know or see frequently. Gather employees from different departments, having loaded your survey on his or her desktop so they can complete for each member, allowing easier tally. Practice on one another with a professional researcher. Stage a pizza party to launch Call Night. Let the pro listen, and coach. Give it a couple nights, see what you learn. After the pro gathers the data and reviews all notes, gather the team to discuss what you learned. Let this be the first test group to design messages and tools for your goals.

Here's some of what you hope to glean anecdotally:

For members who used you for educational loans, find out more about the graduation timing? Find grist for ads and social media to share the stories of their successes. First family member to get an advanced college degree? Was that car loan for you or a child? So they could take their first job? Was this your first home purchase? Did others turn you down for a mortgage?

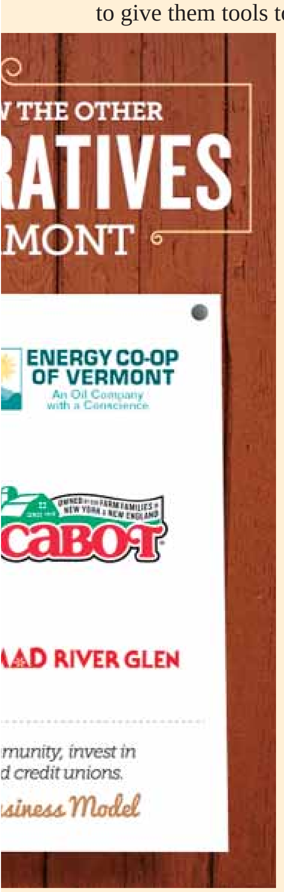
Once you have a summary, let everyone you talked to know the results. Engage your stakeholders—your members. Know that what you learn can also become great grist for media—truly authentic PR, not just slogans.

Here are some hypothetical examples of releases developed from data and interviews:

By Roberta MacDonald
Senior Vice President, Marketing
Cabot Creamery Cooperative

- XYZ CU has over 1,000 members, half of whom have used the credit union to buy a home.
- "More than 2,000 cars purchased by XYZ CU members in the last year from local car dealers make our credit union a significant economic engine," says the credit union CEO. "We are proud to team with area dealers to ensure that our members get the best rates and the best pricing."
- Thanks to XYZ CU more than 75 folks paid for college for their children or grandchildren. "I've been saving for my grandkids for over 40 years," said credit union member. "The CU helped me understand how much to put away, and they set up automatic withdrawals to make it happen. It truly pays to be a member of XYZ CU."
- First-time home buyers John and Jane Doe know the dream of ownership would not have been possible without XYZ CU. More than 100 first-time home buyers earned mortgages through XYZ CU membership last year alone.
- Credit union savings programs put an end to predatory payday lenders.
- Financial literacy leads to increased savings among elementary children. Anyone can come into our credit union and get their children or grandchildren on the road to saving and spending more wisely.

News releases based on surveys make great human interest stories. Members make the best brand awareness builders. What are you doing to give them tools to brag about you?



2. Know your fellow cooperatives

It is powerful to collaborate among your fellow credit unions through your chapters. Learn and share what's worked and share costs. Partner with fellow cooperatives in your community and region.

Cabot's initial growth into the south would not have been as successful without the indelible connections the electric co-ops and credit unions made for us with their members. Cabot coupons were included in statements and newsletters. We still offer gift baskets for annual meetings and distribute coupons to credit unions in new markets. We could not have asked for a better introduction to like-minded consumers.

Several years ago, Cabot formed a Vermont Cooperative Alliance to engage all cooperative groups—initially to tackle a group promotion for Co-op Month. Meeting quarterly, the group took on legislative issues and consumer-awareness building. Most importantly, preliminary work was done to feature individual members and consumers.

Our best achievement was the creation of the Vermont Summit. Cooperatives across the state gathered to hear from statewide candidates for US Senate and governor. Challenging candidates before they gained office gave us a stronger point of influence. We provided the speakers with survey results prior to their speeches so they understood the little known but huge constituency that cooperative members represented if looked at as a whole and not just as individual producers or food cooperatives.

3. Know where and how to reach the consumers/customers/members of fellow cooperatives

By collaborating with fellow cooperatives, creating discounts or incentives for farmers or food shoppers to join your credit union, the possibilities of building brand awareness are endless. Do lobby signs. Distribute brochures for open houses or events. Offer a place in your lobby to feature community cooperatives, and include their events and offers in newsletters.

4. Know your goals.

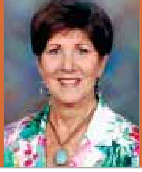
By creating goals for your research and data collection, you have the necessary structure to weigh what works best. Sounds simple, right? Too often, without goals, results become good stories but not building blocks for improvement and refinement. Goals may be refined after the first data survey launches, but even if shaped after your survey results, before you then launch a PR or membership campaign, those goals will allow you to measure success and hold one another accountable for the human interaction required to truly grow your credit union.

