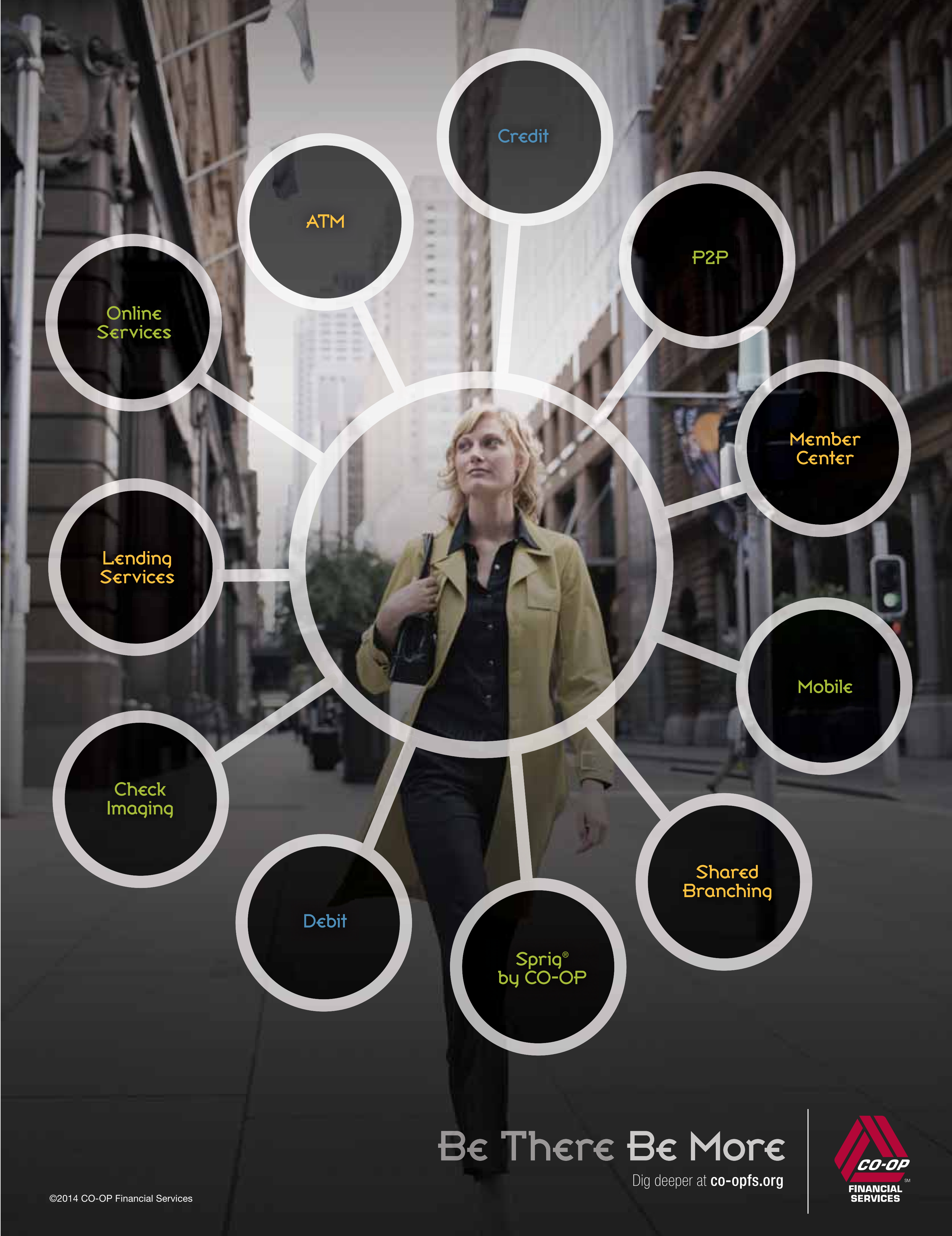
Perspectives

The Official Publication of Cornerstone Credit Union League

Spring 2014

Emerging YPs Ready to Put Stamp on Movement



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Contents

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FEATURE

DEPARTMENTS

CEO's Column

By Dick Ensweiler
CEO
Cornerstone Credit Union League

What Baseball Can Teach Us about Success

One team, one dream, united for good.

This year marks the 80th anniversary of each of the individual state leagues that comprise Cornerstone. Together, that's 240 years! Now as one league, one team, we celebrate with a united dream of continuing to do great things for credit unions. To ensure we live, breathe, and execute our theme, we can draw lessons from one of America's greatest sports: baseball.

LEADERSHIP

Great coaches are leaders—champions of the cause. They inspire others; they trust and empower the team. Rather than criticize, they offer constructive feedback. They lead by example. They observe and analyze strengths, weaknesses, risks and opportunities. They know their industry and the environment in which they operate. They make tough decisions.

POSITIONING

In baseball, much research and evaluation goes into selecting the right players for the right positions. Despite the best leadership possible, the team won't make the World Series without placing well-qualified individuals where they are most likely to succeed.

TEAMWORK

Each player must work with his/her teammates. What sets them apart will be their ability to draw on each other's strengths, compensate for each other's weaknesses, and operate as a unified team to win games.

SHARED VISION

The team's shared vision is its True North. Without this critical compass, players could chase goals that lead in opposite directions and achieve disparate aims. A shared vision gives the team a sense of purpose and the impetus to move forward.

PASSION

If you don't believe in what you're doing, what's the point? Passionate players go the extra mile. They're intrinsically motivated to try harder and work smarter, and their energy lifts others along with them. A team of passionate individuals has a synergistic effect and can become an unstoppable force, even in the face of seemingly insurmountable obstacles.

STRATEGY

Players don't just walk onto the field and hope for the best. They have planned, practiced, and honed their skillsets according to a well-defined strategy for success. And they remain flexible because conditions change. In business, markets move, new obstacles arise, and competition gets tougher.

COMMITMENT

Players don't commit to win one game. They commit to an entire season, and to every season after, until they can no longer play. This level of perseverance is essential to any organization, and so must we be committed to growing our credit union movement.

COMMUNICATION

If pitchers and catchers don't communicate, they might never know what to expect. Successful organizations foster two-way communication—both clear information from the sender and understanding by the receiver.

These are just a handful of lessons I believe we can learn from baseball.

Chairman's Forum

By Paul Trylko
President and CEO
Amplify FCU

When it comes to the future, there are three kinds of people: those who let it happen, those who wonder what happened, and those who make it happen.

What kind of people are we? Credit union people demonstrate every day that when we unite and put aside personal interests, focusing on what's good for the majority, everyone benefits exponentially. As the association representing credit union interests, we saw the opportunity to build a bigger, stronger, and more viable league, and we seized that opportunity so that all credit unions could benefit.

The natural extension of this unification is, of course, advocacy. In the credit union movement, we must advocate for the rights of everyday consumers who depend on credit unions to meet their personal financial needs. Not advocating could result in legislation that would make it difficult for credit unions to compete in the marketplace. Banks would celebrate wildly if that happened, but consumers and the free market would suffer.

The prime example is taxation. If we don't advocate preserving the credit union tax exemption, the lower rates and fees and high service levels we offer would be jeopardized. Consumers everywhere would feel the effects. While the House Ways and Means Committee saw fit to preserve the exemption in their tax reform proposal, they're not finished yet, so we must continue to press our case.

Credit union advocacy is easy. It starts at the grassroots level with political engagement, one credit union supporter at a time. One significant way to get involved is through Cornerstone's CU: ROAR initiative. Credit union staff and volunteers who belong to CU: ROAR pledge to be Ready, Organized, Activated, and Responsive. Whether hiking the hill, writing letters to your congressman, becoming a key contact, running Project Zip Code, or contributing to the PAC, your engagement elevates the profile of credit unions in your community and among lawmakers. Remember the squeaky wheel? It always gets the attention it needs, especially where lawmakers are concerned.

Credit union people are unique, driven to serve and seek opportunities that help people. Rest assured, every member of the Cornerstone team is advocating for your best interests as well. Join us in making things happen for the future of credit unions.

By Ron Galloway
Business Researcher and Author

Emerging Trends in the Mobile Market

Whereas once our mobile devices were limited to phone calls, texts and gaming, they now function more like a handheld computer. We can access the Internet, find our location on a map, perform price comparison, and conduct online banking. Mobile technology is evolving rapidly, and keeping up can be challenging.

In this article, I will address the "black swan" changes and developments in the mobile payments arena which might affect credit unions.

A "black swan" event is something that appears out of nowhere and changes everything. People later claim to have seen the event coming, but they really didn't. For example, Netflix was a black swan event to Blockbuster. The iPhone was a black swan event to Nokia, which saw its dominant market share for mobile phones evaporate, and forced a sale to Microsoft.

A more recent black swan event is the discovery and development of the shale oil finds in North Dakota and Ohio, which will lead to the U.S. being a net energy exporter in a few years and Russia losing influence driven by its energy sales.

I'd like to take a look at three black swan events in the mobile arena, which are occurring right now and will accelerate in 2014. All three, I believe, will be of interest to credit union members.

