Perspectives

The Official Publication of Cornerstone Credit Union League

Summer 2014

The Perils of Living on Assumptions


Complete Credit
ATM Innovations
P2P Payments
Digital Banking/ Bill Pay
Member Services
Lending Services
Mobile Access
CardNav by CO-OP
Shared Branching
PIN & Sig Debit
Sprig® by CO-OP
Be There Be More
Dig deeper at co-opfs.org
CO-OP FINANCIAL SERVICES

Winner of the CUNA Marketing & Business
Development Council's 2007 and 2012 Diamond Award

Contents

Cornerstone Credit Union League

EDITORIAL
Managing Editor
Linda Webb-Mañon

Associate Editor
Kimber Cockrill

Contributing Writers
Nathan Behncke
Tamra Fairbrother
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

Perspectives is a quarterly publication of the Cornerstone Credit Union League and is offered to affiliated credit unions as a dues-supported service. If you are not an employee or volunteer of a League-affiliated credit union and would like to subscribe to this publication, an annual subscription rate of $20 is available.

GRAPHIC DESIGN
Bonnie Hickman

CEO's Column

By Dick Ensweiler
CEO
Cornerstone Credit Union League

It's that time of year again: summer. Kids are out of school, and families are anxiously taking off on their long-anticipated vacations. Tearing away from the job isn't easy for some, but we can all benefit from a holiday away from our demanding professional and personal lives. Vacations are an opportunity to relax, spend time with our family, and rejuvenate. And when we return to our "normal" lives, we are reinvigorated and ready to take on new challenges and opportunities.

When you return from your summer vacation with vigor, rest assured that the Cornerstone Credit Union League is committed to helping you respond to challenges with an enhanced level of expertise and to encouraging the pursuit of opportunities that will advance your credit union career. We are able to fulfill this through:

- **Peer-to-peer learning opportunities.** Cornerstone offers nine credit union councils, and these councils provide a forum for credit union professionals and volunteers to exchange experiences, share relevant information and expertise, and gain insights into how other credit unions address challenges and opportunities. These councils include:
  - CFO
  - Compliance
  - HR
  - Lending
  - Marketing and Business Development
  - Member Business Services
  - Operations
  - Technology
  - Volunteers

  Member Business Services and Volunteers are our newest councils. We've collaborated with the Louisiana Credit Union League to provide Cornerstone credit unions the opportunity to join the Member Business Services Council. And the Volunteers Council was created because we realize that the role of a credit union volunteer is not only vital to the success of the movement, but becoming increasingly more complex and demanding.
- **Networking opportunities.** Whether you serve on the front line or the executive management team, your local chapter meeting is an excellent opportunity to expand your peer network, as well as enhance your professional stature and achieve your personal career goals. Cornerstone offers 35 credit union chapters and most chapters hold monthly meetings. These meetings provide a forum for sharing information, gaining ideas, and identifying solutions to challenges you might be facing. Your chapter offers a wealth of resources to keep you up to date with industry trends and developments in the ever-changing financial services sector.
- **Professional development opportunities**. Whether you are just starting your credit union career or you are a veteran of the movement, professional development is essential to helping you stay on top of your game. Cornerstone offers an abundance of training programs, from conferences to seminars and webinars, which bring credit union professionals and volunteers from across the region together to learn from industry experts, obtain practical knowledge, and share ideas and experiences.
- **Engagement opportunities.** We are a movement of people, and it is through cooperation, collaboration, and engagement that our movement has and will continue to grow and prosper. Cornerstone offers a wealth of opportunities for engagement. I've already discussed several such opportunities, but there are others. For instance, you can choose to be an advocate for our movement and get engaged in grassroots advocacy efforts such as hiking the hill or becoming a key contact. You can support our Cornerstone Credit Union Foundation so they can continue their great work in the areas of financial education, professional development of credit union staff and volunteers, and disaster relief. You can stay current and learn about other engagement opportunities by taking advantage of our various media channels, including the Leaguer, *Perspectives*, the Advocate and InfoSight, as well as our social media channels (Facebook, Twitter, and LinkedIn).

Enjoy your summer vacation with your family, and when you return with a renewed sense of purpose, your league is here to help you achieve your aspirations.

Chairman's Forum

By Paul Trylko
President and CEO
Amplify FCU

It's hard to believe we're already halfway through 2014, and even harder still to believe that the Cornerstone Credit Union League is now a year old! Where has the time gone?

Of course, time doesn't stand still, and neither does your league. Over the last year, Cornerstone has worked hard to make improvements to its operations across the board, based on your feedback, industry trends, and the particular needs of the credit union movement. We are committed to putting your dues to best use and to ensuring that our credit unions continually see the advantages of league membership. And there are many, because we are your advocates, at home and in Washington, DC.

Make no mistake; it's a big job, requiring a wide scope of resources and well-qualified teams to carry out the necessary functions and responsibilities that help Cornerstone credit unions shine. Much of the work takes place behind the scenes, but we hope our dedication to advocating for credit unions is as apparent as the clock on the wall. Time might pass quickly, but we are doing our best to stay ahead of the game.

Just some of the critical functions your league performs, which translate to benefits for your credit union, include:

- Resources that help you stay in compliance with all of the rules and regulations—current and proposed;
- Regular communications that keep you informed about the latest news affecting your credit union and the industry;
- Extensive research that keep us all imminently aware of market trends;
- A variety of engaging, relevant, and up-to-date educational programs;
- Collaboration with companies that can help improve your bottom line and enhance services to your members;
- Platforms for networking and sharing best practices; and
- Support for small credit union development, including additional resources specifically for the smaller operations.

We provide other services as well, and we hope you'll let us know, from time to time, how we are doing and how we can better serve your needs. There's only one reason your league exists, and that's you.

By Bob Mellinger
CEO
Attainium Corporation

Communicating in a Crisis

When disaster strikes, no matter the cause, there are two possible ways to handle crisis communications: on the fly or according to plan. In the first case, you're in reactive mode and may not be able to gain control of what's happening—plus you're more vulnerable to making mistakes, saying the wrong thing and blundering in more ways than you want to think about. A planned approach, however, gives you the tools you need to get right on top of things, including who must be contacted and how, who's in charge of doing what, whether you need to talk to the media, etc.

Communicating in a crisis is most effective when it occurs quickly. The longer you take to respond to a situation, the greater the likelihood that your organization will suffer some kind of damage to its reputation, credibility, and/or value. A planned approach to crisis communication limits the number of decisions you must make in crisis mode and gives you the tools you need to get right on top of things and maintain control.

Once a crisis occurs, you'll have very little time in today's 24-hour news cycle—maybe as few as 30 minutes—to respond and gain control of the flow of information. Realistically, the amount of time will depend on the type and extent of the crisis, but there won't be much time no matter what. If your plan is in place and up to date, you should be able to get a basic assessment of the situation and prepare statements and key messages in an hour or less. Your plan should ensure that everyone's role is clear and that you have a spokesperson that has been trained to talk with the media and the public.

Before you talk to the media or the public, talk to your employees and share as much information as you can. If there are things you can't tell them, say so and explain why you can't tell them. Deliver the key messages and make sure they know that those are the only things they should be saying to anyone outside the organization. Let them know via department meetings, in-person briefings, online conference calls, or a password-protected crisis web site that you'll give them additional information as soon as possible—and make sure you do. (We assume your employees previously have been advised that there is a crisis communication plan and are familiar with everyone's role in it. If not, that's something you should do as soon as you finish reading this article.)

Many organizations would rather not have to deal with the media at all during a crisis, but keep in mind that you can use the media to your advantage. What you view as an unwelcome chore could actually be your opportunity to control what gets said about the crisis, especially if you get the information out quickly. This approach can enhance your credibility with all your stakeholders and help protect your reputation.

Once you think you have enough information to understand the scope of the crisis, craft a statement to deliver to the media. You may want to address the media in person or you may decide that issuing a statement will suffice. If your organization is responsible in any way, say so. Make sure you express concern about what happened, and let everyone know that you are dealing with the crisis. Let them know you will provide updates as additional information is available.

When you talk with the media, use each opportunity to deliver the messages you want to get out. Even if you are taking questions, start out by making a statement that contains all the information you want to give; you can't depend on the media to ask the "right" questions. Always be truthful, but only answer questions for which you have answers. Don't speculate, and avoid saying "no comment." Don't say anything you wouldn't want to see or hear in the print or broadcast news.

Finally, document everything. Keep a record of who said what when, so you can review and assess the effectiveness of the statements, the responses, and the decisions that were made.

VINtek
THE NATION'S LIEN MACHINE.™

PREMIER BUSINESS PARTNER
CREDIT UNION RESOURCES
A CORNERSTONE CREDIT UNION LEAGUE COMPANY

VINtek is a preferred product provider of ELT services for Credit Union Resources.

VINtek, a Dealertrack company, and Credit Union Resources/Cornerstone provides credit unions with the technology and guidance to replace paper vehicle titles with electronic titles. Our ELT program enables credit unions to receive digital titles from the DMV rather than paper titles with liens. Using ELT, we can help your lending institution improve service to your members.