Are your goals to have more members? More services used among existing members? You'll need different objectives, different campaigns, and different channels for reaching them.

To build awareness of your credit union in your community, you must take time to know your members, know your fellow cooperatives, and feature both in every way you can imagine. It is the nature of our founding principles.

Roberta MacDonald is presenting "Marketing Your Coop Advantage" at the Cornerstone Credit Union League's Marketing & Business Development Conference Oct. 1-3 in Oklahoma City, Okla.

By Karen Houston-Johnson
Vice President,
Credit Union Resources



Building a Governance Partnership – Part Five

As we discussed in previous issues, board-related work consumes an average of 22 hours per month of the CEO's time. Board chairs typically spend 19 hours, and other directors spend, on average, 10 hours.

For the CEO, the partnership involves working for, working with, and working the board. Working for the board, the CEO has specific expectations around vision and accountability. Working with the board, the CEO shares knowledge and information in an effort to engage directors and prompt them to ask critical strategic questions that contribute to organizational effectiveness. In working the board, the CEO prepares directors to open doors to resources and relationships that make the organization the best it can be.

In the last issue, we examined rule four of the seven rules for the board and CEO in developing a successful governance partnership; and in this issue, we'll take a look at rule five: balance in roles and responsibilities.

CEOs that inspire their boards to move from adequate to extraordinary recognize that the board-CEO partnership is a complex balance of responsibilities and expectations, not a command-and-control relationship. A CEO who is too heavy handed deprives the organization of the creativity and energy of a fully engaged board. A board that is dominated by a CEO lacks the autonomy and authority to carry out many of its governance responsibilities.

It is in the CEO's best interest to facilitate the board's knowledge and understanding of its responsibilities and expectations and to fulfill his or her own responsibilities with strength and confidence. For board members, this learning process is the best preparation for success, and the CEO should be an active participant.

Sometimes the CEO has to be involved in board member responsibilities to make things happen and manage the process. Perhaps the only major board responsibility in which the CEO does not participate is selecting, evaluating, and determining the compensation of the CEO. Even then, the CEO should be involved in succession planning, including reminding the board of its role, and recruiting and developing other staff that have leadership potential.

In addition to their governance responsibilities, board members are expected to follow certain principles that are essential to effective participation. The credit union may have orientation and meeting attendance requirements, including the annual planning session, continuing education requirements, etc. Board members should understand and agree to these standards of behavior before they commit to board service. For the board to embrace and own its standards for behavior, the CEO should facilitate a review and discussion of current board practices at least annually.

Just as the CEO can help the board measure his or her performance through a formalized review process, they can also help facilitate a similar process by which the board evaluates its overall performance and the performance of individual board members. This is a way for the CEO to make sure that the board is an asset, rather than a liability.

The balance between the role of the board and that of the CEO continues to be a challenge. To assist in achieving balance, the CEO should use the strategic plan at meetings to frame discussions, seeking input by asking questions with a strategic viewpoint in mind. The board may need details at some point, in terms of authorizing a major purchase, but many board members don't have the technical background to make the right choice or evaluate whether the cost is appropriate.

One of the most powerful tools to help the CEO is an effective and frank performance discussion. Organizations handle performance differently, and there is no perfect system that will ensure effective communication on this potentially sensitive subject. The CEO can smooth the way by welcoming feedback from board leaders on their perception of how the CEO is addressing the responsibilities.

In the winter issue of *Perspectives*, we will explore rule six, structure the board's work – mobilizing board members with purposeful organization and process.

By Joette Colletts
Senior Manager, Risk Management
CUNA Mutual Group

The Board's Critical Role in Preventing Internal Fraud

For a perfect mini-seminar on how a board of directors can allow internal fraud to sink a credit union, take an hour or so to peruse the NCUA's "material loss reviews." These summarize investigations into why credit unions failed, resulting in losses to the National Credit Union Share Insurance Fund.

Investigators directly link many failures to internal fraud, usually citing "a failure of the board to perform its duties related to oversight of the credit union." Consider the following details from 2013 and 2014 reviews. In a credit union that "failed primarily due to management fraudulently overstating assets, specifically cash on deposit, and understating shares" [1]:

- Board meeting minutes were missing for some months. The board had not signed off on some minutes and board discussion notes regarding audit/exam results and follow-up were limited.
- The board didn't challenge treasurer's financial reports showing large swings in income, projections, and operating results.
- No record of substantive discussion of policy reviews, risk management, or strategy.

In a credit union that failed due to years of allegedly fraudulent over-statement of assets, enabled by "weak supervisory committee oversight" and "weak board of directors oversight" [2]:

- The supervisory committee failed to get supervisory committee audits for three consecutive years.
- The board failed to keep complete and accurate minutes or to obtain board packets with sufficient information.