1. Phone carriers will become mobile payments platforms. We hear a lot about how payments are all going to a mobile platform. What people are not thinking about is the fact that the carriers themselves, such as AT&T or Verizon, could also become, in effect, financial institutions. And why wouldn't they? Why wouldn't Verizon, under the guise of an industrial loan company bank, offer financial services? Wal-Mart offers financial services. Target offers financial services. If you look at subscriber growth for the mobile carriers, you'll see that it's slowing. So where is future growth going to come from? It's going to come from monetizing the customers they already have in new ways. One of the fastest growing banks in Japan exists only on a mobile phone and is owned by the phone company.

I think you'll see Verizon and AT&T, along with others, offering subscriber-to-subscriber payments systems (similar to PayPal), move on to a type of subscriber billing for customers to pay their cable bill, water bill, and even mortgage payment. It just makes sense, particularly in many low-income markets where many financial institutions have not focused their efforts.

2. Bluetooth low-energy payments will supplant NFC payments. Mobile companies have been pushing near-field communications payments (NFC) as the "next big thing" to replace the practice of swiping credit cards and retailers for several years now. NFC lets you communicate with the payment terminal at a store through a brief tap. So instead of swiping and paying with a credit card, people are tapping and paying with a NFC-enabled smart phone. It's not that much more convenient.

A new technology called Bluetooth low-energy is going to be the real black swan in physical payments to your smart phone. Bluetooth low energy can communicate between devices at a range of up to 50 meters, thereby eliminating the necessity of physically tapping the phone. These BLE transmitters create a complete indoor communications system inside the store, functioning as sort of an "indoor GPS."

Your BLE enabled phones (and there are already 200 million of them in the form of IOS devices) will know when you're approaching the cash register to pay, and require no physical contact once you do pay. It also allows for stores to communicate with you as you walk through a store. For instance, if you are in a Wal-Mart, and you're in the sporting goods department, the store knows where you are and can communicate special offers to you related specifically to sporting goods. Apple is the leader in this field right now and calls the platform iBeacon; however, it is supported on many Android platforms.

3. Apple will become a black swan in mobile payments. Most people don't realize it, but Apple is already one of the world's largest payment platforms through its iTunes store. Apple has payment information (credit card information and other types) on more than 600 million people. It's not that much of a stretch to imagine that Apple is going to leverage its iBeacon platform in physical retail, much as it leveraged the iPod into the phone business. Apple has hinted at an iWallet payments system. In an earnings call a few weeks ago, Apple CEO Tim Cook said, "You can tell by looking at the demographics of our customers and the amount of commerce that goes through IOS devices that mobile payments are a big opportunity on the platform."

Apple already uses their new payment platform, in conjunction with the iPhone, in its Apple stores, allowing people to pay for goods directly from their phone. An Apple iPhone payment system also has the advantage of added security, since the latest version of the iPhone includes fingerprint verification; thereby making physical payments fraud extremely difficult.

The overall theme in these three black swan trends is new technology advancing and changing the payments business in ways that could not have been anticipated even three years ago. I've just given you a sample of the changes coming in mobile payments, but you should know there are more to come, and they will change everything.

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News

By Joe Parvin
Investment Officer
Catalyst Corporate FCU

Investing in 2014… Proceed with Caution

Although credit unions faced considerable investment headwinds last year, 2014 likely will hold greater opportunities as yields begin to rise. Rising rates and continued market volatility will reinforce the need for credit unions to re-evaluate their investment goals and ensure balance between extension and yield. Examination of recent trends in the market can provide insight into what opportunities 2014 may hold.

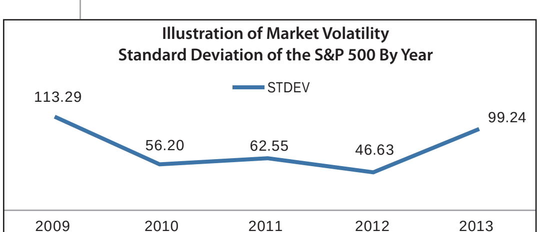
Two months into 2014, the investment landscape for credit unions continues to evolve. To be sure, 2013 was a tough year for investments with the two-year and 10-year treasuries hitting historic lows. Yields on agency debentures, as well as mortgage-backed securities (MBS), soon followed, dipping to unprecedented lows. Finding yield without taking on extension risk was a constant challenge. Reacting to these developments, many credit unions began to take on additional extension to find yield.

Consider the following developments in the aggregate NCUA 5300 call report through September 2013:

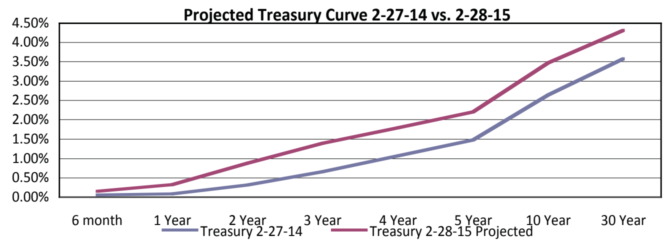
1. Year over year for September 2013, total credit union investments grew by 3.75 percent.
2. Agency debentures and MBS grew by 3.7 percent and 5.9 percent, respectively, while municipal bonds grew by 41.4 percent.
3. Investment maturities of 5-10 years grew by 55.25 percent, representing the fastest-growing maturity segment.

Considering the expected interest rate and market environment for 2014, a third of these developments is counterintuitive. While maturities extended, the accrued interest on investments declined by 1.8 percent. Accumulated unrealized gains/losses currently stands at -$1,100,149,949, a decline of 142 percent year over year. As interest rates continue to rise, this trend likely will worsen, reinforcing the need to lower durations, while finding high spreads to shorter benchmarks.

As a lingering side effect of the Great Recession, the Fed continues to take a very active role in setting monetary policy. Market movers have been locked into a "cat and mouse" game of anticipating the Fed's next move. The result has been marked volatility in the marketplace, as participants have become far more sensitive to swings in market indicators. Selloffs and rallies on the back of positive or disappointing data have become common.



Although the investment landscape for 2013 was less than optimal, overall credit unions will find value in 2014 by maintaining a balance of duration and yield. Looking forward into the rest of 2014, Bloomberg economic consensus anticipates the 10-year T-Note rising from 2.6 percent to 3.60 percent by year-end, driven by upward momentum in rates, as the Fed rolls back its asset purchase program. The consensus among economists is further upward pressure on rates; however, the consensus ends when the discussion turns to when and how much.



Even with so much uncertainty in the marketplace, there have been, and will continue to be, investment strategies to take advantage of yield opportunities as they emerge, while still managing the portfolio to acceptable interest rate risk exposure and liquidity needs. Credit unions utilizing agency debentures and CDs to ladder cash flows should continue to see value in the 3- to 4.5-year part of the yield curve. Increased volatility will continue to make evaluating the spread between agency bullets and available callable structures an important part of evaluating purchases.

Credit unions utilizing amortizing structures need to be aware of the impact of declining mortgage issuance and, as always, closely evaluate the security and portfolio for extension risk. MBS and collateralized mortgage obligation (CMO) offerings with 3.5 percent to 4 percent coupons and 2.5- to 5-year average lives in the base case offer desirable yield pickup and, typically, ample spread to cushion upward movement in the yield curve. Finding loan pools that offer seasoned collateral reduces extension risk on these types of investments. Credit unions should use caution when looking at low coupon MBS and CMO pieces, as rising rates will cause prepayments to slow, leaving the investor locked into a low coupon investment and poor cash flow.

While sweeping legislative change addressing the future of Freddie Mac and Fannie Mae is unlikely in the near term, the long-term future of the agencies is less certain. Bond issuance actually increased in 2013 by 11 percent, but is expected to decline in 2014. In light of the possible reduction, prudent portfolio management warrants education on, and evaluation of, agency alternatives. Credit unions that can add bank notes and taxable municipal bonds to their portfolios will find they are higher yielding alternatives to agency bonds. However, along with higher yields, these securities bring the need for additional credit evaluation.

Portfolio management continues to evolve, requiring increased evaluation of metrics of individual securities and the overall portfolio in the context of the economic, market, and regulatory environment.

By Tamra Fairbrother, CMP, CMM, CUDE
Vice President, Training & Events
Cornerstone Credit Union League

DE Training: A Game Changer

It's amazing to me the number of consultants and speakers who specialize in the topic of company culture. If you work for a company that doesn't have it, you know the need for it. When you work for a company that does have it, sometimes you take for granted that everyone else doesn't operate under the same structure and values.

I'm still a pup in the credit union movement with only a year of service at the Cornerstone Credit Union League. I came from a company that did not have a company culture, a true mission, vision, or operating principles. This lack of structure created a "tail wagging the dog" mentality and often times was at the expense of the company because we would initiate projects only to abandon them a short time later when they didn't show immediate results. Anyone who has been part of a company with grounded principles and philosophies knows you have to lay the foundation and build upon that brick by brick.

My belief in our industry was solidified even further after attending development educator (DE) training in January in Raleigh, N.C. with two colleagues from my office. We are now the proud recipients of the Credit Union Development Educator (CUDE) designation. Vickey Morris, CUDE, and Bob Rehm, CUDE, and I joked about the course being 30 days, but in reality this seven-day immersion program focuses on a melding of the international operating principles of credit unions. Instantly I could see I was working for an industry bigger than me. One rich in history, and one founded on principles that still apply today. Seven principles, to be exact. I'm now part of a community to share ideas and support best practices, and I have a greater understanding of how we (the credit unions) truly impact lives and communities all around the world.