WHY CHOOSE ELT FROM VINtek?

- Streamlines and optimizes business processes
- Reduces title processing costs
- Eliminates postage expense
- Lessens need for physical title storage
- Reduces potential risk of fraud by eliminating paper titles
- An environmentally friendly “green” process

VINtek was acquired by Dealertrack Technologies on October 1, 2013, creating a collective base of more than 6,300 auto finance lenders.

Credit Union Resources, Inc.™

Learn more, and request a program analysis for your organization by contacting us at **888.VIN.6500**, or email us at **cms.sales@dealertrack.com**.

dealertrack.com/lender

dealertrack technologies

By Sean M. Cahill
President/CEO
Southwest 66 CU

From Marginalized to Mainstream

I am often asked, "How do you do it? How do you reach the underserved and unbanked demographics?" My response is always the same: hard work and good partnerships.

There is no secret ingredient to being successful. You have to be out in the community to understand the community. And you have to find key contacts that you can partner with in the community that can further advance your stated mission.

We found that in our market we had a large Hispanic population. Being that we are in Texas, that is probably not surprising. This is truly an underserved market where many do not have access to competitive financial services. Never mind not having products and services tailored to their specific needs.

One of the best things our team did was to work with the Cornerstone Credit Union League on obtaining our Juntos Avanazamos designation. Just the application process by itself was a great resource to ensure we were doing the right thing to serve our members. It made us look hard at how we were doing business, and it greatly improved our delivery to the market. Plus, having a flag out front announcing "Together We Advance" is an incredible statement.

We then worked to put together a Hispanic advisory board. This group of community partners was formed to regularly report to both our board and staff on products and services needed. It's made up of influential community members that really understand the market and what is needed from our credit union.

Armed with solid information, we were able to create affinity cards for our local schools and churches that gave back on a quarterly basis to these organizations. Not a new concept, but much needed in our market. Our Marketing Vice President Aaron Chavez took the Dave Ramsey teachings and translated them to Spanish to deliver on weekends at local churches.

Specific loan types were created, including a "borrow and save" loan (to combat payday lenders and establish consistent savings behaviors), and a quinceañera loan. We also established a Volunteer Income Tax Assistance (VITA) site, which is an IRS program designed to help low and moderate-income taxpayers complete their annual tax returns at no cost.

The thing we are most proud of is our citizenship loan, as it combines funding with community partnerships. There are five unique stages to this loan, and each stage requires a commitment from the member before the next portion is funded. We use a local attorney to ensure the member is protected, and make local ESL partnerships to bring the greatest value to the member. We even offer a loan for a suit or dress for the member to wear while attending their citizenship ceremony.

Again, none of this is new to the financial industry, but it is certainly new to our area. You do not have to reinvent the wheel to serve the underserved or unbanked demographics, but you do have to put the work in to identify the needs of these communities and then create specific programs to serve them.

I also recommend attending and sponsoring as many activities as your credit union can afford to do. You do not always have to be a title sponsor, as "sweat equity" goes a long way to proving to the community that you are serious about being there for them. Health fairs, financial literacy seminars, and other local gatherings can really make you stand out. Our motto is "hablamos su idioma" or "we speak your language."

In closing, there were two outstanding resources that made all of this possible for our credit union. First and foremost was the backing of Cornerstone. Without their support, none of this would have been possible. Juntos Avanzamos was a dream for us and the Cornerstone leadership team made it a reality.

The second was that we are on one of the industry's best core data processing systems in CUnify, a FiServ product. CUnify features a relational database which allows us a deeper and more detailed look at our member data than ever before. Armed with this data, we can more accurately identify our underserved markets and develop products and services tailored to their needs.

If you approach this from the mission of "people helping people," you are guaranteed to be successful in the long term, as the community will feel your passion. If you approach it simply from penetrating this market as a new revenue source, you may receive some short-term gain, but ultimately the community will see it for what it is and not be loyal to your credit union.

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

Synergy Creates Energy

Synergy is created from a shared vision of what a team is striving to accomplish. Whether you manage a team or are part of one, you play an essential role in building an effective and cohesive team. Therefore, it's essential that every member of the team understands the fundamentals of creating synergy, as it is important to the overall energy of those who work with you.

Think about the first time you were included in a group planning session, knowing that your opinion mattered for the good of the organization. You participated in discussions, asked probing questions, and when given an assignment you gladly took it on because you understood the mission and purpose behind such a task. Even if you didn't agree 100 percent with the direction, you were able to carry the project through because you were part of the planning and you knew the value of being a team player.

Teams that are productive enjoy their work, and that doesn't happen by accident. Successful teams gel because the team works cooperatively, sharing common goals, as well as the resources to achieve them. That's not to say team members never disagree, but they are more likely to work toward a solution when conflicts do occur. Good synergy also occurs when tasks are assigned utilizing each member's skillset rather than letting the team be dominated by the most verbal or popular personalities.

Team synergy creates good energy. Here are a few ways to build a synergistic team:

- **Transparent and Constant Communication:** We all want to be in the know. It's a sign of respect when you share vision and goals; and allowing others to be part of the solution through their engagement creates a sense of pride.

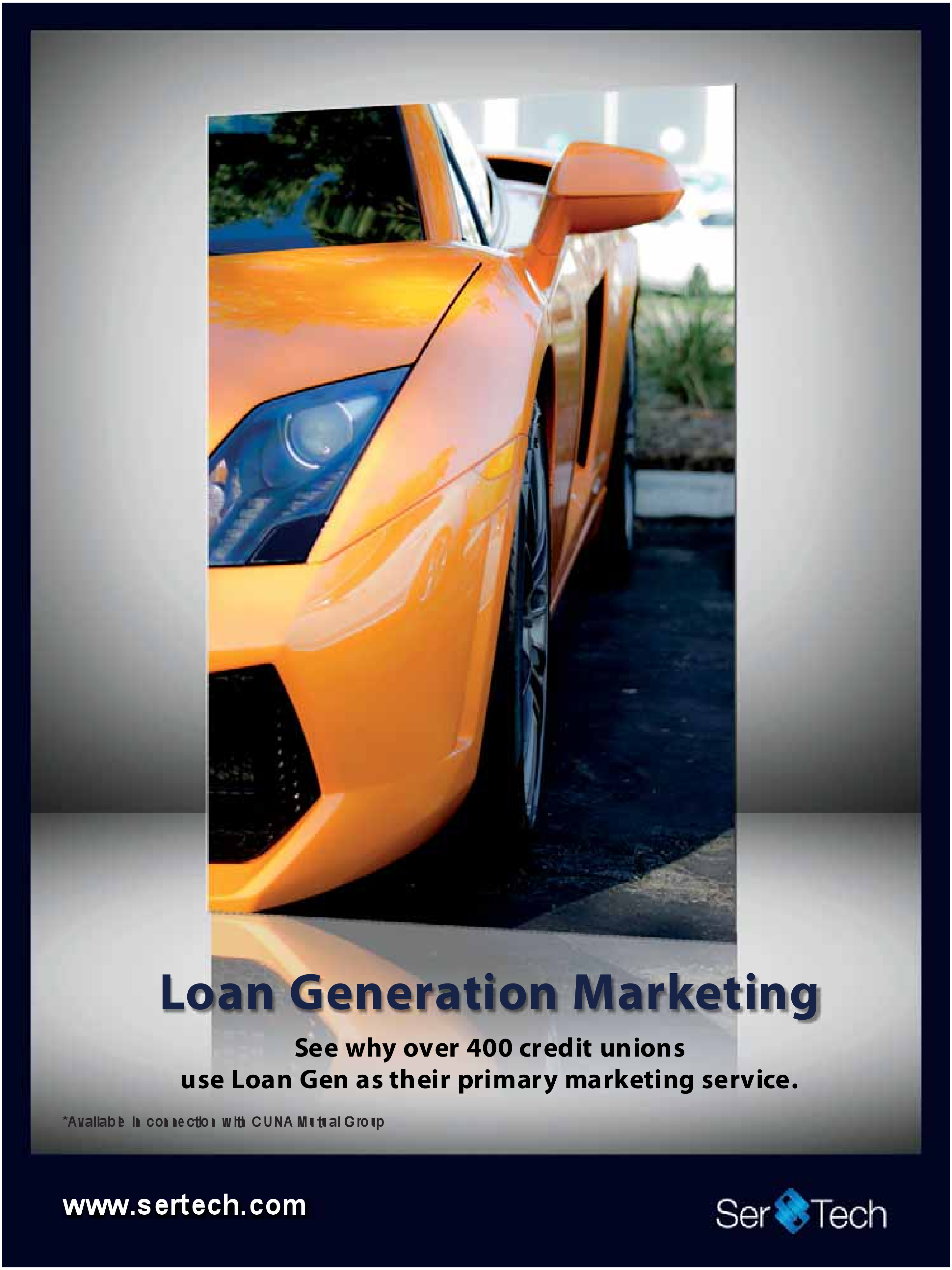
  An easy way to accomplish consistent communication is with a quick stand-up meeting. I host a weekly meeting with my team where we discuss status updates on projects. It also lends itself to some personal updates, like news of a successful graduation party or a fun weekend trip, which helps to foster the synergy of the team.