Here are typical results from a few other material loss reviews involving employee fraud:

- A board and its supervisory committee didn't follow up on recommendations from examiners and an external CPA firm that the credit union needed segregation of duties to prevent fraud.[3]
- Voluminous board packets were delivered late, giving directors little time to read and understand the details and trends.[4]
- The board didn't heed red flags related to acquiring a CUSO run by someone related to a top executive.[4]

Four lessons to take from loss reviews:

1. Attend board meetings and take good minutes. These lessons go together because if board members can't attend meetings, good minutes will catch them up. It's not unusual for board members to miss a meeting occasionally, but a pattern of missing meetings is a red flag.
2. Insist on comprehensive board packets being delivered in a timely fashion. Packets should include all topics on the next meeting's agenda, plus the relevant financial statements, minutes from the previous meetings, and any pertinent news about credit union staff or operations. Board members should have enough time to read the packet and make notes to prepare for the meeting.

   Fraud is often hidden through doctored financial statements and incomplete reports to the board. Carefully reading your packet can reveal discrepancies and red flags.

   Packets not only keep you informed, they document the board's oversight and governance practices. This can be critical in establishing liability.
3. Ask questions and follow through until you get complete answers. If you don't understand something in your packet or something presented at a board meeting, speak up. If the matter can't be clarified during the meeting, request that the appropriate staff or board member follow up promptly.
4. When necessary, hire outside resources to investigate and advise. A volunteer credit union board may not have the experience and expertise to detect and prevent certain types of internal fraud. But ignorance doesn't release your fiduciary duties.

   Get the outside help you need to assess your internal controls, look for vulnerabilities in policies and procedures, and investigate red flags you can't address internally.

Two important tools are a written credit union fraud policy and a whistleblower policy.

If your credit union doesn't have a written, up-to-date policy addressing employee dishonesty, your board and executive team should work with legal counsel to produce one as soon as possible. The policy should spell out the procedures your credit union will follow to deter, detect, investigate, and punish fraudulent acts. Require employees to read and sign the policy annually.

Another basic protection a credit union board can establish is a whistleblower policy to protect employees who come forward with allegations about wrong-doing. In addition to setting a safe reporting procedure for employees to follow, the policy should protect whistle-blowers from retaliation.

Credit union board members aren't expected to be professional fraud investigators. But creating a culture of due diligence, documentation, and zero-tolerance for fraud—from the top down—is one of the most effective methods of prevention.

[1] *NCUA's Material Loss Review of Taupa Lithuanian Credit Union (record number OIG-14-06), 3/26/14*
[2] *NCUA's Material Loss Review of G.I.C. Federal Credit Union (OIG-13-13), 12/2/13*
[3] *NCUA's Material Loss Review of El Paso's Federal Credit Union (OIG-13-09), 8/26/13*
[4] *NCUA's Material Loss Review of Telesis Community Credit Union (OIG-13-05), 3/15/13*

Cornerstone Credit Union League Awards 2014

From left: Walter Furnace, government relations manager for American Airlines FCU; Nikki Moore, executive vice president with Space City CU; Jim Phelps, Cornerstone's vice president of advocacy; Tim Adams, president and CEO of SPCO CU, and Ben Newcomb, executive vice president with BP FCU.

From left: Paul Trylko, president and CEO Amplify FCU; Jason Landry, Vickie Conkle and John Hammond of Neches FCU, and Ayn Talley, a member of Cornerstone's Awards & Recognition Committee and president and CEO of Houston Police FCU.

From left: Paul Trylko; Alison Wolf, Steve Rasmussen, and Judy Richey of FAA CU, and Ayn Talley.

From left: Paul Trylko; Tiffany Halfon, Virginia Smith, Gary Tuma and Jason Deitz of Smart Financial FCU, and Ayn Talley.

From left: Cornerstone CEO Dick Ensweiler; Fred Salyers, Letha Harrelson and Isaac Rodriguez of Security Service FCU, and Ayn Talley.

The Cornerstone Credit Union League congratulates all award winners at its September 2014 Leadership Conference & Expo in San Antonio. During a special award ceremony, Cornerstone recognized recipients of the following awards:

- Chapter of the Year
- Dora Maxwell Social Responsibility Community Service Award
- Louise Herring Philosophy in Action Member Service Award
- Desjardins Youth Financial Education Award Recognition Program
- Desjardins Adult Financial Education Award Recognition Program

The Chapter of the Year Recognition Program is designed to recognize chapters that excel in a number of endeavors. Chapters are judged within asset categories on deployment of comprehensive project work touch seven categories: education, credit union fundraising, public relations, chapter involvement, community activism, participation in the credit union system, and political advocacy.

The Dora Maxwell recognizes model credit union efforts to strengthen local institutions and materially improve the lives of non-members through community outreach programs other than personal finance education.