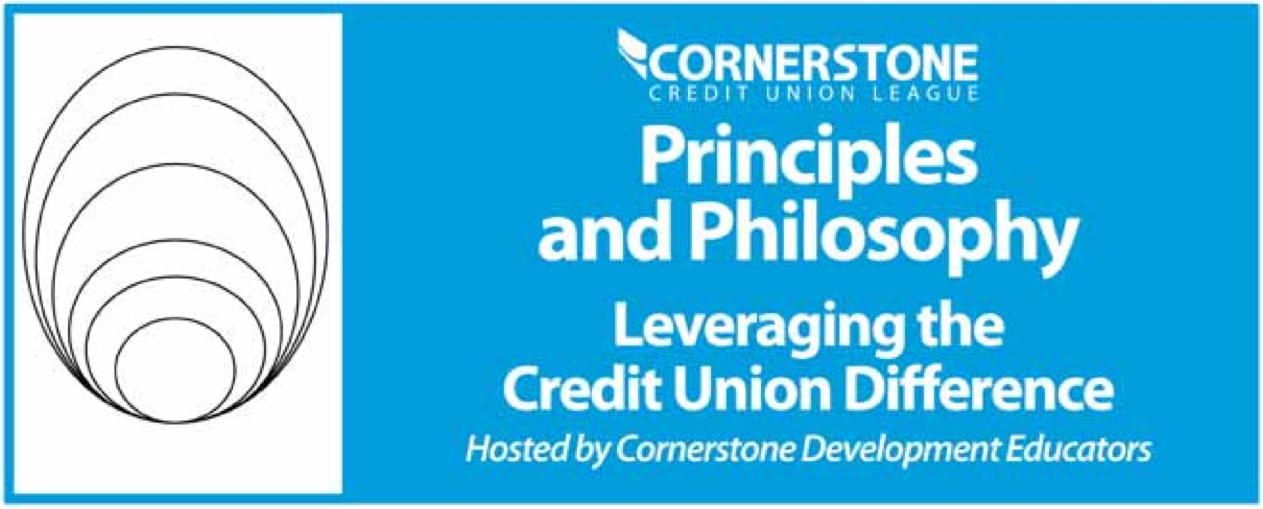
At Cornerstone, we realize everyone cannot offer seven days to participate in such an in-depth program, so with support of the National Credit Union Foundation, we are able to offer a Principles & Philosophy Conference. While only two-and-a-half days, the conference still teaches those same operating principles that empower credit union staff members to leverage the credit union difference. It is the perfect opportunity to learn more about the cooperative principles and how to apply them in your day-to-day business.

In this two-and-a-half day program, participants will learn that the principles and philosophies that guide credit unions are simply good business. Understanding them and their application will help define the future of the credit union movement and offer the primary differentiators for credit unions in the marketplace.

"I've worked in the credit union movement for a number of years but have a newfound passion for getting people to understand the importance of being a member," says Morris. "It is critical that we understand our foundation of cooperative principles and credit union philosophy. We belong to more than a financial institution. Credit unions are a way of life.

Rehm added, "DE helped strengthen my belief that credit unions need to be actively engaged and deliberate about nurturing a viable and relevant credit union charter. Let's make sure future generations have the option of membership in a credit union."

To learn more about the Principles & Philosophy Conference, please visit www.cornerstoneleague.coop/principles_philosophy_conference.html. You may also contact Cornerstone's Training & Events at (469) 385-6630.



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By Scott Butterfield, CUDE
Principal
Your Credit Union Partner

Growing Your CU by Learning How to Say No

When we are frantically trying to do too much, everyone and everything around us suffers. Can you relate to this? When we have way too much on our plate, we are not fully present for those things that are the most critical to our success, like growth. We become disorganized, and we are more prone to tactical and strategic misfires and missed opportunities. If you or your team is experiencing that feeling or its impact, it's probably time to start saying "no" to a few more things.

Success in the credit-union space has never demanded more. Increasing regulatory oversight, hyper-competition (even amongst ourselves), and greater operational complexity mean more distractions than ever. As busy individuals and organizations, what are we to do?

Learn to say no

Learning to say no must begin with a clear understanding of who we are, what we are about, and why we exist. Powerful and clear vision and mission statements should drive decision-making and will help us say no to the right things. It's very difficult to successfully compete in all things, especially for smaller credit unions. That is why it's so important to be clear about who we are and whom we serve.

For example, consider this credit union mission statement: *"Our mission is to provide affordable financial services to low- and moderate-income people; and in doing so, help them build assets and achieve financial stability."* Having a clear mission statement like this makes it easier to focus by saying no to those issues or ideas that do not clearly support the mission.

Make sure you have the right vision or mission statement in place. Without it, a credit union is like a ship without a rudder and in danger of drifting aimlessly. Your vision and mission should be the cornerstone for everything that you say yes to.

For most credit unions today, growth (loans, revenue, membership, and asset) is a high-level strategic priority, meaning that – come hell or high water – it needs to get done. All other tasks should be subordinate to these strategic priorities, and accomplishing these tasks takes discipline and complete buy-in from the top down in the organization. But there is never a shortage of things that credit unions want or need to get done. Far too many credit unions are working with a laundry list of to-do items, and laundry lists are not strategic. Credit unions working from laundry lists should narrow the focus to three or four strategic priorities. Unless regulatory mandated, anything that does not clearly support the strategic priorities could be abandoned or put on a backburner.

Strategic considerations for busy credit unions:

- Determine whether or not the project, task or initiative gets the credit union closer to its desired vision/ mission.
- Among conflicting priorities (that support the vision/ mission), consider and prioritize potential impact on members, operations (including our people), and profitability.
- Understand the opportunity costs for pursuing a project sooner rather than later.
- Give thought to what skills and internal strengths the project will bring out or further develop.
- Consider time pressures that make the project's execution and completion urgent.
- Evaluate accountability for achieving strategic priorities, mission and vision.

A no is a yes

When we say no to things on our laundry list, it is more than just saying no to things that we'd otherwise be doing. When we say no, we are actually saying yes to those other, more important things we have already committed to doing. We are saying yes to greater success and growth, to being present and being intentional in accomplishing the vision and mission of our organizations. We are saying yes to greater member impact, staff development, operational efficiency, profitability, and growth...and that's powerful.

By Carrie Buchholz
Communications & Events Manager
Cornerstone Credit Union League

Is Your Frontline Training on Target?

Your frontline – those behind the teller lines, at the member service stations, and on the phone – play a critical role in the member experience. Their actions, attitude and behavior can influence a member's decision to continue doing business with you.

Empowering your frontline with the appropriate information, knowledge and skills is essential to ensuring a positive service experience.

Several credit unions share with *Perspectives'* readers what they are doing to deliver exceptional service and create a positive experience for members.

Nathan Gillen of WEOKIE CU says their CU, based in Oklahoma City, Okla. keeps their frontline engaged through professional development and continuing education. WEOKIE CU has created a program that incorporates materials that are both personally and professionally beneficial. While most of their courses are optional, they have a few that are required, such as updates on compliance. To make sure they are keeping their materials up to date and continually engaging their employees, they do a re-cap after training. They also share supplemental materials with their managers to reinforce topics during departmental training.

"Each year, at an awards banquet, we celebrate individuals by recognizing those that achieved their professional development goals," notes Gillen.

At Texoma Community CU in Wichita Falls, Texas, Meagan Honeycutt, teller supervisor and BSA officer, says they hold monthly training for tellers on a variety of topics from regulations to current promotions and interest rate changes. Although finding time for such trainings can be a challenge, Honeycutt says it is important.

Northeast Arkansas FCU is another credit union that makes frontline training a priority. Jena Weld, marketing manager, says that for about two years, the Blytheville, Ark. credit union has conducted monthly "Tuesday Trainings" that focus on an assortment of topics. One of these topics is encouraging their tellers to listen to cues from members about the products they need. After surveying staff, the credit union enhanced the training program to focus on specific products, such as lending and budget relief.

"We also hold monthly classes to address compliance," says Weld. "With the class format, we are able to afford staff the opportunity to ask questions and receive clarification on the sometimes overwhelming compliance issues facing our industry."

Your frontline personnel often have the most interactions with your membership, and how well they are prepared for this important function determines what that service experience will be like for your membership. Is your frontline empowered to problem solve? Do they have adequate training to perform their duties and responsibilities competently? If they don't have the answer to something, do they understand the process for getting that answer?

"I have a great team of tellers that want to perform well and give the best service they can to our members," notes Honeycutt. "But at the end of the day, it doesn't matter whether or not they know the latest regulatory information. As long as they know where to go to find the answers to help our members, they will make our credit union look great."

For Compliance Geeks Only

Random Compliance Tidbits from Cornerstone's Info Central

Requirement to Charge-off Negative Account Balances

It makes no difference whether a member's check is covered under an overdraft protection program (ODP), returned for insufficient funds (NSF) or a deposit is returned, the credit union board must charge off the negative balance within 60 days. The negative account balance represents a credit union liability, which requires the same time requirements, as a check covered under ODP, per the interagency guidance.

Primary Members

I hate to be the one to tell you, but outside of credit union land, there is no such thing as a primary member. I know… I couldn't believe it either!

Credit unions have defined fields of membership (people authorized to join), so in the case of a multiple-party account, the person within the FOM is listed first on the account and called the "primary" member.