- **Strategic Planning:** Organizations host strategic or board planning sessions, and every department can do the same. Vision, mission, and goals of individual meetings should tie into the organization's overall objectives. Again, this is a place where individuals can be part of a team, establishing common goals for the good of the organization.

- **Team Building:** As part of strategic planning sessions, it's important to tie in time to just enjoy each other's company. Recently, for a senior management planning session, we had a cooking contest made up of three teams. One group made appetizer pizzas (taking into consideration food allergies and preferences), the second group was in charge of creating a theme cocktail for the night, and the third group made dessert. Once we sat down for dinner, each team had to serve the other. Everyone had fun working with their team and serving others in the group. It also made for wonderful conversation.

In our training and events department, we have a fun jar, and each team member contributes a slip of paper in the jar with an activity. The understanding is that each individual will pay their own way, but we may get to leave the office early on occasion to go participate in an activity. The jar consists of things like pedicures, go-carts, wine tasting, cooking class, chair massage, and bowling. On average, we probably participate in one team activity per quarter.

I know there are a number of ways to create synergy. Take the time to share what is working in your credit union. Post your suggestion on the Cornerstone Credit Union Facebook page, and title the post "Team Synergy Idea." Those that post before August 10, 2014, will be entered into a drawing for a pizza party for up to 10 employees.


Loan Generation Marketing
See why over 400 credit unions
use Loan Gen as their primary marketing service.
*Available in connection with CUNA Mutual Group
www.sertech.com
SerTech

By Steven G. Foster, CMP, CTA
Managing Partner
Foster+Fathom

Full-Throttle Leadership

"If your actions inspire others to dream more, learn more, do more and become more, you are a leader." – John Quincy Adams

There is a popular saying in the Harley-Davidson motorcycle community: "If I have to explain it, you wouldn't understand it."

Bikers have a hard time explaining "it" – our deep appreciation for the freedom we feel when riding. When we ride, we instinctively understand the choices we make and the roads we take. Sadly, the same can't be said when it comes to leadership.

What should be a clear destination choice – getting a team of people focused on a common purpose, managing change, fueling success, and maintaining balance – often ends up in a heap of twisted perspectives and ruined expectations. Just as great leadership can power amazing accomplishments, failed leadership can wreck businesses, damage reputations, and tank economies with devastating impact.

The misconceptions of what makes a great leader have allowed far too many individuals to be elevated into positions they simply aren't prepared for. Leadership success isn't based on stage performance, confidence, or passion for personal achievement. It exists only when we selflessly invest, personally and professionally, in others. I call this "full-throttle leadership."

It's often described as authentic or accountable. Full-throttle leaders are, quite simply, real. They focus on solving three key leadership challenges: capability, responsibility, and influence.

Capability: Position doesn't make you a leader. Action makes you a leader.

The lead rider in a group of motorcycles is the road captain. You can't just pull your bike in and automatically assume that position. You have to sacrifice time, talent, and resources to constantly improve – and not just your riding skills, but also your relationships within the group. What you need to learn in order to lead is more important than who you know or what you can do already.

A full-throttle leader directs the power of the whole. There is actually a science and a methodology to this action. When positioned in a staggered pattern, each rider creates lift for the next one so they get where they are going quicker and easier. Great leadership capability helps the team perform fast, tight, and in unison.

Responsibility: Leadership is not about you. Listen, and then lead. John Wayne said a bad leader is "short on ears and long on mouth." Your only responsibility as a leader is to serve the team. Make the needs of others more important than your own. Prioritize their goals. Learn to appreciate the intrinsic value of people for who they are, not only what they can do for you.

Your outlook will always determine your outcome. Listen and share the load and the lead. This transforms the difficult into the doable. That's called leadership development.

Influence: Just because you're going flat out doesn't mean you're on the right road.

For many years, I planned a motorcycle ride around the perimeter of the U.S. The trip had been sitting atop my personal "biker bucket list" for a long time but kept getting postponed, and mostly because I was busy doing what I do every day.

Then, a courageous Navy SEAL and five inspired women set off a chain of influence in my life that continues to this day. Lone Survivor by Marcus Luttrell (an absolute must-read for any leader) led me to the Boot Campaign, a grassroots initiative started by five women from Texas known as the Boot Girls, who also read the book and were moved to action. Their influence made all the difference.

My ride became a cause and transformed into "The Full-Throttle Leadership Ride," a 32-day, 34-state, 13,000-mile solo adventure along the U.S. perimeter, which raised both funds and awareness in support of the Boot Campaign. I even wore a pair of their signature combat boots every day, every mile of the trip.

Full-throttle leaders understand, no explanation required. They just get it: passion, power, and purpose!

Steven G. Foster is the opening general session presenter at the Cornerstone Credit Union League's Leadership Conference & Expo Sept. 4-6 in San Antonio. Information is available online, at http://events.cornerstoneleague.coop/lc/.

By Mark A. Colley
President/CEO
First Oklahoma FCU

First Oklahoma FCU CEO Talks Loan Growth, Strategy

As the president and CEO of First Oklahoma FCU, I see myself like the conductor of an orchestra or a band. People go to listen to the music, not see the conductor wave his arms around. A conductor without music looks like an idiot. The job of the conductor is to make sure everyone is playing the same piece, in tune and on the same beat. The conductor doesn't play the music.

I believe the biggest driver behind our loan growth is a board of directors willing to get away from the "we've never done that before" mentality. Your board needs to have an understanding and buy-in to management's vision, and then give management the tools and approval to execute the plan.

You also need to have all staff members buy in to the process and any changes. Give the staff the comfort of knowing that mistakes are okay to a point and that they are learning tools. Afford staff the ability and authority to make certain decisions, and show confidence in them doing their jobs.

Prior to mid-2012, First Oklahoma FCU served primarily postal employees. However, with our charter change, we are now able to serve all persons living, working, worshipping, or attending school in Creek or Tulsa counties in Oklahoma.

The change in our field of membership (FOM) was done primarily as a result of issues that continue with the United States Postal Service. The USPS and its well-publicized financial problems were having a negative impact on our operation in two ways. First, current membership was not expanding, as no new employees were being hired. Second, our name at the time (Tulsa Postal & Community FCU) had the "postal" label attached. We had several people call wanting to close accounts because they thought if the USPS was having financial trouble, we were as well. Our new name is more inclusive, and also serves as a segue-way to telling people about us. Chartered in 1923, we were the first credit union to be chartered in Oklahoma.

Going to a community FOM also forced the lending staff, the board, and yes, me too, out of our comfort zone. We had all gotten comfortable serving a single group. We were very conservative in our lending and very risk averse. I had to convince everyone that we needed to open up and accept the fact that there were going to be losses, but those losses would be covered by the increase in income and membership. So far, so good.

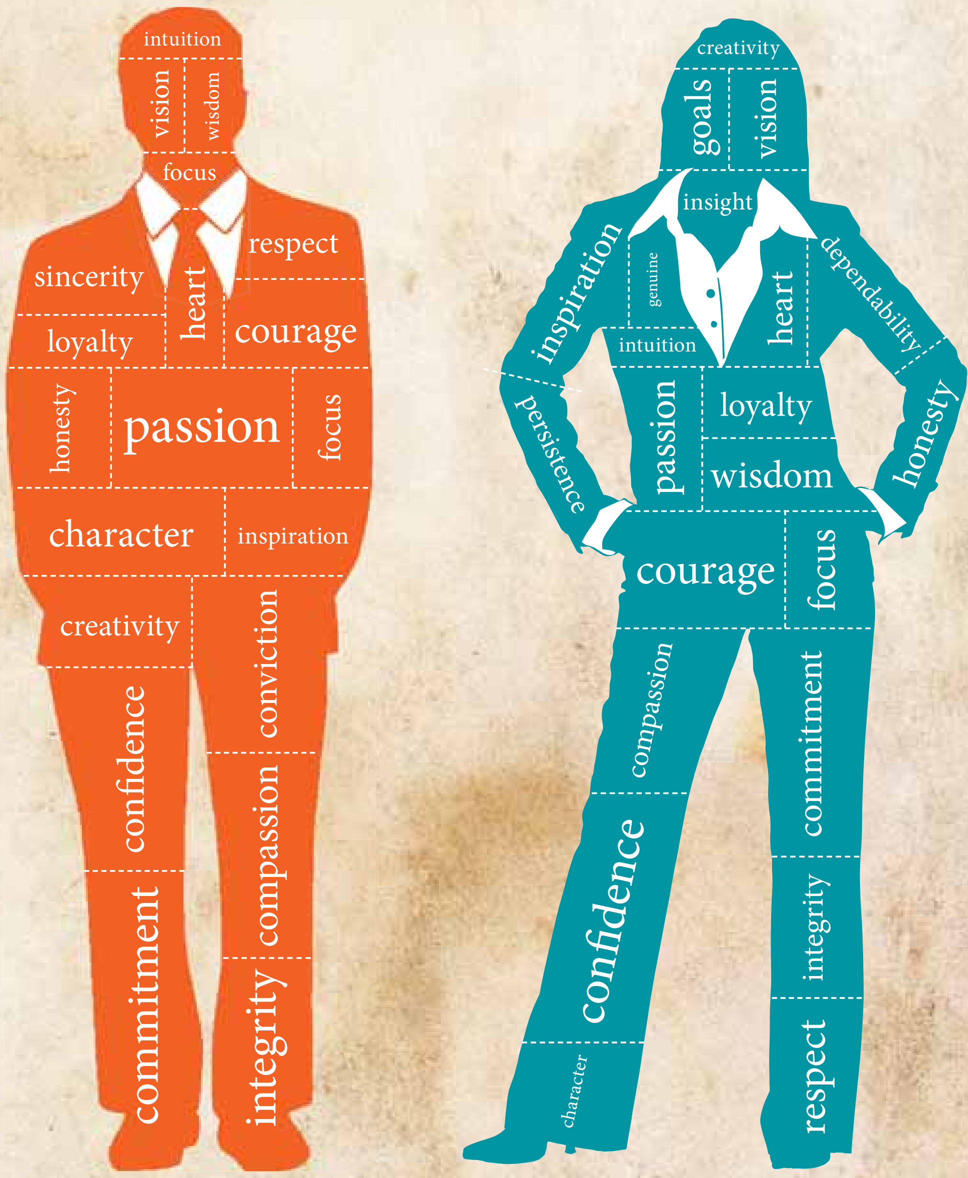
As far as growth strategies, I share the following:

- Staff Development. We have 11 full-time employees, and staff development is one of our growth strategies in general. We are currently 82 percent loan-to-shares, so not only are we promoting loans, but deposits as well. We launched four new deposit accounts in June, and they are teen checking, 55Plus, First Priority, and a money market. Each has different features and benefits that will require staff training. In addition, we will begin offering remote deposit capture and a rewards program that combines points on our debit and credit cards.
- Cross Selling. This cannot be over emphasized. Most of my teller staff are young and afraid. This comes from a lack of new product knowledge, which will be corrected soon. We will provide new product sheets and marketing materials (which we have never had before) to help educate members as to what we offer.
- As for the loan officers, getting them out of their comfort zone has done the most to improve cross selling in that department. We have had several meetings about being something more than just order takers. Look for those opportunities to educate your members and build relationships. Cultivate their trust in your organization and you as their go-to person.
- Indirect Lending. Yes, we do indirect lending and, yes, capitalizing on the opportunity to get more business from them is a growth strategy. We have already seen some of these borrowers become participating members. We have opened several new share draft accounts and other loans. Each new indirect member gets a personally signed letter from me welcoming them to the credit union family. I have talked to several visiting members so I could get to know them. A lot of our members have never dealt with a credit union before and are shocked that the president is taking time to speak with them. I guess the point I'm trying to make is that cross selling is everybody's job, so everyone in senior management, get out of your chair and spend some time in your lobbies. You'll be glad you did.
- Risk-based Lending. This is one of the first things I instituted when I came to First Oklahoma 12 years ago, and I believe it is critical to growth. First, it allows you to price your loans based on risk, and because of this, you can approve some loans that would otherwise be declined. Second, it allows you to be more competitive. We have a policy in place to match rates based on credit scores.
- Another thing we do here: the loan officer does not have authority to decline a loan. A potential decline goes to the loan committee (the two loan officers and me). At these meetings, we look for ways to make loans, do consolidations, etc.

From May 2013 to May 2014, our loan growth increased about 27.5 percent overall; our auto loan growth increased more than 65 percent; and our assets increased about 10 percent.

Our current asset size is $28 million, and through responsible growth, we hope to be around $33 million in five years. That would be about 4 percent asset growth per year. Growth must be controlled so as to not run into issues with net worth.

Are you an authentic leader?



CORNERSTONE CREDIT UNION LEAGUE

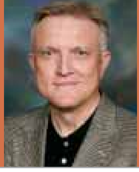
LEADERSHIP

CONFERENCE AND EXPO

September 4-6, 2014 | San Antonio Marriott Rivercenter | San Antonio, TX

Register at events.cornerstoneleague.coop/lc

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



Bank Secrecy Act: Why It Matters

Last month, while sitting in a southern airport, I failed to follow survival rule number three. Before leaving home, I forgot to charge my MP3, and now I had no music, no headphones, just that horrible silence in between announcements that your plane is running late.

Almost immediately, I was engaged by a lady holding the latest edition of the Wall Street Journal. We introduced ourselves, and she stated that she was an auditor in the petrochemical industry. Thankfully, she knew all about compliance, so I didn't have to go through the whole explanation of regulations, writing policies, and other items guaranteed to put someone to sleep. Somehow, we ended up on the subject of the Bank Secrecy Act. She asked me why there was so much time and paperwork put into something that really didn't matter. According to what she had read, it didn't catch any criminals, was expensive and time consuming, and seemed to infringe on the rights of individuals. I agreed to disagree, remembering exactly why I like to leave my headphones on.

After leaving the airport, I regretted not saying what was very clear to me and should be clear to all who live with the BSA and enforce it:

Responsibility

The 9-11 attack on the U.S. has been referred to as the Pearl Harbor of this generation. The USA PATRIOT Act, which resulted in the aftermath, strengthened the BSA and created a deterrent to those who would use our financial system as a means to harm the American public. As federally insured financial institutions, we have a responsibility to our members and to our government to follow the law. This includes protecting the honest deposits of our members from deposits gained through illicit or illegal means. No member would condone money laundering or funds being held and dispersed for criminal activities. Imagine the high level of reputation risk and ensuing fallout in a small (or even moderately sized) community for any financial institution thought to be harboring terrorist or criminal funds.

Regulatory Repercussions

In December 2012, HSBC paid a record $1.9 billion to the federal government in fines resulting from money laundering discovered by regulators. During April 2014, Gibraltar Private Bank and Trust Company, a South Florida-based institution, announced to shareholders that federal regulators would be instituting new enforcement actions and civil monetary penalties, which included the individual board of directors (Gibraltar was subject to a Cease and Desist Order by the Office of the Comptroller of the Currency and the U.S. Department of the Treasury as of October 2010).

As recently as June 2014, Bank Paribas, a giant French bank, was discovered to have covertly laundered more than $100 billion between 2002 and 2009, and faced a potential $10 billion in fines from U.S. agencies. U.S. financial institutions are not alone in accountability.

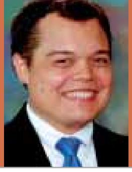
In April of this year, South Africa's Reserve Bank announced it had fined the top four banks a total of 125 million rand over lax anti-money laundering controls. The United Kingdom's Financial Conduct Authority analyzed 17 banks and found that half, including four major UK lenders, still did not have proper processes and procedures for ensuring they were not involved in facilitating money laundering. UK banks as prestigious as Lloyds Banking Group and Barclays have been fined for breaches of anti-money laundering rules.

Does it Matter?

Any financial institution (credit unions, banks, and other) will tell you that the BSA remains at the top of the list of information requested for review. Special BSA officers and departments have been created in many institutions, independent of the compliance officer and department.

Every time a terrorist lacks funds to buy guns or explosives, when a drug runner or cartel can't get cash to pay dealers or suppliers, and when a con man can't hide his "score" taken from the pockets of the innocent, it matters.

By Nathan Behncke
Regulatory Compliance Advisor
Cornerstone Credit Union League



Cornerstone Introduces ComplySight

The Cornerstone Credit Union League has been working, along with our partners at InfoSight, on the creation of an all-new, multi-purpose, comprehensive tool that credit unions can use to manage their compliance needs. This new tool is ComplySight, and below we have answered some questions you might have about it.

Q: What is ComplySight?

A: ComplySight is a web-based application that allows credit unions to address compliance initiatives through a single portal. ComplySight will assist in the organization's overall communication, support a state of continual readiness for audits, and provide regulatory updates essential to maintaining credit union compliance.

ComplySight offers visibility, tracking, measuring, and reporting for compliance activities through a single application, allowing a compliance officer or manager to control the credit union's overall communication and readiness for examinations and to keep knowledgeable about regulatory updates.

ComplySight offers several very notable features, including:

- Content. Easy-to-understand guidance and direction on compliance requirements.
- Regulatory alerts. When a regulation changes or new guidance is introduced, you will be notified and provided custom guidance.
- Reporting tools. Robust reporting features, overviews, and in-depth information on your credit union's compliance.
- Tracking. Communication and tracking tools make it easy to determine and monitor your credit union's compliance position.
- Compliance consulting. In coordination with Cornerstone, complete compliance management and review services.
- Support. Comprehensive guidance and technical support.

Q: How much will ComplySight cost, or is it provided as a dues-based service?