The Louise Herring recognizes credit unions that demonstrate in an extraordinary way the practical application of the credit union philosophy for their members.

The Desjardins, youth and adult, recognizes leadership within the credit union movement on behalf of financial literacy for all ages.

Chapter of the Year award recipients include:

- Fort Worth Chapter of Credit Unions
- Houston Chapter of Credit Unions

Dora Maxwell award recipients include:

First place:

- Neches FCU, $200-$500 million in assets
- FAA CU, $500 million-$1billion in assets
- Smart Financial CU, $500 million-$1 billion in assets
- Security Service FCU, $1 billion+ in assets
- Tinker FCU, $1 billion

Honorable mention:

- River Valley Community FCU, $20-$50 million in assets
- First Family FCU, $50-$100 million in assets
- Rio Grande Valley CU, $50-$100 million in assets
- InTouch CU, $500 million-$1 billion in assets
- Randolph-Brooks FCU, $1 billion+ in assets

Louise Herring award recipients include:

First place:

- FAA CU, $250 million-$1 billion in assets
- Tinker FCU, $1 billion+ in assets

Desjardins Youth award recipients include:

First place:

- Generations FCU, $150 - $500 million in assets
- InTouch CU, more than $500 million in assets

Second place:

- Security Service FCU, more than $500 million in assets

Desjardins Adult award recipients include:

Second place:

- Tinker FCU, more than $500 million in assets

From left: Dick Ensweiler; Al Rich, Sheila Jones and Mike Kloiber of Tinker FCU, and Ayn Talley.

From left: Dick Ensweiler; Mike Kloiber of Tinker FCU, and Ayn Talley.

From left: Dick Ensweiler; Tammy Passafiume, Becky Silliman and Stephanie Launius of River Valley Community FCU, and Ayn Talley.

From left: Dick Ensweiler; Samantha Salazar and David Rodriguez of Generations FCU, and Ayn Talley.

From left: Dick Ensweiler; Liz Cappon of InTouch CU, (Dora Maxwell award) and Ayn Talley.

From left: Dick Ensweiler; Liz Cappon of InTouch CU, (Desjardins Youth award) and Ayn Talley.

From left: Dick Ensweiler; Chris Domangue of Randolph-Brooks FCU, and Ayn Talley.

From left: Dick Ensweiler; Fred Salyers, Letha Harrelson and Isaac Rodriguez of Security Service FCU, and Ayn Talley.

From left: Dick Ensweiler; Alison Wolf, Judy Richey and Steve Rasmussen of FAA CU , and Ayn Talley.

From left: Dick Ensweiler; Mike Kloiber of Tinker FCU, and Ayn Talley.

By Susan Looney
Senior Vice President
Credit Union Resources

What is all the Buzz about Employee Engagement?

Engagement is the new buzz word in the work place when it comes to employees. Experts say this is one of the most important drivers for any organization. But what does it really mean?

According to Wikipedia, employee engagement is "an emergent property of the relationship between an organization and its employees."

An engaged employee is one fully absorbed by and enthusiastic about their work, and, as such, he or she takes positive action to further the organization's reputation and interests.

Engaged employees care about the future of the company and are willing to invest more effort, exceeding expectations to see that the organization succeeds.

Non-engaged employees have essentially "checked out." They sleepwalk through their workday and put time but not passion into their work. Non-engaged staff embodies what Jack Welch said several years ago, "Never mistake activity for accomplishment."

Overall, employee engagement affects many things, including employee turnover and employee work performance. So, if you have highly engaged staff, your business will likely be more successful.

The bad news is that recent studies show that only one in three people are currently engaged in the workplace.

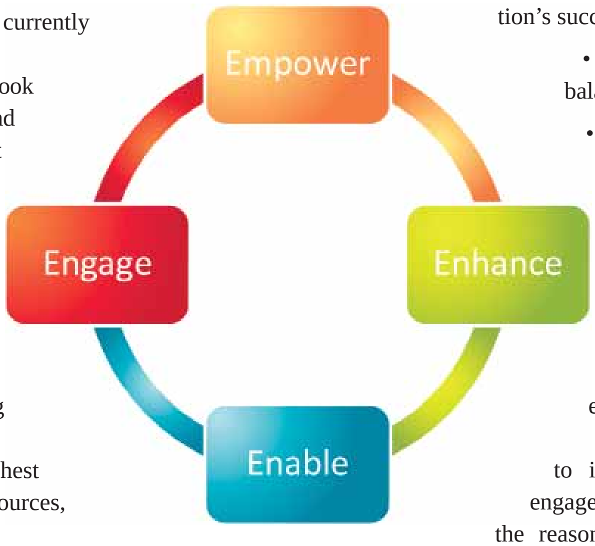
Quantum Workplace took a look at survey results of engaged and disengaged staff. They found that men were slightly more engaged than women in the workplace. Their study also showed that the more education employees had, the more they were engaged. Higher level management positions were also more engaged, but this decreased with decreasing rank.