In the real world – or should I say in court – there is no such animal as a primary member. It is viewed that the credit union has a multiple-party contract, and no one owner of the account has more rights than any other joint owner, unless specified in the contract.

If you have a policy that states the primary member may change the terms of the contract (removing, changing, adding accountholders, beneficiaries to the account), make sure that the members agreed to those terms in their contract/account agreement. If not, it may be a practice that you want to revisit.

Business/Organization/Entity Account

A natural person (consumer) account agreement offers members the opportunity to name payable on death (POD) beneficiaries. However, if the account is set up with a business/entity owning the account, no beneficiaries should be listed.

Entities do not die – only people die.

Examples include:

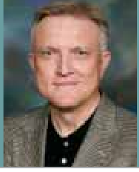
Trust accounts
Organizational accounts
Business accounts
Any other non-natural person account

Marketing to Members via Email

If the credit union intends to send marketing/commercial email messages to its members, don't forget about the CAN-SPAM Act. Credit unions must include an opt-out on any commercial message as required by the FTC's CAN-SPAM Compliance guidance, available on the FTC website. Here are some highlights of the guidance:

1. Don't use false or misleading header information. The "from," "to," "reply to," and routing information, including the originating domain name and email address, must be accurate and identify the person or business who initiated the message.
2. Don't use deceptive subject lines. The subject line must accurately reflect the content of the message.
3. Identify the message as an ad. The law gives you a lot of leeway in how to do this, but you must disclose clearly and conspicuously that your message is an advertisement.
4. Tell recipients where you're located. Your message must include your valid physical postal address. This can be your current street address, a post office box you've registered with the U.S. Postal Service, or a private mailbox you've registered with a commercial mail receiving agency established under Postal Service regulations.
5. Tell recipients how to opt out of receiving future emails from you. Your message must include a clear and concise explanation of how the recipient can opt out of getting email from you in the future. Craft the notice in a way that's easy for an ordinary person to recognize, read and understand. Creative use of type size, color, and location can improve clarity. Give a return email address or another easy Internet-based way to allow people to communicate their choice to you. You may create a menu to allow a recipient to opt out of certain types of messages, but you must include the option to stop all commercial messages from you. Make sure your spam filter doesn't block these opt-out requests.
6. Honor opt-out requests promptly. Any opt-out mechanism you offer must be able to process opt-out requests for at least 30 days after you send your message. You must honor a recipient's opt-out request within 10 business days. You can't charge a fee, require the recipient to give you any personally identifying information beyond an email address, or make the recipient take any step other than sending a reply email or visiting a single page on an Internet website as a condition for honoring an opt-out request. Once people have told you they don't want to receive more messages from you, you can't sell or transfer their email addresses, even in the form of a mailing list. The only exception is that you may transfer the addresses to a company you've hired to help you comply with the CAN-SPAM Act.
7. Monitor what others are doing on your behalf. The law makes clear that even if you hire another company to handle your email marketing, you can't contract away your legal responsibility to comply with the law. Both the company whose product is promoted in the message and the company that actually sends the message may be held legally responsible.

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



Third Party Relationships: Due Diligence and Vendor Management

National Credit Union Administration (NCUA) Letter No. 00-CU-11, Risk Management of Outsourced Technology Sources, and Letter No. 01-CU-20, Due Diligence over Third Party Service Providers, were introduced more than 12 years ago. For the most part, these issuances fell between the cracks as we were swept up in BSA mania, worrying about risk assessments, OFAC, and BSA-training.

In December 2007, Supervisory Letter 07-CU-13, Evaluating Third Party Relationships, was introduced with many of the same recommendations as in the prior issuances, but with added instructions and advisories to examiners for targeting this process during examinations.

We need to remember that due diligence is not a new concept. Somewhere along the way, there was a breakdown in documenting these efforts. A substantial amount of back-tracking is needed to get this process documented. In rallying our resources, we should remember that much of what is to be done should follow common sense and prudent business practices.

Let's consider each of the areas NCUA will use as benchmarks to this process and recognize the importance of each detail.

Planning

When a third-party vendor is reviewed, expectations for this potential relationship should be understood and documented by management. Criticality of relationship is another factor that may effect decisions on whether or not to retain a particular company. Ultimately, competent staff should be available to deal with the vendor; the cost-benefit relationship should be advantageous for all parties; insurance should be in place to mitigate any liability; and impact on members should be positive. Additionally, leaving a desirable format for exit may prove beneficial at some future time.

Risk Assessment

It appears that risk assessment is tied in to many sectors of operations, and due diligence is no different. Every risk factor should be analyzed and methods of mitigation outlined. Recognizing risk early is the best way to manage it.

Financial Projections

A third-party vendor's effect on the bottom line is a very crucial decision factor. Forecasting potential financial outcomes, return on investment, expected revenues, and costs (direct and indirect) provide a road map to avoid potential problems or issues that might arise. The decision to engage a third party should be evaluated in context of the credit union's strategic plan and overall asset/liability management framework. Reasonableness, past performance, business plan objectives, and risk profile are among items to be taken into account.

Due Diligence

Basic due diligence should include (at a minimum):

- Background Check – organization, financial data, experience, past litigation, references, and any other relevant items.
- Business Model – vendor's business plan, responsibilities, and other relationships.
- Cash Flows – the process of cash flowing from member to vendor to credit union and reporting on this.
- Annual audit tests – accounting considerations and infrastructure, compliance with generally accepted accounting principles (GAAP), and CPA guidance.
- Financial and Operational Control Review – fulfilling contract commitments, audited financials/information from other sources, requirements for independent audits, and other reviews in contract, risk profiles, internal controls, and complexity.

Contract Issues and Legal Review

It is important to remember that contracts with critical or necessary vendors should (in most cases) be reviewed by legal counsel. There is no substitute for professional expertise in this area, considering its mitigation of litigation risk.

A regulatory review of the contract entails checking for specific items that create an equitable situation between the credit union and third-party vendor. This includes scope of relationship, responsibilities, performance standards/measures, reports and frequency, penalties, ownership, control, maintenance and access to records, audit rights/requirements, data security/confidentiality, business resumption/contingency planning, insurance, member complaints/service, regulatory compliance, dispute resolution, and default/termination/escape clauses.

Measuring, Monitoring, and Controlling Risk – Managing Vendors

Effective policies and procedures enable good risk management. They should limit vendor activities and risk, establish program limits, set staff responsibilities and oversight, and define reporting content and frequency. Monitoring is measured by timely reports with sufficient information, annual audit tests reporting accuracy, and sufficient staff and infrastructure to perform these duties.

Although tedious and involved, following this process using common sense—and embracing conservative practices will yield success.

Emerging Young Professionals Ready to Put their Stamp on the CU Movement

They're young, bold and eager to put their stamp on the credit union movement. They are the Cornerstone Credit Union League's Young Professional Advisors. This carefully chosen group will help bring energy, new ideas, and a fresh perspective to the movement.

The credit union movement has a rich history that expands decades, and while it's important to honor and respect that history, we must continue to evolve if we hope to remain relevant for the younger generations.

There are a myriad of strategies organizations deploy to attract a younger audience. They reach them early by engaging in financial education outreach; they leverage social media networks; and they keep up with technological advancements. One other effective strategy for attracting a younger demographic is to put young people in positions of leadership.

Through our Young Professional Advisors, we are giving up-and-coming credit union professionals a leadership role in the movement, a voice and a platform to create, innovate and be a catalyst for change.

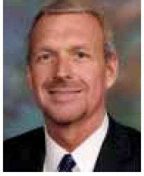
We are very excited to see what this diverse group of passionate, bright-minded and forward-thinking young professionals are able to bring to the movement.

People are at the heart of what makes the credit union movement successful, and our Young Professional Advisors are ready and empowered to contribute to the growth and development of our movement.

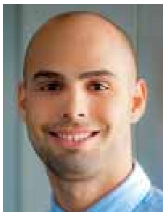
Each of our Young Professional Advisors was asked to answer the following questions so as to shed some insight about themselves and their desire to serve the movement in this capacity. Their responses to the following five questions are below:

1. What is your interest in serving on the Young Professionals Advisory Group?
2. What do you hope to gain by this experience?
3. What is so appealing to you about serving in the credit union movement?
4. What do you hope to contribute to the movement?
5. What is one interesting fact about yourself that others may not know?

By Mike Delker
Senior Vice President
Cornerstone Credit Union League



Paul Arambula



Business Development Representative
The Focus FCU, Oklahoma City, OKla.

1. My primary interest is having fun while empowering young professionals by giving them the tools and information they need in order to excel. Having fun should always be a priority; the rest comes naturally.

2. That feeling of "mission success"…I want that. That can be achieved by knowing we empowered at least one young professional. Everyone has the ability to succeed, and we're just here to help people realize their potential. Archimedes wrote, "Give me a lever long enough and a place to stand and I will move the entire Earth." I like to think of us advisors as handing out levers and providing firm footing; and it's up to the YPs to move the Earth.

3. I so love that credit unions bring communities together. Credit unions are unique in that aspect. Where else would businesses in the same industry work together to shape future leaders? It's not just about employees either. Credit unions empower members by financially moving members forward rather than simply looking at where they have been.