A: ComplySight is provided as an optional application with a multi-tiered pricing structure based on the asset size of the credit union, assessed on a yearly basis, and its cost will be in addition to yearly dues. This will not include setup assistance or ongoing support. The pricing structure is very affordable, especially for smaller credit unions. Contact your league representative for details.

Cornerstone's partners at CU Resources will provide additional support on a fee basis for credit unions that wish to have ongoing assistance and training with ComplySight.

Q: How much time will it take to get this up and running at my credit union?

A: Initial setup of ComplySight should only take a few hours. Credit unions will need to select which areas they want managed by ComplySight, and make a determination as to their current level of compliance in each area. This will create a custom score of compliance overall by the credit union, and each credit union will get to determine what thresholds of compliance they feel are sufficient for their needs.

While setup will be brief, ComplySight will require ongoing input and monitoring by an employee of the credit union.

Q: Will I be able to control access to ComplySight?

A: Yes. ComplySight offers multi-level access so that a senior compliance officer can regulate the information disseminated to subordinates based on need. This will allow the compliance officer to designate tasks to different employees around the credit union to carry out compliance duties.

An administrator account will grant access to all areas and allow the compliance officer at the credit union to set compliance thresholds. The compliance officer will also be the central recipient of updates to compliance issues by other users of the system.

Lower levels of access will allow other employees of the credit union to send compliance information to the compliance officer as tasks are completed, as well as submit other issues to the compliance officer as they come up.

Q: What kind of integration will this have with existing products, like CU PolicyPro and the InfoSight Manual?

A: ComplySight will link relevant sections of the InfoSight Manual and CU PolicyPro where applicable. If the credit union has its own custom policies within CU PolicyPro, these policies will appear when selected through ComplySight. If the credit union does not, then a template master policy will be available.

Q: Will this have state-specific information, including compliance resources for state-chartered credit unions?

A: Yes. Cornerstone will be responsible for adding and maintaining state-specific content, including regulatory alerts that come up. Cornerstone will have the ability to push out new content which will appear in a prominent and overt location on the administrator's control panel.

Currently, only federal information is available, but we are in the process of adding state-specific information.

Q: When is ComplySight expected to be ready?

A: ComplySight was released in early June and is available now.

Q: How can I learn more?

A: For any questions about signing up or for a product demonstration, contact your league representative. For questions with setup after sign up, contact Suzanne Yashewski at (512) 853-8516 or Nathan Behncke at (512) 853-8514.

The Perils of Living on Assumptions

Just for a moment, think about Kool-Aid. Yours. But please don't drink it. As credit union employees, executives, and board members, we get very close to our products and services. Sometimes too close, and that leads to us all to making assumptions. The world of financial services is changing rapidly, as are consumer preferences; and the credit union industry cannot count on the past as a prediction of the future.

New players are entering the financial services world in very powerful ways. Today it could be a new fin-tech start-up, and tomorrow it could simply be the latest and greatest must-have iPhone or Android application. Consumers from most market segments are starting to find new ways to bank and manage finances, and they are embracing changes that reduce the mundane chore of "doing their banking."

Let's face it; as consumers, none of us gets excited about visiting our local branch, applying for a loan, or heading online to pay our bills. Plain and simple, banking is a chore that we don't want to do, but ultimately must do. Emerging players—uber banks, if you will—like Square, Mint, and Moven, are guided by the principle that to gain market share, you must reduce the chore of banking by reducing consumer friction. While you talk of alternative delivery, the new competition is focused on your delivery and acknowledging that the consumer is in charge of which delivery channel to use, when, where, and how.

The safe haven of the traditional brick-and-mortar retail banking strategy is threatened, and most financial institutions are feeling the need to evolve. I have no doubt that the credit union industry is taking strides to reduce friction in an effort to build a better customer experience. Just take mobile banking as an example. Mobile banking is growing so quickly that it is now overtaking traditional online banking. That presents challenges as your members expect the same level of service online, while mobile, as they do when visiting your branch or using your call center.

According to CEB TowerGroup research, the majority of retail banking consumers prefer to bank through digital (online and mobile) channels. If these trends continue, an estimated 70 percent of consumers will soon primarily access their financial institutions through non-personal channels. There must be cohesion between online and offline channels. Quoted below, Senior Director of Banking at J.D. Power and Associates Jim Miller does a good job of summarizing my sentiment:

"Successful banks are not pushing customers out of the branch, but rather providing tools that make it easier to conduct their banking business when and where it is convenient for them. Customers are quickly adopting mobile banking, making it a critical service channel for banks, not just a 'nice to have' option."

With all the talk of mobile banking, some pundits will tell you that the branch is going by the wayside. I don't believe this to be true. According to a study by Novantas, consumers are psychologically attracted to branches. This being said, while I believe branches still play an important role in driving revenue, they do have the highest operating costs. However, simply investing in coffee bars and filling branches with comfy sofas likely will not support your bottom line. Besides, the "crowded house" approach to retail design is thankfully a thing of the past. Even a handful of bankers I know, are creating environments that are less distracting for consumers, and more focused on reducing the banking chore. Retail space design should be centered on simplicity and clarity. This certainly does not describe the average Starbucks store, so maybe it's time we stop talking about Starbucks all together.

When it comes to branches, your members want to get in, get out, and get it over with. It follows that a visit to a branch, for whatever the reason, should be easy and satisfying. As the founder of Simple (formally Bank Simple, now owned by giant BBVA) says, "Banking shouldn't suck." Citibank, a bank that many us love to hate, is on to something with a strategy focused on customer-centric innovations that draw on smart banking technologies. They are using technology, retail design, and onsite staff to minimize the banking chore. All the while, they are aiming for a value-added consumer experience that compels visitors to interact freely with the environment and explore product offerings. Staff is specially trained to operate in this kind of environment.

So while threats abound and we evolve to meet the needs of a changing environment, credit unions have a secret weapon. Yes, it's our people. Let's not diminish the value of the human factor in retail banking, even as mobile banking adoption soars. New technologies can come and go, but it is people and the human experience that will ultimately allow us to survive and differentiate as financial services continues to evolve.

The credit union industry has historically prided itself on having a philosophy of "people helping people." People are what drive our industry, and connecting your employees to the market and your members should remain mission critical. So while we need to build better online and offline experiences and reduce the chore associated with banking, let's assure we empower our employees to act and engage. Your members have real-world questions, concerns, and goals that an app can't address.

By Bryan Clagett
SCMS Faculty
Chief Marketing Officer, Geezeo

And what of that new FinTech start-up? What are the chances they have an educated staff well versed in communicating directly with consumers? In many cases, they don't have the manpower or infrastructure to engage consumers personally.

When I came to the credit union industry in 1996, we spoke of the need for high-tech, high-touch retail banking environments. Back then, having a website was considered high-tech. Now we have rapid consumer adoption of technology, a sharing economy where consumers seek advocacy and members that thrive in a digital world. There may be no better time to be a credit union, provided we build online and offline experiences that are cohesive and member centric and leverage an educated staff. Consumers are changing, and we can evolve with them.

What Examiners Are Looking For

As a former National Credit Union Administration Chairman, I am often asked by both volunteers and professional credit union staff what their NCUA examiners are looking for when they come in. Do they have to have everything perfectly in line? Is there any room for mistakes? Are the examiners just looking for a reason to write us up?

Without question, examiner scrutiny coming out of the recent financial crisis (which many, including some in Congress who oversee NCUA, blame on excesses in the financial services industry) has been more demanding that previously. This is a hyper-regulatory environment with a sensitive supervisory approach attached. NCUA, along with state regulatory agencies, is trying to prove that it is up to the task of making sure such a financial crisis never happens again under its watch.

The regulators feel today that they must be tough regulators in tough times. And their supervisory process through their examiners certainly follows suit. Therefore, the best approach by directors, management, and staff at credit unions is to understand the reasons for the increased scrutiny—whether they agree with it or not.

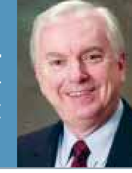
So, if there is going to be heightened scrutiny based upon the recent financial crisis, the question every credit union official should ask is, "What do I need to do in order to demonstrate to my examiner that I am on top of the risk in my credit union?"

The seven pillars of risk outlined by NCUA are credit risk, interest rate risk, liquidity risk, compliance risk, transaction risk, strategic risk, and reputation risk. The recently proposed risk-based capital rule effectively adds concentration risk and operational risk to that list.

Board members, as fiduciaries of the credit union, should understand each of these risks. It is perhaps not necessary for the risks to be understood by directors as extensively as the managers and professional staff that work daily to ensure that the credit union is managing these areas, but it is essential that the fiduciaries be in a position to monitor the credit union's risk management.

The ability to monitor the risk begins with understanding the seven pillars of risk, as well as their cousins, specified in the new risk-based capital proposal.

By Dennis Dollar
Principal Partner
Dollar Associates LLC



A quick primer that, although naturally quite limited in an article such as this, can be expanded upon through both in-house and external training opportunities would be the following.

