

Volume 11, Issue 2

Perspectives

The Official Magazine of the Cornerstone Credit Union League

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The Future of Credit Unions:

HELPING EACH OTHER

On the heels of our 2016 Annual Meeting in Oklahoma City, which we think was an enormous success, I'm reminded of the strides we've made over these many years I've served with credit unions and the myriad accomplishments destined to brighten the road ahead.

One way we might advance our mission for tomorrow is by implementing a wellness checkup program. The fact is, many credit unions across the nation are doing extraordinarily well, but some could use a helping hand in finding the best solutions for ensuring their success.

A strategy we can deploy for wellness checkups is as simple as putting our *People Helping People* philosophy to work with our colleagues. Expanding our reach among credit unions and engaging them more often will help us safeguard our entire system. Hopefully, credit unions are taking full advantage of the benefits that league membership offers because our toolbox is overflowing with useful resources designed specifically for credit union success.

When credit unions come together, all credit unions win, and a wellness checkup is the sort of thoughtful, positive action that can yield terrific results, not only for a stressed credit union, but for the health of the credit union system overall.

We can implement some other new strategies for the next year, as well, such as:

- A payments council that understands and innovates ways to enrich the payments system model.
- Greater emphasis on the importance of our credit union culture and history in leadership onboarding at all levels, from directors to staff.
- A comprehensive position analysis that encourages CEOs to focus outward for greater visibility and involvement with the community.
- Grow our awareness and reach of media and community relations by using research about what consumers want from their financial institutions and by better targeting our marketing campaigns from a generational standpoint.
- Ongoing support for outreach programming like Juntos Avanzamos, which returns so much to the credit union, the members, and the communities we serve.
- And, of course, as we strive to protect and improve the political climate for credit unions, we can augment our current levels of engagement to encourage a bolder, bigger footprint in all political arenas.

It's certainly an interesting time to be engaged in determining the future of our movement. Fortunately, we are a mighty league that supports everyone, and we do have the capacity to do more, together. Together, we are stronger.



“It is literally true that you can succeed best and quickest by helping others to succeed.”

—Napoleon Hill

Dick Ensweiler, President/CEO
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360-Degree Advocacy Begins with Affiliation

We're in it together. Those were the words of Credit Union National Association CEO Jim Nussle during our 2016 Annual Meeting in Oklahoma City. Delivering an interdependent CUNA/League value proposition is something we can only do together, he said, and he painted the picture of a mobilized credit union system — an interdependent movement with CUNA, leagues, credit unions, and the more than 105 million credit union members working together

to effect change.

From my viewpoint, Nussle is right on. It's in this 360-degree approach to advocacy, which hinges on affiliation with both your league and CUNA, that we as a movement will realize our greatest aspirations. When we're championing our credit union causes and removing barriers, it is our commitment to collaborating, innovating, and sharing resources that allows us to operate from our highest and best position — a position of confidence, boldness, rightness, and strength.

We can start working on this 360-degree advocacy ideal by establishing some critical leadership goals, such as:

- Lead an interdependent and fierce advocacy effort to remove barriers.
- Promote significant awareness of the credit union difference.
- Establish credit union relevance in the marketplace and provide solutions in a "disruptive" financial services market.
- Gain market share. Growing all credit unions will help us gain ground in the financial services marketplace.

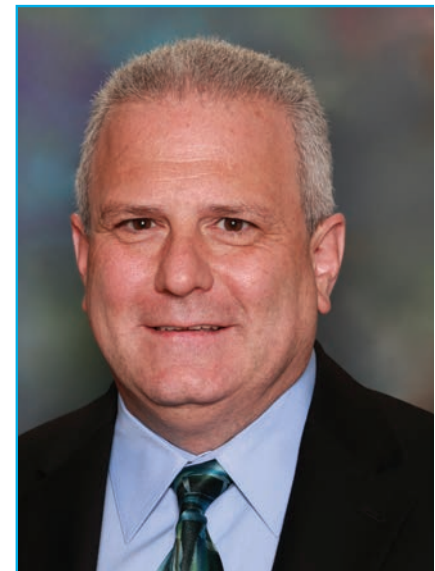
Digital connectivity will also prove one of the most important tools in our outreach efforts. You have only to look at today's political campaigns and their big-data drives to see how effective the new technology can be. The same rules that apply to election campaigns apply to advocacy, because every contact made is a voice that counts.

“It is the long history of humankind (and animal kind too): those who have learned to collaborate and improvise most effectively have prevailed.”

— Charles Darwin

Our greatest victories on the advocacy stage can only transpire if we are a unified and interdependent tour de force. Think about it. League affiliation is the engine that can add power to your daily operations, business growth, and influence in the community and among members. Boost that power with your CUNA affiliation, and the potential for 360-degree advocacy is magnified.

As our advocacy efforts produce big wins for the movement, our influence among consumers, members, and lawmakers will strengthen, and credit unions will assume a more dominant position in the marketplace. And that's good for everyone, which brings us full circle. We're in it together.



*Kenny Harrington, Chairman
Cornerstone Credit Union League*

Five Ways to Sail Through an Audit

Chad Stanislav, Vice President, Credit Union Resources



Most everyone dreads a visit from auditors, though a smaller group looks forward to their visits. As a way to improve the overall financial audit experience, we surveyed numerous financial auditors to find what beneficial actions a credit union can take to help expedite its completion.