4. My hope is to let people understand that their personality is what helps to constantly shape the movement. "People Helping People" can be defined many ways. The movement isn't always a three-piece suit. Sometimes it's a mud-stained pair of jeans after volunteering to plant flowers at a local elementary school. It can be showing a member how to balance a checkbook or sprawling out in the lobby, coloring with kids while their parents refinance a loan. Use your skills to contribute the best you can!

5. I'm obsessed with movies. I attended film school for three semesters just for the heck of it, and my movie collection is organized by director.

Kyle Brisendine

Director of Sales and Service
Resource One CU, Dallas, Texas

1. I am interested in serving on the YP Advisors group for many reasons. I have been privileged to have been raised in a very proud credit union family. I can honestly say that I have never had an account other than at a credit union. In the past, I have served my time working for the big banks and saw the difference between being a member and a customer. I want to spread the word about the credit union movement and bring the younger generation into the credit union side.

2. The friendship and knowledge within the YP Advisors group. The fun memories that we will have—trust me the first night out was unforgettable. If we are the future of the credit unions, all I can say is "Watch out banks!"

3. I am a total people person, and it makes me feel great when I am able to help someone that is in need. I love seeing the smile on their face. We are here for the people and actually treat them as people.

4. While serving with the YP Advisors Group, I look at contributing my ideas and also learning the ideas of others. I also look to contribute my experience with others to get them as enthused as I am.

5. My family name, Brisendine, will be extinct when I am. Whenever I have kids, I have to have a boy to carry my family legacy along with him.

Melissa Burleson

Business Development & Social Media Coordinator
Tarrant County CU, Fort Worth, Texas

1. My interest in serving on the Young Professionals Advisors group comes from my passion for how the credit union system operates. I firmly believe in the credit union movement of people helping people and I feel that the education of other young professionals is imperative in continuing that mission.

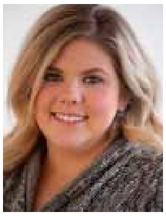
2. By being a part of this group, I hope to build a strong professional bond with others who are as passionate as I am about keeping credit unions relevant in the years to come.

3. I choose to be a part of the credit union movement because I see the direct impact credit unions make on the lives of those around me. I've seen members turn their financial futures around by having dreams fulfilled such as owning a new car or buying a first home. I also see others making plans for worry-free retirement with the help of a credit union.

4. I hope to keep the movement moving forward by continuing my credit union education and promoting the education of future credit union leaders.

5. Here are a few things you might not know about me. First off, I've been with my husband of 12 years since I was 14 years old. We met in high school when I was a freshman, and that's where our love story began. Secondly, I have some pretty awesome nicknames, like Spazzer and a few others, that are too embarrassing to mention; but my favorite is Moose, which was given to me by my dad when I was a kid. My one claim to fame is that I've sung the National Anthem at Fort Worth Cats games (minor league baseball team) more times than I can count.

Colley Chevalier



Business Development Representative
Texoma Community CU, Wichita Falls, Texas

1. My interest in serving as an YP Advisor is my desire to see more YPs (under 35) become involved in the credit union movement. This generation holds the CEOs of the future, and it is important to educate and equip them with the tools they need.

2. Through this process I hope to gain a better understanding of what engages YPs and causes them to step up as leaders within their credit unions, in hopes that we can use that knowledge to develop future leaders within the credit union movement.

3. The credit union movement appeals to me because it is all about people helping people. Every day in my credit union, I see this thought put into action. I watch our employees and management go above and beyond to take care of our members and improve their financial well-being. There is nothing more rewarding.

4. The main thing I would want to contribute to the credit union movement is awareness. I feel like everyone would choose credit unions over banks if they just were given the knowledge. Large-scale approaches are great, but I have found that if I communicate this in my daily life to people I come in contact with, it comes across more genuine and personal. Advocating credit unions is truly a way of life.

5. An interesting fact about me is that I was born in Arkansas, raised in Oklahoma, and now live in Texas, so the formation of the Cornerstone Credit Union League was like all of my worlds colliding... And I wouldn't have it any other way!

Continued on page 20

Continued from page 19

Kevin Conn

Vice President of Operations
Houston Highway CU, Houston, Texas

1. In my experience, the most successful executives are the ones who are passionate about the movement and passionate about developing others to achieve their goals. I feel I have learned from them, have been developed by them, and now it's my turn to be passionate about developing others.

2. Sharing my passion, learning from others, and obtaining wisdom that I can spread to my staff and my members.

3. It's all about people becoming financially successful in all stages of their lives.

4. Inspire other young people to look at credit unions as an "employer of choice."

5. I am a musician and I have played the drums for about 20 years.

Bryce Farmer

Financial Services Manager
First Class American CU, Fort Worth, Texas

1. I believe, beyond the obvious, that our young people will be the leaders of tomorrow, and for those of us who want to prepare for that inevitability, it is our responsibility to seek out opportunities to grow. This group can have a significant impact on an industry that needs to survive for more generations to enjoy and benefit from.

2. Knowledge, lasting friendships and partnerships. The credit union life is about collaboration and cooperative behaviors and practices. This group is there to give that attitude a face and a blueprint.

3. I believe the credit union movement is one of the few that looks from the inside out to serve others. Too many movements focus on their cause's impact on the people involved instead of the impact it will have on the people the movement is intended to impact.

4. Perspective, encouragement, and a passion.

5. I have an unhealthy obsession with Pinterest and would love live on a ranch and work cattle.

Courtney Foster

Lending Services/ IT Support
United CU, Tyler, TX

1. To spread the word and better promote credit unions amongst the younger crowd.

2. To learn how to be more engaged not only in my credit union but the entire credit union community as leader and role model.

3. The involvement of a friendlier, family-feeling environment rather than just being a number or a dollar to an institution.

4. Increase awareness and understanding of what a credit union is and its beliefs, rather than just being a place to house money.

5. I would rather set up my office outside, no matter the weather conditions instead of being inside all day.

* At the time the group photo of the Young Professional Advisors was taken, there were 13 members; however, YP Advisor Matthew Russell has since resigned as chief financial officer at River City FCU. He is still serving in the movement and accepted a position as CFO at Solarity CU in Yakima, Wash., a position he started April 1.

Will Head

Senior Loan Officer
Members CU, Cleburne, Texas

1. I became a part of the Young Professionals Advisors group to build relationships and help develop insights that will help shape the leaders of tomorrow.

2. I hope to gain lasting relationships in the industry and develop skills such as coordination and cooperation with other credit unions and their leaders. Also, I have found that some of the most important things you learn are unexpected, and I am sure I will find some of those along the way.

3. The credit union movement is appealing to me because I am a service-oriented person. I enjoy serving people and helping them reach their financial goals. This individual service is often over looked in the big bank industry today.

4. I hope to contribute my 10 years of experience in a smaller credit union to others so that they may learn and grow from some of the challenges I have faced. I would also like to reach out to the generations of tomorrow and show them that big banking is not necessarily the best way to manage your money.

5. I was raised in far west Texas and went to home school through much of my elementary years. During that time, school was a 24/7 event. My brother, sister and I raised our own food, whether it was a garden or the chickens in the backyard. We also made our own clothes, and learned to repair things around the house.

Sarah Hendrix

Compliance Officer
Hurricane Creek FCU, Benton, Ark.

1. To engage other young professionals in the credit union movement and promote their retention to further the credit union movement.

2. Support network for myself and other young professionals, as well as education and the sharing of ideas amongst ourselves.

3. The sense of family and camaraderie that comes from working with other credit unions and other young professionals.

4. A deeper appreciation for the credit union philosophy amongst young professionals as well as a desire to support and promote young professionals.

5. I am actually a licensed attorney, and while I may seem like a city girl, I actually grew up in the country on a farm and am comfortable in both settings.

Noel Sanger

Market Vice President
United FCU, Fort Smith, Ark.

1. As a young professional. I feel that mentoring others is my calling. I have had mentors, and believe I can have an impact on another person's credit union career. Connecting with peers and other credit unions allows me to collaborate with others, which is something you don't always see in other industries.

2. I hope to gain a close network of peers. As we move throughout our career, I hope to collaborate with others. I also hope to help cultivate others to understand the credit union movement.

3. Credit unions are about the members first. We are a cooperative that places our members in a better financial plan. We are willing to look at the individual circumstances and not just place them in a box.

4. I feel on a city, state and national level that I have an opportunity to explain our movement. We have stories across the nation as to why we are a member-focused cooperative. With a new sense of advocacy, I believe I can assist in our movement.

5. I have been to all 50 states and five continents because of playing soccer and my dad serving in the air force for 29 years.

Monica Sutton

Business Development Representative
Generations FCU, San Antonio, Texas

1. REEC: retention, education, engagement and collaboration. My interests simply are to retain good young professional talent as they enter into the credit union workforce. Educate them and encourage them to grow into credit union leadership roles. Engage them in various areas of the credit union movement, especially credit union advocacy, and collaborate. By sharing our ideas and visions, we are able to create a better and more effective way to do business in the credit union industry as we move forward in our rapidly changing and competitive market.

2. Stronger adaptive leadership skills.

3. I am very passionate about the movement, and I do strongly believe in helping people and serving our communities. A huge bonus is that I have the opportunity to work with other young credit union professionals who are scattered across three states and are just as passionate as I am about this industry.

4. I hope to develop a leadership program that captures our young professionals as they enter into the credit union, our front line leaders.