Credit Risk is the risk that a member may not repay a loan or that the borrowers supporting an investment of the credit union, backed by a pool of loans, may not repay. The result could be lost income that was projected. The way to manage credit risk is having strong loan policies and solid underwriting in place, supported by effective collections and delinquency management.

Interest Rate Risk is the risk that changes in interest rates, and could leave the credit union without the spread it had hoped when it made a loan or purchased an investment. If interest rates go up or go down, the net interest margin spread is affected. All financial institutions must monitor their spread and be in a position to react when rates move in order to avoid the risk of more earnings losses or less earnings gain than budgeted. Its cousin, concentration risk, can impact this area if too many investments or loans are in any one bucket, type or term.

Liquidity Risk is the risk that a credit union will not have the cash liquidity available to fund ongoing operations, lending, and regulatory requirements due to an improper asset-liability mix. Liquidity risk is managed through diligent use of investment terms and balancing loan durations with available cash resources.

Compliance Risk is the risk that a credit union will find itself out of compliance with a significant regulation and thus be subject to supervisory corrective action—or even monetary penalty—for its failure to comply. With the active environment for regulatory change in which credit unions now operate, a regular policy review and compliance assessment process is crucial for all credit unions to have in place.

Transaction Risk is the risk that a member, or even a non-member, may take advantage of the credit union by performing an improper or even illegal transaction. This could involve intentional fraud such as someone hacking into member accounts or check kiting, but it could also be a risk associated with inaccuracy, mistakes, oversights and lack of internal controls.

Strategic Risk is the risk that there is no planning, and credit union leadership is merely bouncing from one issue to another, one crisis to another. This risk is best managed through a safe, sound, and solid strategic planning process.

Reputation Risk is the risk that any of these previous areas could spiral into a problem that becomes public, either to the community, the membership, or competitors in the financial services arena.

Know these areas of risk and monitor them on a consistent, ongoing basis. If your examiner recognizes that both the fiduciaries and managers are working daily to manage these pillars of risk in a dedicated manner to produce the safest and soundest credit union possible for its members, the individual issues the examiner may raise the next time he or she comes to visit will be presented to a credit union in a spirit of greater cooperation and mutual respect.

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

Building a Governance Partnership – Part Four

As we discussed in the last three 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. In 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 they are:

- Make mission matter
- Know the organization
- Cultivate relationships
- Inform and communicate
- Facilitate a balance in roles and responsibilities
- Structure the board's work
- Plan for transitions

In the last issue, we examined rule three, and in this issue we'll take a look at rule four, inform and communicate.

Prepare Directors for Success

CEOs who treat knowledge as a critical intellectual asset are preparing their boards for success. As they inform and communicate with their boards with consistency and creativity, they are practicing their own form of what's known as "knowledge management," the ongoing practice of gathering high-quality information from inside and outside the organization, putting it in order according to a practical system, and using it to support and enhance the credit union's work and its chances of success.

Information Is Everything

Knowing when, where, how, and how much to communicate can make a big difference in the CEO's capacity to partner effectively with the board. Every day, CEOs are swamped with information from staff, directors, and members. The mail and online sources bring new business publications, breaking news, and professional journals, not to mention what a web search can produce. Under this bombardment, the challenge in looking for strategic information is to be "the hunter" rather than the passive recipient.

Part of "hunting and gathering" happens within the credit union, as the CEO keeps abreast of what is happening in order to document progress toward goals, highlight lessons learned, and reveal challenges before they become problems. However, information originating exclusively from internal sources must be complemented by information on the external environment. Competition, new discoveries in the industry, changes in government policy and regulations, and the positions and plans of partnering companies are all important to the organization.

View from the Board Chair

Frequent and effective communications play a key role in developing engaged directors. They need to understand the credit union's mission and key activities and then personalize this learning with their own experiences.

Here are some practical tips that can help facilitate communication between directors and a CEO, and among directors:

- Wallet cards with phone numbers of key contacts help you connect with each other easily.
- If directors miss meetings, a "sorry we missed you" note with the information shared at the meeting helps keep them connected.
- Websites with a designated section just for directors can be used to post critical information, calendars, etc.
- Take into account the differences in technology aptitude. Offer brief training sessions for them to learn about the newer approaches for communicating.

Partnership Tips to Remember for the CEO

- Always consider when, where, how, and how much to communicate.
- Complement information generated within the credit union with information on the external environment.
- Solicit the chair's advice in determining what information needs to go to all directors, some directors, or no one.
- Touch base with directors every week or so with news about recent accomplishments or a new discovery in the industry, etc.
- Share "what keeps you up at night" so directors are aware of how you've sized up the challenges and opportunities and can be better partners in tackling the issues together.
- Expect directors to understand the credit union's mission and be willing to promote the organization in the community. Prepare them to do that by offering a thorough orientation program that covers the results-oriented goals you are working toward.

In the fall issue of Perspectives we will explore rule five, Facilitate a Balance in Roles and Responsibilities.

By Kimber Cockrill
Communications Specialist, Advocacy
Cornerstone Credit Union League

Outside the Box: One CEO/Board Journey to Success

Seasoned chief executive officers know that their jobs can be greatly enhanced with guidance and resources from a highly effective board of directors. Those same CEOs also realize that it's up to them to help their board members be effective. At the Institute for Nonprofit Excellence, consultants for more than 20,000 CEOs and board members of nonprofit organizations worldwide, the two issues most frequently cited as problematic in the CEO/board relationship are:

1. The measurement of executive performance, and
2. The board's "meddling" in daily operations.

All organizations must have a strategic plan and that's priority one. This plan is the definitive measurement for executive performance, the roadmap for a CEO's success. But as far as board "meddling," that's a whole different animal. How do you establish a CEO/board dynamic that ensures your organization's success? Once again, it's thinking outside the box.

University FCU CEO Tony Budet says, "My board doesn't meddle." They told him in 2002 that they didn't want a CEO who had all the answers, and they supported his "reinvention," which included a "do less, be more" philosophy. Budet said their whole objective was "to reposition the organization to face outward and to make an impact for the greater good of the communities we serve." He rewrote his job description for a more external focus and went from being a "do" leader, with traditional metrics, to dividing his time as his credit union's cultural leader, an industry thought leader, and a civic leader in his community. He became more.

As University FCU's cultural leader, Budet is the keeper of the vision, mission, and values. As an industry thought leader, he is a proactive advocate for political engagement. He urges other CEOs to get more involved and externally focused, noting that the leagues and CUNA can't do it all—advocacy starts with the CEO. As a civic leader, Budet serves on numerous boards and engages with entities where he can expand UFCU's influence.

And that seems to be an important factor in the organization's success, that outward focus. After hiring an executive vice president to report to him, and all vice presidents reporting to the executive vice president, Budet is free to work more closely with things related to university and community affairs, CUNA, Catalyst Corp, etc. – entities that make real impact on the greater good to the community. And how does the community respond? Budet said, "UFCU's membership has grown by about 10 percent per year."

Budet is fortunate to have a synergetic relationship with his board—where the whole is greater than the sum of its parts. He engages with them regularly, and he encourages his board to connect with his executives. He's gained the confidence and trust of his board of nine – all successful leaders in their own right – and he reciprocates that confidence and trust in them.

How can other CEOs follow a similar path of growth and prosperity that benefits everyone involved—the organization, the membership, and the community? Budet asks colleagues to consider taking on the CUNA "Plan to Win" approach to leading: "The Plan to Win-task force sets out responsibilities for the strength of relationships we seek."

The outward approach is all about relationships. Budet emphasizes, "Just like financial capital, credit union leaders need social capital. Social capital is the ability to walk into a lawmaker's office at any time and know that individual will welcome us because we've already established a relationship. Relationships take time to develop, so you have to be willing to step out of the traditional CEO role to cultivate them." And he adds, "You want to influence quality of life, work for the greater good for the community, provide stronger awareness, and promote growth." The returns are significant.

Budet acknowledges that CEOs and boards must both buy in. "CEOs must have the inclination to reinvent their roles, and credit unions need visionary boards that can see a new way of doing business in the community," he notes.

By Susan Looney
Senior Vice President
Credit Union Resources

How to Have Leaders with The Right Stuff

Considering that 50 percent of credit union leaders plan to retire in the next 10 years, the movement is at risk of losing a great deal of institutional knowledge. Therefore, it's critical that the next generation of leaders is equipped to carry the torch.

There are measures credit unions can take to ensure they have the right leaders for tomorrow, including:

- Developing a well-thought succession plan;
- Practicing a hiring philosophy that not only meets your culture, but allows you to hire right the first time; and
- Maintaining an effective on-boarding process.

Succession Planning

Succession planning establishes a process for identifying and developing internal staff that have the potential to fill key leadership positions within the organization. An effective success plan should empower a credit union to:

1. Determine the essential knowledge, skills, and abilities needed for a particular position;
2. Evaluate potential leaders to determine which qualities they exhibit and which need developing; and
3. Create development plans for potential leaders. These development plans could include anything from requiring the potential leader to attend training classes to engaging in a mentoring program or completing tasks delegated by current leadership.