Positions with the highest engagement include: human resources, sales, and marketing.

Several case studies show the significance of an engaged workforce. For example, New Century Financial Corporation, a U.S. specialty mortgage banking company, found that account executives in the wholesale division who were disengaged produced 28 percent less revenue than their colleagues who were engaged.

So how do you determine if an employee is engaged or not?

The most common way is through employee surveys.



The questions that are asked to determine if employees are engaged include overall satisfaction ratings with the company, whether or not the employee would recommend the company to others as a good place to work, whether or not the employee is looking for another job outside the company, and if they are proud to work for the company.

So what can you do to drive employee engagement?

Employee engagement can be driven from many different areas, including communication, benefits, training advancement opportunities, etc.

Some things leaders of organizations can do to help increase employee engagement include:

- Communicate a clear vision.
- Clarify expectations about employees and provide feedback on their functioning in the organization.
- Outwardly show that they value employees.
- Give a lot of recognition.
- Provide challenging and meaningful work with opportunities for career advancement.
- Allow staff to contribute to the organization's success in a meaningful way.
- Be flexible regarding work/life balance issues.
- Build teams that create and foster an environment of trust and collaboration.
- Provide opportunities for employees to learn and develop personally and professionally.

In summary, studies show that leaders need to make employee engagement a priority.

Leaders should actively try to identify the level of employee engagement in their organization, find the reasons behind any lack of engagement, and strive to eliminate those reasons. They should also actively implement strategies and demonstrate behaviors that will increase employee engagement. Additionally, these efforts should be ongoing, because if employee engagement is not sustained, it can adversely affect company performance.

Clearly, competitive advantage can be gained by creating an engaged workforce.

By Kimberly Jones
Human Resources Consultant
Credit Union Resources

HR Q&A

When is 'Casual Friday' Too Casual?

For many credit unions, Fridays are considered casual dress days. Most employees appreciate the opportunity to "dress down." For employers, casual dress days have been linked to improved employee morale and increased productivity. Best of all, it's a free benefit for the organization. However, before allowing casual dress days, there are a number of considerations that should be made to avoid abuse of the privilege.

A question I am commonly asked by credit unions is how do we determine and monitor what is and what isn't acceptable casual attire for our credit union? What's the best way to manage through that?

Before allowing casual dress days in your credit union, a casual dress policy should be developed and implemented. There are a number of topics that should be covered in the policy, and listed below are some recommended areas to include:

1. Designate which day, or days, will be considered casual. Most credit unions designate Friday as casual day; however, some credit unions choose to permit casual dress every day of the week, or for special occasions or events. When making this decision, it's important to consider how often employees have direct contact with members, as well as whether or not credit union culture will support frequent casual days.

2. Define any exceptions to the casual dress policy. For example, if a member is scheduled to visit on a day that is typically reserved for casual dress, will employees be expected to not wear casual attire? If so, what will be the revised dress code?

3. Think about the work employees do. Sometimes the type of work employees do will dictate how they should dress. For example, a facilities worker in a credit union may be permitted to wear jeans every day, while loans staff may be required to dress more conservatively since direct contact with members is more common. If any differences in expectations exist based on employee roles, be sure it's clearly defined within your policy.

4. Exemplify what is appropriate. "Casual" can be interpreted to mean many different things, from khakis and button-down shirts to jeans and T-shirts. Help employees to understand your idea of casual by providing examples of appropriate dress. Most employers consider the following to be acceptable on casual days: sweaters, polo shirts, blouses, button-down shirts, and jeans.

5. Spell out what's off-limits. While providing examples of the type of dress you consider to be appropriate on casual days is important, providing examples of inappropriate clothing is also critical. T-shirts, shorts, tank tops, ripped clothing, short skirts, and sheer or revealing clothing should all be included on the inappropriate list. Remind employees that the examples are not all-inclusive and that management discretion will be used when determining if something is inappropriate.

6. Be sure to state the potential consequences for failing to comply with your credit union's dress code policy. Will employees be sent home to change? If so, will non-exempt employees be paid for their time spent away from work? When employees understand that consequences exist, they are more likely to follow the policy in order to avoid any sort of negative outcome.

7. Be consistent. It is critical that you ensure your dress code does not adversely affect employees of a protected group and that it does not favor one gender over the other or certain religions, races, or age groups. For example, imposing certain dress codes on women but not men or prohibiting certain religious attire may be viewed as discriminatory. Be sure that your dress code, as well as all credit union policies, applies equally to all employees.

With all the regulations involving employment regulations and laws, a good rule of thumb is…when something is in question, before acting, just ask to be sure. If your credit union has a question or needs assistance with their HR needs, please contact Kimberly Jones or Susan Looney, at (800) 442-5762, ext. 6432 or 6431. You may also visit www.curesources.coop.