5. I absolutely love drag racing! A few seconds on a quarter mile at 115 mph is the best feeling ever.

JR Webster

Financial Educator
Tinker FCU, Oklahoma City, Okla.

1. I believe great leaders know they are probably not the smartest person in the room; they are just the leader, and their job is to pull all the potential out of a group or individual that they can. I look forward to working with a group of young leaders that will all be working to pull the potential out of each other.

2. One of the big issues facing the credit union movement is a lack of mentoring. We are experiencing a passing of the baton from one generation to the next, but the previous generation is having a hard time allowing the next generation a running start. The movement needs to find great mentors and great leaders and get them together so we can have the smoothest transition possible. I would love to make connections with many of the leaders in this movement to find out as much as I can about everything I can.

3. The collaborative spirit. If I have a question or need an idea, I can ask my credit union friends around the country and have several ideas within minutes.

4. I would love to spread the message that credit unions need to stop trying to act relevant—we already are! The idea of people helping people is very relevant, so let's get back to our roots.

5. As a kid, my family moved a lot. As a result, I went to 16 different schools in my academic career (kindergarten – college).

By Karen Houston-Johnson
Vice President, OnBalance
Credit Union Resources

Building a Governance Partnership – Part Three

As we discussed in the last two editions, board-related work – in and between meetings – consumes an average of 22 hours per month of the CEO's time. The larger the board, the more time they spend. 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, and working with the board, the CEO shares knowledge and information to engage directors in asking the 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.

There are seven rules for the board and CEO in developing a successful governance partnership, and those rules are:

1. Make mission matter
2. Know the organization
3. Cultivate relationships
4. Inform and communicate
5. Facilitate a balance in roles and responsibilities
6. Structure the board's work
7. Plan for transitions

We've already examined rules one and two in previous issues of *Perspectives*, so in this issue we'll take a look at rule three – cultivate relationships. Tending to relationships involves attitude and practice that must permeate the CEO's whole approach to his or her position. That means cultivating relationships that enhance not only the CEO's own effectiveness, but the board's potential for becoming an exceptional governing body that serves the organization's mission with commitment.

The CEO must approach his or her job with flexibility, grace under pressure, and a positive and proactive attitude. With these pieces in place, he or she can nurture the all-important relationships that help engage, inspire, and energize directors.

For the CEO, cultivating relationships involves five tasks:

1. Practicing self-management, as this can enhance the relationship between the CEO and the board and yield benefits for the entire organization. Self-management means practicing the relationship behaviors that make oneself and others blossom. The CEO who gives the director full and active attention is the CEO who knows the value of building productive relationships.

2. Avoiding self-defeating habits. CEOs are busy people doing a difficult job. As human beings in a high-stress situation, they are also subject to temptations that can limit their own professional and personal development as well as the effectiveness of the Board. Ten tips to avoid bad habits that the CEO should heed are:
   - Don't do everything yourself
   - Don't blame the staff
   - Don't hind behind the board
   - Don't drown the board in information
   - Don't leave well enough alone
   - Don't cry wolf
   - Don't focus on a few board members and ignore the rest
   - Don't avoid uncomfortable situations
   - Don't avoid sharing bad news at the first smell of trouble
   - Don't get too personal with board members

3. Juggling roles and opportunities. Seasoned CEOs know that anyone who expects a typical day to go according to plan is in for an awakening. It's nearly impossible to make a to-do list and leave the office at the end of the day having checked off most or all of the items. When successful, the CEO's juggling act enables him or her to size up situations quickly and determine the appropriate roles of the CEO, the board chair, and the full board.

4. Creating and maintaining a partnership with the board chair. The CEO's most important relationship is with the board chair. The two are interdependent – their interactions are watched and evaluated by other directors and staff. A positive, constructive partnership signals direction, purpose, and excitement about the organization's mission, while a lackluster or confrontational relationship will have a detrimental effect on the board and on an individual member's commitment.

5. Building relationships with individual board members. Although the board makes decisions as a group, it is made up of individuals who are each accountable for taking fiduciary responsibility and fulfilling their duties of care, loyalty, and obedience. The CEO who sees the board only as a group is missing out on the value that he or she can derive – personally, professionally, and organizationally – by developing relationships with individual board members.

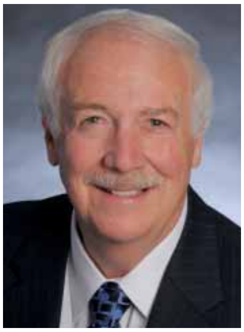
The board and CEO need each other, working in partnership to be successful and to enjoy the life-enriching benefits that come from doing this important work and maintaining relationships that enhance everyone's effectiveness.

In the next issue of *Perspectives* we will explore rule four, inform and communicate.

We All Have the Opportunity to Make a Difference

Cornerstone Credit Union League Honors CU Leaders for their Service

Tim Haegelin, Hall of Fame award. Cornerstone Credit Union League honored Tim Haegelin, retired CEO of Generations FCU in San Antonio, Texas, with a Hall of Fame award. This prestigious award recognizes credit union leaders who have made tremendous efforts to support the growth, development, and success of the movement, as well as the communities in which they serve.



Haegelin joined Generations FCU in 1980 as associate manager, earning the position of CEO in 1984. During his 28-year CEO career with the credit union, Generations FCU expanded from a credit union with one location, $37 million in assets, and serving 14,000 members to 14 locations, servings 49,000 members, and more than $400 million in assets.

Leveraging partnerships, the credit union under Haegelin's leadership was able to open co-located branches with the City of San Antonio (airport), Goodwill Industries of San Antonio, and H-E-B Grocery Stores. Haegelin is credited with launching one of the first high-tech, high-touch branches in the city. Generations FCU was also the first credit union in Texas to use the biometric safe deposit vault in an attendant-free environment.

Throughout his career, Haegelin was involved in numerous credit union organizations, including the Texas Credit Union League (now Cornerstone Credit Union League), the Texas Credit Union Foundation (now Cornerstone Credit Union Foundation), the Filene Research Institute, the Austin Chapter of Credit Unions, and Town North Bank. He is also one of the co-founders of the Credit Unions for Kids initiative, and remains a staunch advocate.

Haegelin is also deeply committed to his community, lending his knowledge and expertise to the San Antonio Retail Merchants Association, the San Antonio Hispanic Chamber of Commerce, the Cattleman Square Association, the San Antonio Youth Center, the San Antonio Chapter Boy Scouts of America, the North Austin Lions Club, and others.

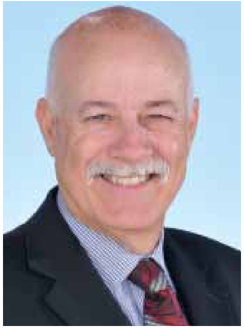
It is Haegelin's hope that his commitment, dedication and successes will inspire others.

"Serving in the credit union movement has been an absolute privilege, and while I humbly appreciate the recognition, that isn't what motivates me," says Haegelin. "Knowing that I have played a small role in the progress and prosperity of credit unions, families and communities is truly the fruit of my labor."

"We all have the opportunity to make a difference in the movement, in the lives of our members, and in our communities. Find your passion, and commit to giving it everything you've got," he continued.

Other credit union leaders recognized for their contributions to the movement include:

Mark Kelly, Professional of the Year. Kelly is president and CEO of Oklahoma Employees FCU, and has been with the credit union since 1981. In addition to serving the members of his credit union, Kelly is active in his local chapter and was a Boomer Sooner Chapter officer for many years. He is a founding member of the Oklahoma Credit Union Service Center and currently serves on its board of directors. He was a director on the Credit Union Association of Oklahoma's board of directors and currently serves on the Oklahoma Credit Union Political Action Committee. He's also been a board member for the Oklahoma Consumer Credit Commission and the Oklahoma State Credit Union. Currently, Kelly serves on the Cornerstone Credit Union League's Oklahoma Government Affairs sub-committee.



Additionally, Kelly serves as a board member of the Oklahoma All Sports Association; is a Credit Union for Kids advocate, helping to raise more than $2 million for children who are ill; is an Oklahoma City Memorial Marathon water stop host; and serves on the board of directors for the Meinders School of Business.

Mike Patterson, executive director with Oklahoma Department of Transportation and a 31-year credit union volunteer, says Kelly embodies the credit union philosophy of "people helping people."

"He is a driving force in all things credit union at the local, state and national level," says Patterson. "He is a person who leads by example. He mentors his staff and has created a dynamic team that I'm confident will contribute to the future growth of Oklahoma Employees FCU."

Brian Gebard, senior vice president with Oklahoma Employees CU, says Kelly has been a true mentor to him. Gebard says he first met Kelly when he was in college. The roof on his fraternity house had fallen in. Herman Meinders, a generous donor, agreed to bail them out on the condition that Kelly would oversee the construction.

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

"Not only did Mark oversee our construction, he also helped us with some philanthropy projects," recalls Gebard.

Gebard later went to work for Kelly. And when Gebard bought his first house, a fixer-upper, Kelly didn't hesitate to pick up a hammer and help.

"He offered his help in a way that made me feel totally comfortable accepting it. He sweated on my behalf for more than eight hours and even seemed to enjoy it," remembers Gebard. "Mark takes the time to help others and to get to know them. In my opinion, his wisdom, knowledge, understanding and discernment have permeated our organization and made an indelible imprint on me and many others," added Gebard.