Hiring Right the First Time

Hiring new employees is a significant investment for a credit union; therefore, it's important that we hire right the first time and that we hire the people with the "right stuff." What is the right stuff? It's different for every organization. But generally speaking, you want to hire someone who has the skills, knowledge, and leadership capabilities to carry the torch.

Some of the top qualities of a leader include:

1. **Vision**. They have the ability to set goals and execute plans.
2. **Honest and Ethical Behavior.** This should be a given.
3. **Confidence**. They are not emotional. They are calm and confident. When challenged, they do not get riled up, but make a point.
4. **Commitment.** They lead by example and keep their word.
5. **Decisiveness**. They have the ability to make difficult and timely decisions. They know when to foster collaborative decisions or make their own.
6. **Empathy.** They praise in public, address problems in private. They show a genuine concern for staff.
7. **Accountability**. They take responsibility for their performance and the performance of staff. They are involved in the business, knowing what's going on and addressing issues.
8. **Good communication.** They clearly and succinctly describe what is important, have an open door, and are non-confrontational.
9. **Charisma.** They create and maintain a work environment where people are emotionally and intellectually committed to the organizational goals.

Onboarding

Onboarding, as defined by Wikipedia, is "the mechanism through which new employees acquire the necessary knowledge, skills, and behaviors to become effective organizational members and insiders."

Recent studies show that failure rates for externally hired executives are between 30 and 50 percent, and many of these failures will occur within the first two years. Promoted leaders show failure rates within the first 90 days. This illustrates the importance of onboarding.

Onboarding is more than an orientation; it is part of an overall talent development strategy that includes a process for providing a range of integrated, well-planned, and highly tailored support for both external new hires and internally promoted employees.

Onboarding activities might include:

1. Teaching the culture. Many new leaders are not aware of the informal rules that guide behavior until one is broken. Avoid unnecessary missteps by clearly communicating organizational norms.
2. Executive coaching, which is often provided for a new leader in a key role with mission-critical goals and objectives.
3. Setting clear expectations with the new employee about his or her role and contributions.
4. Assigning a mentor for a new leader is essential in the onboarding process.

Vince Lombardi once said, "Leaders aren't born, they are made." If we want to ensure that our leaders of tomorrow are equipped to lead, then we have to set them up for success. With effective succession planning and onboarding, as well as a strong hiring process, we can ensure that service to our membership is not interrupted when the torch is passed to the next leader.

HRCorner

By Kimberly Jones
Human Resources Consultant
Credit Union Resources

HR Q&A

In this day and age, with so many varying employment rules and regulations, many credit unions may not understand what they are allowed and not allowed to do when an employee terminates employment with the organization.

Q: A question I'm commonly asked by credit unions is, if we have an employee who is leaving the credit union, either voluntarily or involuntarily, and they have not returned their laptop or other valuable credit union property, can we hold their final paycheck until we receive our property back? Or can we take money out of their final paycheck to reimburse us?

A: Although it may seem like we would be justified in withholding pay because the property actually belongs to the credit union, and not returning property that doesn't belong to you could be viewed as theft, employment laws and regulations, specifically in the state of Texas, have a different point of view.

Even if an employee is in possession of company property, the Texas Payday Law provides that in such a case, wages may be withheld only when the employer is authorized to do so by law; required to do so by a court; or has written authorization from the employee for the deduction.

So, what could an employer do to get their property back? Simply put, you would need to attempt to recoup the property by some other means, such as civil remedies (i.e., lawsuit, small claims court, police report) or make arrangements with the employee outside of a wage deduction.

Also, if you do have a signed agreement in place to make deductions from wages for such items as cash or merchandise shortages, employer required uniforms, and tools of the trade, you must make sure that those deductions do not reduce the wages of employees below the minimum wage rate required by the Fair Labor Standards Act or reduce the amount of overtime pay due under the Fair Labor Standards Act.

With all the regulations involving employment regulations and laws, a good rule of thumb is…when 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 with CUER, at (800) 442-5762, extensions 6432 or 6431, respectively. Also, visit us online at www.curesources.coop.

By Howard Bufe
Analyst, Asset Liability Management
Cornerstone Credit Union League

Dividend Pricing: The Basics

A credit union's main business function is to buy and sell money. We buy money in the form of member shares or borrowings, and we sell money in the form of loans and investments. Although we view the size of a credit union utilizing assets, we control the size of our credit union with dividend rates.

Pay a higher-than-market dividend rate and you will draw in shares, thereby growing liabilities and, ultimately, assets. Since total assets or average total assets are the denominator for the performance ratios, this certainly has an impact on the results. Our overall objective is to grow in a safe and secure manner while supporting strategic initiatives, and this is done through controlled growth.

Pricing dividends may seem simple up front, but it's important to realize it can have some significant ramifications on the credit union's performance. Taking a methodical approach to pricing your dividends would be very appropriate in any interest-rate environment. Answer the four questions below to help you determine dividend rates:

1. What are your current and future liquidity needs?
2. What is the current interest rate environment and what are the forecasts?
3. What are the prevailing rates in your local market?
4. What are the available resources to assist in setting dividend rates?

You must first determine your current and future liquidity needs. If you are currently experiencing a liquidity need due to an increase in lending activity or a seasonal decline in shares—or if you predict you will in the future—you might lean toward the upper quadrant of the dividend range (guidelines) to draw deposits into the credit union. If you are experiencing a lackluster or declining demand for loans, you may lean toward a lower quadrant of the dividend range (guidelines) since you aren't in need of the funds.

Second, you must evaluate the current interest-rate environment and study the economic forecasts to have an educated guess about where rates may be trending to minimize potential liquidity challenges or elevating interest-rate risk.

Third, you want to review and monitor rates in the market we serve. Research your competitors to determine why they may be paying the rates they are. If a competitor is paying an above-market rate, it could be they have liquidity needs, or they may be experiencing a successful loan promotion or a large amount of deposit withdrawals. It's important to determine the reason for the elevated rates so as not to get caught up in a pricing war for deposits, especially if you have adequate liquidity and don't need the extra money. All you do is drive up your cost of funds, and with today's net interest margins, every basis point counts.

Fourth, you should access the resources available to assist in setting your dividend rates. One such tool is provided by the Cornerstone Credit Union League's Asset Liability Management Department. We provide a monthly dividend pricing guideline to assist credit unions with determining the appropriate dividend rate for the current month. The guidelines are formulated using recent historical information in the five major money markets and current market indicators.

The guidelines are based on the yield curve and six-month treasury bills as market indicators in determining the appropriate rates. The guidelines also provide two options for setting rates. One option is for the credit union to monitor the money auction each week and use the spread indicated on the guidelines to set their rate. The second option is to use the range that is available to set rates.

In today's environment of tight net interest margins, it is imperative that we use research, evaluation, and resources in determining the appropriate dividend rates for our unique operation and in the best interest of our credit union. Employ all the tools and expertise available to you as dividend rates play a key role in growth, performance, and profitability.

Howard Bufe is also assistant vice president, OnBalance, Credit Union Resources, and a member of the Southwest CUNA Management School faculty.

INTECH

Your Partner in Technology

Sustainable Growth and Retention

For every credit union, keeping up with market demand for technology services is critical

... but can you afford it?

With *INTECH*, everything is included.

Core Processing Solutions – One Price Tag

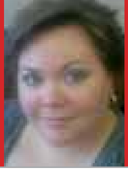
INTECH is not responsible for 3rd party expenses related to products and services.

Premier Business Partner
Credit Union Resources

INTECH
Your Partner in Technology
www.intech-inc.com

Toll Free: 877.592.4414
twells@intech-inc.com

By Melissa Herrington
Member Service Rep
Garland County Educators FCU



Social Media Has Changed Our Marketing Landscape

For decades, companies have successfully used traditional marketing to persuade people to buy their products and services. But social media has dramatically changed the marketing landscape. Social media has given consumers a voice and more power, and modern marketers have been scrambling to decode how social media can be leveraged to grow their brands and influence consumer behavior.

Concepts like inbound, viral, and mobile marketing are combined with search engine optimization, behavioral targeting, and data mining in order to customize social media content for specific audiences. The modern marketing strategy is to create content for specific groups of people so that when they see it, it not only resonates, but motivates them to take action.

John Pine and John Gilmore, founders of Strategic Horizons, LLC, suggest that the way to be successful in this modern economy is by offering consumers authentic experiences. In their new book, Authenticity: What Consumers Really Want, they write, "What [consumers] buy must reflect who they are and who they aspire to be in relation to how they perceive the world—with lightning-quick judgments of 'real' or 'fake' hanging in the balance."

Marketers today must understand the power of social media and create marketing strategies that appeal to consumers on a deeper level. Bottom line, you have to be authentic.