If We Aren't Growing, We're Dying, Small CU CEO Says

For Southland FCU, making it easy for members to do business with them is a top priority. And CEO Jonathan Matthews says he isn't going to let the credit union's asset size limit them from offering the "bells and whistles" that some consumers might expect to find only at larger financial institutions.

Although the Lufkin, Texas-based credit union doesn't have a mobile banking app yet, they do have an online banking product called, "It's me 247." According to Matthews, it is a robust online banking system that allows members to access their accounts anytime they want from a computer, smart phone or tablet. "It's me 247" allows members to update their information, view transactions and e-statements, set up text and email alerts, and move money between their credit union accounts or linked external accounts.

Matthews says the credit union is seeing an uptick in members taking advantage of the text alert feature. In April, Matthews says members texted a total of 770 messages. In July, there were 1,073 text messages.

"Every month it keeps going up," he says. "Most of the texts are members wanting to know their account balance."

The credit union has partnered with Catalyst Corporate FCU and Malauzai Software to offer remote deposit capture. According to Matthews, Southland FCU should be ready to test the service by November of this year.

The credit union rolled out online bill pay in July 2013. Matthews says it's been a very popular service with the membership and has helped them attract new members from a younger demographic. To appeal to the less computer-savvy, Matthews says they offer CU Talk, which is an audio response system.

"This is a great service for our members who don't have smart phones and aren't comfortable using online banking," notes Matthews. "They don't have to wait for the credit union to open in order to check if a direct deposit has come in. In July, CU Talk received 302 calls."

From July 2013 to July 2014, Matthews says they've

By Linda Webb-Mañon, I-CUDE
Vice President, PR & Communications
Cornerstone Credit Union League

added 796 new members, and 535 of those members joined between January and July of this year. These new members are between the ages of 20-39.

"On average, we are adding about 65 new members a month. In July, we had 73 new members join the credit union, and we opened 46 checking accounts," adds Matthews. "We also booked 177 new loans in July for $1.7 million."

Updating their core system, Matthews says, has made a huge difference.

"It has allowed us to better leverage technology," he says. "We are able to do so much more for less. Updating our core system has really helped us 'wow' our members."

Southland FCU is in the early stages of developing a CU Perks Program, which will reward members for their trust and loyalty to the credit union. Through the CU Perks program, members will earn points for taking advantage of their membership. For example, if they maintain a checking account with the credit union, they could earn points for doing so. If they pay their loan payment on time each month, they could earn points. Depending on the products and services they use, members could qualify for a bronze, silver, gold or diamond status, with each status offering a variety of perks.

"The bottom line is we have to make it easy for our members to do business with us, but we also need to reward them for their loyalty," says Matthews.

Matthews says the credit union hopes to roll out CU Perks later this year.

Although not currently on shared branching, with only two branches, Matthews says Southland FCU has signed an agreement and expects to become live in the CO-OP shared branching network by late fourth quarter 2014, or first quarter 2015 at the latest.

"The fact is, if you aren't growing, you're dying," Matthews says. "You may be the friendliest financial institution in town, but if you don't have the products and services to meet consumer needs, you can't attract or retain your membership."

What consumers want and need from a financial service provider continually changes and Matthews says credit unions must not only keep pace, but also anticipate what their expectations will be tomorrow. Small credit unions, he says, must make the investment in technology, new product/service development, marketing and advertising in order to continue thriving in a competitive financial landscape.

Mathews says, "The reality is if we [small credit unions] can't play like the big boys. We're going to lose."

By Scott Teel
Marketing & Education Director
Agility Recovery

A Culture of Preparedness

In the wake of large scale disasters, we have seen that it may be several days or even weeks before disaster assistance can reach every organization. Therefore, it is critical that credit unions are prepared to begin recovery without state or federal assistance for at least the first 72 hours after a disaster. This "culture of preparedness" is the responsibility of every part of our society, but for those serving the needs of the local economy it plays a particularly critical role.

Preparing for disaster goes beyond the traditional disaster recovery plan, which may sit on a bookshelf in your CEO's office. It must employ simple, executable strategies and plans for regaining access to key assets that allow your credit union to restore operations quickly and efficiently. Your plan must ensure access to things like power generators, office equipment, IT infrastructure, and the satellite bandwidth to ensure communications and connectivity to your core processor. These are often the key aspects of a business continuity or disaster recovery plan that are woefully incomplete.

If your organization can ensure access to the tools necessary to get operations back up and running in the first couple of days following a disaster, logic follows that your community recovery will happen at a far quicker pace.

Key elements of business continuity

Interruptions can take many forms and seldom give us warning. What might constitute a nuisance to a large financial institution could be a "disaster" to a smaller one. But every credit union is different and must consider the specific challenges that confront it.