Carol Gaylord, Achiever of the Year. Gaylord was the third employee at City of Galveston FCU in 1982. She was hired on as a bookkeeper at the credit union, which had $3 million in assets. Within a few short years, she proved herself a competent and capable employee and was promoted to office operations supervisor in 1985. By 2006, she had earned the position of president and CEO of the credit union that is now known as Coastal Community FCU.

Gaylord says one of her first tasks as the new CEO was to create a disaster recovery plan.

"We are located on an island in the Gulf of Mexico, so having a disaster recovery plan was critical. Within the first year, I created the plan, initiated shared branching and check 21, engaged a mobile facility, shipped our main frame to a secure location, and opened a mainland branch."

The preparation paid off, because in September 2008, Hurricane Ike hit and caused massive destruction in Southeast Texas. The credit union's main branch was destroyed, but they were still open for business.

"With police escorts, tellers, cash drawers, laptops and wireless internet, we opened a satellite branch in the Emergency Operation Center at the San Luis Hotel. We were the only fully functional financial institution serving the post-Ike community of Galveston Island, regardless of membership," notes Gaylord.

Ike's devastation left the island's homeless both hopeless and helpless. Gaylord went into action.

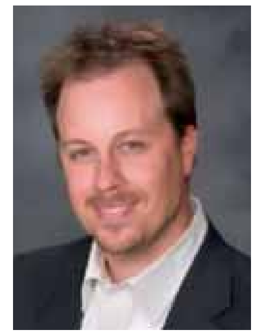
"I decided feeding the homeless population would be a priority," recalls Gaylord. "Thanks to my husband, we started what is now known as the Coastal Community Garden. The garden soon became a beacon of hope for a brighter tomorrow for a city that experienced near total devastation."

In spite of Hurricane Ike and the economic recession, Coastal Community FCU has experienced tremendous growth. Under Gaylord's leadership, the credit union's assets have increased from $30 million to $49 million; loans have increased from $22 million to $36 million; and shares have increased 52 percent, from $28 million to $43 million.

Coastal Community FCU is a Cornerstone Credit Union League REAL Solutions credit union, and a Juntos Avanzamos [Together we Advance] credit union. The credit union also participates in the Internal Revenue Services' Volunteer Income Tax Assistance program.

Gaylord has served on the League's education committee and currently serves on the political action committee (PAC). In 2013, the credit union initiated payroll deduction for PAC.

Kriston Crow, Volunteer of the Year. Crow has served as chairman of the board for Southwest 66 CU for several years now, and his visionary leadership has reportedly changed the culture of both the board and the credit union.



"Our board was in a state of disarray when Kris came to us, and he quickly served as a stabilizing influence in righting the ship," recalls President and CEO Sean Cahill. "Just one year into his tenure, he was asked to take over as chairman. Not only has the credit union turned around since he's been on the board, but it has flourished, achieving record growth and financial success in 2012 and then again in 2013."

Crow is also credited with helping the credit union to earn the Cornerstone Credit Union League's Juntos Avanzamos (Together we Advance) Hispanic outreach designation, and he was the catalyst for bringing the first CUSO to West Texas.

Rep. Mike Conaway (R-Texas) says Crow's selfless service has positively impacted the lives of countless individuals of all ages in the city of Odessa and the greater Permian Basin.

"He sets a high standard and is an inspiring example of volunteerism for us all," the congressman says.

Ronny Haynes, president and CEO of Southwest Heritage CU, says Crow is a living testament to the power of one member willing to help other members.

"Kris always displays a high degree of integrity, responsibility and ambition. He is a leader, not a follower," notes Haynes. "At the time when our credit union needed a strong leader on the board, we were blessed with Kris Crow. Today our credit union is a stronger and better financial institution largely due to the time he gave us."

Crow serves on the board of directors on Odessa Affordable Housing, Inc. to bring homes to low-income residents, and for several years he served on the Odessa Development Corporation helping bring businesses to the community and grow businesses that are currently there.

Odessa Mayor David R. Turner describes Crow as having a servant's heart.

"I have known Kris for nearly 20 years, and during that period of time I have watched him voluntarily serve his community in various other aspects," says Mayor Turner. "He has always been the kind of person to lend a hand to see organizations come to their full potential and has spent years and hours doing so."

Award winners are selected by their peers who serve on Cornerstone's Awards and Recognition Committee.

By Kimberly Jones
Human Resources Consultant
Credit Union Resources

Many Ask, Why HR? I Ask, Why Not?

Regardless of the size and complexity of an organization, HR plays a critical role in a business' success. Its main focus is to keep the organization strong, successful, functional, and free of costly litigation from lawsuits through sound policies and actions for handling personnel matters.

In any business, there are experts to oversee and advise on various areas. For example, a CFO's purpose is to focus on the financial functions and decisions for the organization. If that's not done in an effective manner, an organization runs the risk of making poor business decisions, and potentially going out of business.

There are several reasons why the role of HR in an organization is important to its survival and success. These reasons vary, both from an organizational and employee perspective. Below is a list of typical HR functions that will assist you in understanding the department's essential role in an organization.

Human Capital Value

Many believe that recruiting is the number one way for HR to make an impact on the organization. Hiring right and hiring right the first time are crucial. Hiring right means reduced turnover and increased retention. It means finding high-potential candidates and convincing them they should work for you. It also means not hiring problem employees to begin with. To be successful at hiring right, employers should use a systematic hiring process that probes for work ethic, attitude, aptitude, motivation, and skill set. A strategically focused HR professional can be instrumental in this process.

Budget Control

HR can limit excessive spending by trimming workforce management costs, which include negotiating better rates for benefits such as healthcare coverage. HR can also ensure that competitive and realistic salaries are paid by examining the labor market, employment trends, and salary analysis based on job functions. As many smaller organizations are faced with budget restraints, this HR function can be especially beneficial.

Conflict Resolution

Conflicts in the workplace are inevitable. Employees have diverse personalities, work styles, backgrounds, and levels of experience. An HR professional who is specifically trained to handle employee relations matters can identify and resolve conflict between employees, or a manager and employee, before things get out of hand. The HR department acts as a consultant and mediator to sort out issues in an effective and timely manner.

Training and Development

HR can help managers be better at their jobs, which can prevent or eliminate distractions for employees. According to author Beverly Kaye, employees don't leave bad companies, they leave bad bosses. Good managers are crucial to having an effective organization; however, most managers must learn how to be effective. HR can help develop and coach managers to do the best possible job.

Employees, likewise, also need training and development. HR can conduct a needs assessment for the organization's current workforce to determine the types of training and employee development necessary for improving skills and qualifications. It's less expensive to train and promote from within than to hire additional staff or more qualified candidates. This strategy can reduce turnover and improve employee retention.

Legal Compliance & Protection

Legal compliance with labor laws is a responsibility of HR. This includes informing all levels of employees about state and federal laws, such as overtime, safety and discrimination. HR protects the interest, image, and success of the organization through compliance, executing administrative processes, and creating policies in a cost-efficient manner.

More than Just an Admin

Not sure if your organization needs a professional HR resource or just a staff member that can absorb the HR functions? Below is a list of some transactional and strategic services performed by traditional HR departments:

Payroll & tax administration	Liability protection
Legal compliance	Benefits negotiation
Benefits administration	Talent acquisition
Performance management	New hire onboarding
Disciplinary review & guidance	Employee development
Time & attendance monitoring	Leadership training

Most organizations require most, if not all, of the HR functions listed above and more. Ask yourself, "Does my organization possess the necessary skills to fulfill each of these functions as currently constructed?" If your answer is no, you might consider re-evaluating the importance of HR in your organization.

By Susan Looney
Senior Vice President
Credit Union Resources

HR Q&A

Do I need to provide break time and space for nursing mothers?

The answer to the question of whether or not you must provide break time and space for nursing mothers is yes. The Patient Protection and Affordable Care Act, known as the "Affordable Care Act," amended section seven of the Fair Labor Standards Act to require employers to provide "reasonable break time for an employee to express breast milk for her nursing child for one year after the child's birth each time such employee has need to express the milk."

Employers are also required to provide "a place, other than a bathroom, that is shielded from view and free from intrusion from coworkers and the public, which may be used by an employee to express breast milk."

All employers covered by the FLSA, regardless of the size of their business, are required to comply with this provision. However, employers with fewer than 50 employees are not subject to the FLSA break-time requirement if the employer can demonstrate that compliance with the provision would impose an undue hardship. Whether compliance would be an undue hardship is determined by looking at the difficulty or expense of compliance for a specific employer in comparison to the size, financial resources, nature, or structure of the employer's business.

Employers are required to provide a reasonable amount of break time to express milk as frequently as needed by the nursing mother. The frequency of breaks needed to express breast milk, as well as the duration of each break, will likely vary. Specific time frames are not listed in the regulations.

Employers are not required under the FLSA to compensate nursing mothers for breaks taken for the purpose of expressing milk. However, where employers already provide compensated breaks, an employee who uses that break time to express milk must be compensated in the same way that other employees are compensated for break time. FLSA states that rest periods of short duration, usually 20 minutes, must be counted as hours worked. Bona fide meal periods (typically 30 minutes or more) generally need not be compensated as work time. The employee must be completely relieved from duty for the purpose of eating regular meals. The employee is not relieved if he/she is required to perform any duties, whether active or inactive, while eating.