Following are ways that small credit unions can authentically engage their audience through social media:

- Connect with your SEG groups. Publish SEG-specific content that will inform, entertain, and educate. Remember, it's not about you; it's about how your products and services can make your members' lives easier and help them become owners of their financial futures.
- Employ ambassadors. Providing an exceptional member experience builds confidence and trust, which often translates to loyal members. Leverage these members; ask them to become ambassadors for the credit union, and garner their input for social media content development. Because they are invested in a more meaningful and authentic way, they will be more likely to take ownership of the process and spread the word about your credit union.
- Share your message. Credit unions are different than other businesses because of our ideals, and social media is a powerful tool to share our cooperative principles with other facets of our society.

Social media has changed the way we market our brands and how we sell our products and services. Consumers have a great of influence in determining what type of content is shared on social media. While there are many factors to consider when building a social media strategy, if credit union marketers view social media through a philosophical lens—that is, if they choose strategies that play to their strengths in an effort to be authentic to their membership base and to the ideals of the movement—then people will be more apt to "like" and "share" in their marketing efforts.

lovemycreditunion.org

drive your members' savings

with the *New* Credit Union Member Discount from GM.

The GM Program has been enhanced to drive more loans to your credit union!

Enroll in the program today.

GMC

Get the details at LoveMyCreditUnion.org/GM

Invest in America® Credit Union Member Rewards

Credit Union Resources, Inc.™

Premier Business Alliance

Increase Revenue

13-0629

Your Goals... Your Growth...
Your Foundation

Empowering People To Improve Their Financial Well Being

Financial Education

Professional Development

Disaster Relief

CORNERSTONE CREDIT UNION
FOUNDATION

469.385.6448 or 800.953.8283
FAX 469.385.6545
www.cscuf.coop

13-1030

By Bill Prichard
Manager, PR and Corporate Communications
CO-OP Financial Services

As Millennial Clout Grows, CUs Can Leverage Their Natural Strengths

Millennials, consumers born since 1980, know precisely what they want in a financial institution, according to a study commissioned by CO-OP Financial Services.

The new survey, titled "Unlocking the Millennial Mystery," takes a look at services and products offered by credit unions, with a special focus on Millennials and their decision making in selecting a financial services provider.

"Positive customer experiences (for Millennials) are largely driven by the basics—deliver on expectations and treat people with respect. Positive staff attitudes are more strongly recognized on a local scale. Both credit union members and bank customers are generally satisfied with financial institutions—credit union members much more so," says the study.

The study reported the attitudes of a 495-respondent survey sample, evenly split between credit union members and bank customers. These respondents had also indicated to researchers that they had switched financial institutions in the past 12 months or were open to switching.

According to the CO-OP study:

- 81 percent of Gen Y credit union members said that their institution provides an "outstanding customer experience," compared to 59 percent of bank customers responding so for their banks.
- A total of 96 percent of credit union members said they were very satisfied or somewhat satisfied with their credit union, while the figure was 88 percent among bank customers.
- Credit union members are much stronger advocates for their financial institutions compared to bank customers. The survey found a "net promoter score" (likely to recommend) of 38 percent among credit union members, with bank customers registering only 16 percent.

"The competition among financial service providers to attract Millennials is fierce and getting more so as technology-based products seems to change the market environment almost daily," said Stan Hollen, president/CEO of CO-OP Financial Services. "By addressing the safe access and convenience demands of Millennials, and leveraging their traditional service strengths, credit unions can win the loyalty of this highly sought-after consumer group."

Key research objectives included: 1) Define the consumer's expectations of a financial institution; 2) Contrast those expectations with actual experiences; 3) Identify the gaps between expectations and experiences; and 4) Clearly articulate what consumers want in a credit union brand.

The study is available for purchase: $299 for the full "Unlocking the Millennial Mystery" research portfolio and $199 for a comprehensive research PDF. An executive summary is also available at no charge on www.co-opfs.org. To inquire about ordering CO-OP's "Unlocking the Millennial Mystery," write to marketing@co-opfs.org.

Four Technologies to Help Your CU Go Paperless

Going paperless is not only good for the environment, but it saves time as well (no more filing or retrieving documents), and it frees up office space that used to house filing cabinets. But have you thought about what going paperless would do for your members. Here are some great member benefits of going paperless:

- Increased security by eliminating paper statements
- More convenient transactions
- Better protection against fraud

Plus they'll have warm, fuzzy feelings knowing that you're doing your part to save the environment. Going paperless isn't easy, but it's worth the work. Here are some tools you'll need if you decide to take the plunge and take your credit union paperless.

Scanning

You may think that scanning old documents is an unnecessary step in helping your credit union go digital. After all, can't you start small by creating your new documents digitally and let the old documents stay in that dusty filing cabinet? Though scanning old documents might not be an immediate need, you should make it a long-term.

Did you know that relying on paper documents could put your credit union at risk? If a natural disaster hit your branch, how would you replace the paper documents you lost? Saving documents digitally in the cloud can help alleviate this risk and give you peace of mind.

Digital Signing

Finding a digital signature product is essential to eliminating paper waste. Credit unions rely on signatures for many transactions, and relying on wet-ink signatures has stopped many credit unions from going paperless. The good news is that digital signature technology has advanced by leaps and bounds in the past few years. These days, digital signatures are even more secure than traditional ink signatures.

By Emily Maxie
Marketing Director
SIGNiX

But don't be fooled into thinking every signature service on the Internet is secure. There's a difference between electronic signatures and digital signatures. True digital signatures are much more secure because each signature in a document has coding embedded with it proving that it hasn't been tampered with.

Organizational Apps

Smart phones and tablets are great resources for credit unions wanting to go paperless. Not only do productivity apps reduce paper waste, many of them are more versatile than their paper counterparts. A calendar app doesn't just record your plans; it also notifies you when an appointment is coming up. A business card app doesn't just hold all of your business cards in one place; it also adds them to your phone's address book. These days the possibilities are virtually limitless. What paper process do you need to replace? Odds are, (to borrow the cliché) there's an app for that.

Cloud Technologies

Going "to the cloud" was a big trend in 2012, and it's going to be even more popular in 2013. Cloud technologies can store your credit unions' documents in a secure off-site server. Not only do these services ease the technology burden on your credit union (you don't have to worry about a huge hard drive to store all of your new electronic

documents), but it also makes your credit union's documents safer in case of a natural disaster or break-in.

In fact, Hurricane Sandy influenced a lot of credit unions to move their documents to cloud servers. One New York credit union was offline for days because its servers were flooded when Sandy hit. Credit unions with cloud-based document storage were able to serve their clients soon after the storm hit without any problems.

To learn more about the digital signature vendor endorsed by Credit Union Resources, please visit www.signix.com, or call (877) 890-5350, ext. 1048.

It's an easy Choice!

Resources = Results

Credit Union Resources, Inc.™

Credit Union Resources thanks you for supporting our business partners. Through our due diligence process, Resources ensures each endorsed vendor provides high quality products while insisting on the service you have come to expect.

3SI
Electronic Dye Pack Security Systems
Rick Govek
rgovek@cuna.com
www.3sisecurity.com

Agility Recovery Solutions
Contingency Planning Resources
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

Invest in America
Discount Program (autos, wireless, direct TV & more)
Colleen Meek
colleen.meek@cucorp.com
www.cucorp.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

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
Mark Henley
mhenley@signix.com
www.signix.com

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

Sprint
Discounted Phone Services
Colleen Meek
colleen.meek@cucorp.com
www.cucorp.com

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

VINtek
Automated Collateral Management Services
Robert Christini
rchristini@vintek.com
www.vintek.com

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

CU Resources provides this information as a service. Resources promotes those products and services that it believes to merit consideration by credit unions. However, its endorsement is not intended as, and should not be construed as a guarantee of any product or service.

Shopper Alert™

Do you know when your members are shopping for loans?

Now you can, with Shopper Alert. Every day, Shopper Alert scans the three leading credit bureaus for any type of credit activity and looks for a match against your members with credit profiles you determine. When a match is made, we send your branded, preapproved loan communication – by mail, email or phone – within 24 hours – reaching your loan-shopping member with great news from you. When you're looking for a solution to build your loan portfolio, it takes more than just luck.
It takes Harland Clarke.

harlandclarke.com/ShopperAlert

HARLAND CLARKE®

Strategy - Analytics - Creative - Direct Mail - Production - Fulfillment

1.800.351.3843 ContactHC@harlandclarke.com

GET MORE MILEAGE **WITH PROVEN, PREDICTABLE AND IMMEDIATE RESULTS**

The TruStage™ Auto & Home Insurance Program works with your credit union to build member relationships without up-front costs or ongoing expenses. In fact, our proven approach through the MemberCONNECT Program achieves year-over-year growth in 92% of credit unions.*

The TruStage Auto & Home Insurance Program—helping members protect what matters most, while providing **proven, predictable** and **immediate** impact for your credit union.

Learn more at www.cunamutual.com/auto or contact your CUNA Mutual Group representative.

* Source CUNA Mutual Group internal analysis of MemberCONNECT Program non-interest income results for credit unions with more than 30,000 members Q3 2013

CUNA MUTUAL GROUP

truSTAGE