Below are the basic topics and best practices to consider when developing a program, no matter the size of your organization:

1. Space:

a. What would you do if your branches were inaccessible tomorrow?
b. Where would you go to continue serving your members?
c. Review your site requirements and determine a plan for recovery.

2. Power:

a. What if an "event" causes electricity to be out for days or weeks?
b. Don't just consider large weather events like thunderstorms or tornadoes; consider also blown transformers, improper construction digging, and even automobile accidents.
c. How will you secure a generator (or multiple) to keep your critical functions and technology equipment operating during a regional event?

3. Office computer technology and equipment:

a. Which technology and computer equipment is critical to your daily operations?
b. How long can you be without access to your core processor or off-site data? What about other critical equipment on site in your branches?
c. Outline a plan to replace PCs, software, server, printers, etc., should your office be destroyed.

4. Connectivity:

a. What are your alternative options for access to phone and internet if a long-term outage affects connectivity?
b. How will you process transactions and keep ATM's functional?
c. Do you have a plan to re-route your existing phone numbers to a voice mailbox or cell phone?

A comprehensive recovery plan should address both proactive continuity planning and, if needed, disaster recovery. As we have learned from recent regional disaster events, extreme weather is rapidly becoming the new normal, and the need for a flexible, executable strategy for surviving these disasters and thriving afterwards is more important than ever.

By Jackson Hunt
Vice President of Marketing
Ser Technology

Successful Auto Loan Marketing Using a Consistent and Targeted Approach

While the market for auto loans is increasing, credit unions are leaving a significant number of un-captured auto loans on the table to the advantage of banks and other financial institutions.

According to the Credit Union National Association (CUNA), the credit union share of the auto loan market reached 36 percent last year, with new vehicle loans up 13 percent to $72 billion and used vehicle loans up 10 percent to $128 billion.[1] While these percentages represent the largest market share in a credit union's loan portfolio, two-thirds of members are still financing with other lenders.

In addition to the CUNA market analysis, Experian recently reported a 3 percent increase in car registrations in the past year, and an increase in both term lengths and loan amounts.[2]

Why is the market growing? Due to the financial collapse in 2008, the number of new cars purchased dramatically decreased in the years that followed. Experian research indicates we are entering the "sweet spot" of pent-up demand to replace approximately 98 million autos still in operation, purchased from 2002 to 2008.[2]

What can credit unions do now? In the short term, credit unions will have a small window of opportunity to offer refinance deals to used car-buying members before the number of used cars on the market starts to dramatically decrease. For the future, credit unions will have more prospective new car-buying members available for marketing purposes.

Many credit unions are participating in the resurgence of the auto loan market using a variety of mass marketing techniques such as billboards, radio ads, statement inserts, and newsletters to invite their members to apply for a loan, often executed with sporadic timing and delivering mixed results. Credit unions can improve the performance of their auto loan marketing effort with a consistent and targeted pre-screened, direct marketing approach.

[1]autonews.com: Credit unions' 36% auto share is 'significant', March 2014
[2]Experian Automotive Update - Vision 2014 Quality Growth: Defining New Strategies: slide 44, 2014

Ser Technology is a business partner of Credit Union Resources.

What it Takes to Manage a Multi-Generational Workforce

According to U.S. demographic statistics, the employee population in a typical workplace today spans four generations – from the Greatest Generation to Baby Boomers, Gen X and Gen Y (or Millennials). Each age group brings experiences and qualities that can greatly enhance the workplace. They also bring different attitudes and expectations that must be managed effectively to maintain a productive environment for everyone.

Why leaders must be aware of generational differences

As more and more representatives of the older generations prepare to exit the workplace, there is an invaluable – although somewhat brief – opportunity for your financial institution to access the historical industry and market knowledge of senior staff members and afforded by the more tech-savvy younger workforce. To benefit from this confluence of human capital, leadership must understand how to manage across generational lines, motivating everyone to pull together to make the institution successful.

Effective leaders also need to recognize that these different workplace perspectives can affect employment processes such as attracting, training, and retaining employees, and effective employee communication techniques.

Understanding the basic ingredients

Whatever generation your employees represent, the different behaviors they exhibit are rooted in the values they were taught and the events that have unfolded throughout their lives.

To effectively manage this workforce, ask yourself:

- Are there common values across generational lines?
- How do your organization's values match what you have learned about your employee mix?
- What message is your corporate culture sending?
- How can you motivate, recruit and retain employees based on this?

By Keith Hughey
Senior Consultant
JMFA

- How do you get your entire staff on board with the decisions you need to make to be successful?

To reach your long-term goals, leadership must get everyone pulling together in the same direction, at the same time and with the same effort. For this to occur, all employees will likely have to change something about what they believe or how they react. The key is to determine how to overcome everyone's fear of that change.