A space temporarily created or converted into a space for expressing milk or made available when needed by the nursing mother is sufficient provided that the space is shielded from view and free from any intrusion from co-workers and the public. The location provided must be functional as a space for expressing breast milk. If the space is not dedicated to the nursing mothers' use, it must be available when needed in order to meet the statutory requirement. The statute specifically states that the space provided for employees to express breast milk cannot be a bathroom.

By Lorraine Lachapelle
Vice President of Sales
CU Members Mortgage

Don't Let Fear of Compliance Kill Your Mortgage Program

Home buying is essential to an economic recovery, and happily, indicators point to progress. But there is a shadow over the situation in the form of new federal regulations that may deter some credit unions from offering mortgages to their members.

Even some very large credit unions have decided that adapting to recent regulatory mandates creates too much risk for their appetites. From HOEPA (Reg Z and Reg X) to ECOA (Reg B) to ATR/QM (Ability to Repay and Qualified Mortgages) and more, the mortgage process has become more complex than ever.

But let's face facts: home lending is a key component of a credit union's ability to remain competitive. Without a mortgage program, credit unions run the risk of losing members to larger banks with aggressive cross-selling tactics. For some credit unions, outsourcing might be a viable solution.

CU Members Mortgage, a preferred partner of Credit Union Resources, has assisted credit union members, CUSOs and leagues across the country for more than 30 years. And because the origination and servicing of residential home loans is the company's primary business, it got to work early—and stayed late—to implement the systems necessary to comply with Dodd-Frank legislative rules that took effect in 2014.

Working with more than 1,000 credit unions nationwide, CU Members Mortgage offers customized, fully compliant mortgage programs that deliver the opportunity for credit unions to earn income and provide all the loan products members need.

"Today, many credit unions are realizing that compliance risk is more than they can handle," explains Linda Clampitt, senior vice president of CU Members Mortgage. "They have chosen to outsource this important function to ensure they can still offer a strong mortgage program, yet decrease the associated risk."

In fact, according to Clampitt, several larger credit unions have decided to stop selling directly to the secondary market and to partner with CU Members Mortgage to handle all or most of the lending functions. This allows the credit union to earn income but drastically decrease their risk and compliance burden.

Texans CU, with 114,859 members and $1.4 billion in assets, and Qualtrust CU, with 22,920 members and $192 million in assets, are just a couple of the larger credit unions that have converted from in-house mortgage departments to using CU Members Mortgage for all the functions of the mortgage loan process. With this type of program, a credit union may even elect to have a CU Members Mortgage loan officer located at the credit union branch to work face to face with members for highly personal service. Credit Union of Texas is another larger credit union, with more than 140,000 members and $1 billion in assets, that has chosen to outsource, partnering with CU Members Mortgage for more than 10 years, and posting two loan officers onsite at their branches.

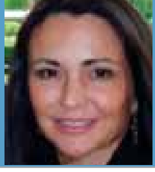
CU Members Mortgage has helped many smaller credit unions achieve their lending goals as well, including Alcon Employees FCU, which has just 3,864 members and $36 million in assets; Baptist Health FCU, with 6,878 members and $28 million in assets; and Diamond Lakes FCU with 10,240 members and $60 million in assets. The credit unions work with CU Members Mortgage to offer home loans to their membership while sustaining their income stream. Most important, they preserve the member relationships by offering mortgages as part of their full range of financial services.

"Retention of the member relationship is one of the most vital aspects of the CU Members Mortgage business model," assures Clampitt. "We assume the role of silent partner with a non-solicitation agreement that guarantees members will never be solicited for other financial products. Credit unions consider this a major advantage over other mortgage providers."

In addition, CU Members Mortgage retains servicing on loans it originates, which further protects the member from cross-selling by a competing institution while preserving the relationship for future mortgage transactions with the credit union.

As the economy continues to recuperate, credit unions have tremendous opportunity to grow their mortgage lending portfolio, and if a credit union determines that outsourcing is the best option for them, CU Members Mortgage can help.

By Connie West
National Account Manager - GPO's
Office Depot



Disaster Preparedness: Expect the Unexpected

In today's busy world, it's understandable that disaster preparedness might not be a front-burner issue for credit unions. However, pushing the subject to the backburner could be a recipe for disaster.

Office Depot, a business partner of Credit Union Resources, says the most important step any business can take is developing a disaster preparedness and recovery plan. All that's required are a few simple and inexpensive steps that can help businesses minimize or even prevent disruptions, including:

- The plan should be easy for employees to follow and not costly to maintain or update.
- People are irreplaceable assets, so create and update employee, emergency, and key contact lists to be used during and after an emergency.
- Without data, businesses can't recover.Back up your data regularly and store it off-site. An inexpensive CD/DVD stored offsite could be the solution to a successful recovery.
- Test the plan at least annually, to make sure it consistently meets the changing needs of the credit union. Incorporate any updates.
- Disaster preparedness is a wise investment; therefore be sure to stock up on basic and affordable emergency supplies.

To ensure that businesses have ready access to information designed to help them prepare, Office Depot offers disaster preparedness strategies on a special section of its website, "Expecting the Unexpected," as well as a downloadable brochure with additional information. Practical ideas for protecting employees and data are featured, as are suggestions for building a disaster plan and links to resources offered by a variety of agencies and organizations.

Preparedness is essential to business survival in the event of a disaster. Not having a contingency plan or a backup system in place can cause a business to close its doors for good. All credit unions are urged to emphasize the important of being ready for disasters—and don't forget to work with your members on how you can help them prepare.

Student Loan Refinance: A Call to Arms

"If these borrowers could refinance, their debt would be much more manageable. Given today's historically low interest rates, there is a tremendous opportunity for lenders to take advantage of an underserved market." -- Richard Cordray, director of the Consumer Financial Protection Bureau (CFPB)

The "borrowers" being referred to by CFPB Director Cordray are the millions who borrowed a private student loan in the last decade. We know all too well, as college costs began rising dramatically in the late '90s, private student lending boomed and became a necessity for many students and families as they searched for ways to fill educational funding gaps.

Unfortunately, profit-motivated lenders were more than happy to dole out high-rate, low-value loans to students, emphasizing volume over risk and offloading the assets into Wall Street securities. The remnants of those "boom years" continue to be a drag on some private student loan borrowers, potentially causing them to delay other investments, such as homes and autos. Accordingly, many groups, including the CFPB, have called for private lenders to take the lead on refinancing and loan modification.

The Opportunity

While private lenders, including banks and credit unions, play a relatively small role in today's student lending marketplace, well over $150 billion in outstanding private student loans remain. Due to the unsecured nature of these loans it's certainly understandable that they carry higher interest rates than standard home or auto loans.

However, many of these loans were made during a time period that is not reflective of today's rate and regulatory environment, leaving thousands of young adults (many of whom who are employed college graduates) with high-rate debt.

"Most borrowers aren't looking to get off the hook," said Rohit Chopra, CFPB's student loan ombudsman. "They just need a payment plan that works."

The Business Case

Assisting members by providing fair-value credit is a noble cause and a hallmark of the credit union industry. But it only works if the lending program also returns value to the cooperative. Credit unions considering a private student loan consolidation/refinance program, must take several factors into consideration when evaluating this opportunity.

By Jim Holt
Chief Revenue Officer and SVP
Credit Union StudentChoice

These factors include:

- **An Improving Sector** – Risk is certainly the number one factor for credit unions to consider when looking at student loans. While many would assume doom and gloom in this sector, that's not necessarily the case. According to a recent report from Moody's Investor Services, the private student loan default rate index on $40 billion of securitized balances dropped to 3.6 percent in the second quarter of 2013, the first time it has dipped below 4 percent since 2007. This is less than half of the 7.9 percent peak in third-quarter 2009. The 90-plus delinquency rate for second-quarter 2013 was 2.1 percent, down from 2.4 percent in second-quarter 2012.

"The 90-plus delinquencies will continue to decline slowly, continuing their downward trend since peaking in mid-2009," said Moody's AVP-Analyst Stephanie Fustar, author of the report.

- **Managing Risk** – With a consolidation program, several of the biggest questions in student lending are removed from the equation. Will the student graduate from college? Will he or she find a job? To be eligible for a consolidation loan, all borrowers must have graduated and be gainfully employed. Credit unions can further mitigate risk by layering in additional underwriting criteria, including debt-to-income and school quality. By removing common questions and leveraging proven underwriting criteria, these loans can perform very well.
- **New Relationships** – Credit unions are eagerly searching for ways to grow relationships with young adults and expand their lending portfolios. Offering a private student loan consolidation program brings together these goals. PSL consolidation borrowers are prime candidates for future deposit and lending relationships, including auto and mortgage.
- **Earnings** – Given the high rates that many student borrowers were socked with during the last several years, earning a strong return on assets while delivering fair value is very achievable on a private consolidation loan. By helping members get out from underneath high rates while bringing value to the bottom line and establishing the opportunity for long-term member relationships, credit unions can create a true win-win situation.

Over the last several years, millions of credit union members have dramatically lowered their monthly obligations by wisely refinancing debt, such as mortgages and even auto loans. This has been accomplished through a broad public awareness of these traditional refinancing tools, coupled with targeted campaigns and helpful credit union staff. The time has come to bring this same effort to young adults saddled with onerous private student loan debt.

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