The fallacy of fear as a motivator

We're all afraid of something – failure, the unknown, conflict – and the responses to this fear can be anything but productive. So when you propose changes to an entire group of people who are uncertain of the outcome, the typical reactions may include silence, withdrawal, anger, apathy, passive aggressive behavior or worse. None of these are effective or appropriate for a healthy, responsive work environment.

While fear as a motivator may lead to short-term results, the long-term consequences result in highly demotivated employees who are likely to either become a drag on the institution or choose to move on to another opportunity.

Replacing fear with desire

A much more effective strategy for motivating all employees, no matter their age, is to determine what it will take to fulfill their desire to be valued by the organization. Do you need to do a better job of communicating? Offer more training opportunities that lead to professional and personal growth? Or, simply take a few moments each day to recognize and praise staff members for doing their job well? When you help others achieve what they want, you build a more trusting relationship and establish a sense of teamwork where everyone shares a collective focus on the pursuit of the financial institution's objectives.

The benefits of multi-generational collaboration

In this type of environment, there is a great benefit from blending the historic institutional knowledge with new ideas and visions for the future. As long-time employees help younger employees get up-to-speed on legacy systems, in return they can learn more about new technologies from their younger counterparts. Each generation can also help educate the others on how account holders from the different age groups prefer to receive financial products and services to strengthen your relationship with all.

When all employees work together in a collaborative environment, with a shared purpose of improving the institution's performance, their many talents and perspectives can prove highly beneficial for its success and longevity.

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rgovek@cuna.com
www.3sisecurity.com

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Debbie Bergenske
debbie.bergenske@cuna.com
www.agilityrecovery.com

Buzz Points
Member Loyalty and Rewards
Brenda Halverson
bhalverson@cuna.com
www.buzzpoints.com

Catalyst Corporate FCU
Karen Coble
kcoble@catalystcorp.org
www.catalystcorp.org

CO-OP
ATM & Debit/Credit Cards
David Newman
david.newman@co-opfs.org
www.co-opfs.org

CU Members Mortgage
Mortage Lending & Services
Linda Clampitt
lindacl@homeloancu.com
www.homeloancu.com

CUNA Mutual Group
Financial Services & Insurance
Delania Truly
delania.truly@cunamutual.com
www.cunamutual.com

D+H
Cloud Computing
Debbie Bergenske
debbie.bergenske@cuna.com
www.dh.com

Diebold
ATM Equipment, Electronic Security Products, Managed Services & Supplies
Tom Lybeck
tlybeck@cuna.com
www.diebold.com

GreenPath Debt Solutions
Member Financial Counseling & Education
Jan Garkey
jgarkey@cuna.com
www.greenpath.com

Harland Clarke
Share Draft/Check Printing Services
Terry Loyd
terry.loyd@harlandclarke.com
www.harlandclarke.com

informa research services
Rate & Fee Intelligence
Brenda Halverson
bhalverson@cuna.com
www.informars.com/main/Default.aspx

INTECH
Core Data Processing Solutions
Tim Erwin
terwin@inech-inc.com
www.intech-inc.com

John M. Floyd & Associates
Overdraft Privilege/Income Enhancement Programs
Mark Roe
mark.roe@jmfa.com
www.jmfa.com

Level5
Facilities Management
Jeff Ensweiler
jensweiler@level5.com
www.level5.com

Love My Credit Union Rewards
Auto Discount Program, Member Rewards & Discounted Phone Services
Colleen Meek
colleen.meek@cusolutionsgroup.com
www.lovemycreditunion.org

MoneyGram
Money Transfer/Money Orders
Tom Lybeck
tlybeck@cuna.com
www.moneygram.com

Newtek
Member Business Services
Rick Govek
rgovek@cuna.com
www.thesba.com

Office Depot
Discounted Office Products
Rush Dhaliwal
rush.dhaliwal@officedepot.com
www.officedepot.com

OneID
Digital Identity & Security
Brenda Halverson
bhalverson@cuna.com
www.oneid.com

Ongoing Operations
Business Continuity
Debbie Bergenske
dbergenske@cuna.com
www.ongoingoperations.com

Passageways
Web-based Portals
Rick Govek
rgovek@cuna.com
www.passageways.com

SER Technology
Loan Generation Marketing Enterprise Risk Management
Andrew Dawson
Andrew.Dawson@sertech.com
www.sertech.com

SIGNiX
Digital Signatures
Barrett Johnson
bjohnson@signix.com
www.signix.com

SilverSky
Email & Network Protection Service
Debbie Bergenske
debbie.bergenske@cuna.com
www.silversky.com

Student Choice
Private Student Loan Program
Jim Holt
jholt@studentchoice.org
www.studentchoice.org

VINtek, a dealertrack co.
Automated Collateral Management Services
Robert Christini
rchristini@dealertrack.com
www.dealertrack.com

Verafin
Anti-Money Laundry Program
Tom Lybeck
tlybeck@cuna.com
www.verafin.com

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