It takes more than a well-run credit union to sail through an audit. While perfection is the goal, it's not always obtained; however, there are five items identified overwhelmingly in the survey that will assist the auditor during the auditing process:

1. Provide requested information beforehand;
2. Ensure reconciliations are complete;
3. Ensure information is organized and easily accessible;
4. Provide the completed internal control questionnaire before auditors are on site, and;
5. Assign a point person from various areas in the credit union.

When auditors can receive information before the onsite audit fieldwork, it speeds the process and reduces the onsite time necessary to complete the audit. Information sent ahead of time will allow for more of the work papers to be created remotely.

With today's technology advances, sending information securely has become easier. Before you upload information, make sure you understand the method and security used to send sensitive information to your audit group. We have used a couple different technologies to send and receive information and have found our current method to be secure and user friendly.

Having all general ledger accounts reconciled for the "as of" date of the audit allows for a smoother audit process. If the reconciliation or subsidiary ledgers are current and available to review, it will take a fraction of the time as opposed to a credit union that has not pulled requested information at the time of the fieldwork.

The reconciliation should also be accompanied by documentation for items listed as outstanding on the reconciliation; this provides proof those items are still appropriately on the reconciliation. For instance, if the credit union is preparing a bank account reconciliation, the credit union should maintain monthly statements, a copy of written checks, and/or a copy of deposit records.



The information from the credit union should be provided in a well-organized manner, which will further improve the efficiency of the audit. The credit union personnel can review their general ledger chart of accounts and identify which reconciliations or subledgers are necessary to verify the outstanding general ledger balances. Also, if credit union personnel receive a loan review list before the auditors' arrival, they could have all the loans pulled for review beforehand.

Virtually all financial audit groups request an internal control questionnaire to be completed for the credit union so the auditors can get an idea and feel for the internal controls in place. Internal controls can be very strong in larger credit unions where segregation of duties is more prevalent, as opposed to credit unions with limited staff where internal controls are typically an inherent risk.

It's important to have the internal control questionnaire completed and returned before fieldwork starts. This allows the auditors to observe controls based on answers and assists

them in identifying areas that may be of greater concern for the credit union.

It's helpful to have an assigned credit union "go to" person for the various areas of the credit union while onsite fieldwork is being performed. Other than the CEO, those point persons should be from the lending, accounting, and operations areas. Many credit unions believe a single point person for the audit team is helpful, but our experience is that it slows the process and allows for miscommunication when the messages are passed on versus talking directly to the source.

In addition to the top five items a credit union can do to sail through an audit, a few honorable mentions include: ensuring policies are current; providing electronic general ledger history for the audit period; providing scanned copies of board minutes/packet; and if loans are digitized, have an auditor's password ready to go upon arrival.

No audit process is fun; however, with some simple preparations and organization, the experience could be greatly improved. ♦

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Overdraft Privilege Enhances Non-Interest Fee Income and Helps CU Members

Kimberly Cockrill, Publications Manager, Cornerstone Credit Union League

As regulators continue to scrutinize rules affecting overdraft programs, having robust software that provides more efficient program management can help increase revenue. We wondered how well offering an overdraft protection program, or ODP, would work for real members, so I set to find out.

Lance Worsham, VP finance for Allegiance Credit Union in Oklahoma City told me they use John M. Floyd and Associates (JMFA) for their overdraft privilege program, which offers analytics, reporting, and tracking. They had used JMFA's program from June 2009 through May 2011 and continued to use their software and compliance piece afterward. Then in May 2015, they contracted with JMFA again to jumpstart their program.

How has it enhanced Allegiance's non-interest fee income as a result? Prior to 2009, they had seen a steady decline in their overdraft fee income. "With JMFA's program, we saw an increase in fee income of 38.50 percent in the first year, and 24.20 percent the second year," Worsham said. "Once the contract ended, the decline started again."

That was the reason they decided to re-contract with JMFA and employ the overdraft privilege program again. "It has been extremely successful," Worsham noted, "with an increase in our fee income of nearly 17 percent since May 2015. For a seasoned program such as ours, we are very happy with the results."

As with most services, a fee is necessary for the time and expense of running a successful overdraft privilege program. However, members only get charged a fee if they use it. So, how do members feel about the fee aspect?

"Many members have decided the potential fee is worth not having the embarrassment of their card being declined while checking out at a store," Worsham said. "When we make our initial courtesy call regarding their overdraft, several express their gratitude for the service and how it has benefitted them."

The program has given the members a safety net for those occasions when they make a mistake in their check book, and when an emergency arises and they need some quick cash.

Worsham recalled a story about one of their members who was traveling through Arizona when she had a flat tire and ended up stuck on the side of the road. She called her credit union for a loan to help with the unexpected expense, but since she was stranded, she didn't have a way to sign the documents. To complicate matters, her next payday wasn't

for another week, and she didn't own credit cards. Allegiance staff explained about their overdraft privilege program and how it was available for emergencies like hers.

"She was so grateful," Worsham said. "She said it was worth the fee for an emergency like this."

Even the Allegiance employees appreciate the privilege. One employee told Worsham, "Even though I work here, believe it or not, I frequently forget to handle my own account. A few months ago, I had forgotten to transfer money from another account into my checking, and I came in to work to find an NSF on my account. Yikes, how embarrassing. But that is all it was—embarrassing between me and my computer. I got a small monetary lesson to remind me to keep my stuff straight. Nothing bounced. No one was alerted to my mismanagement of funds. There was no FB update regarding it. The overdraft protection just covered me and I went on about my business."

An overdraft privilege program can be a cultural shift for credit unions. "It has given our staff a new way of looking at overdrafts," Worsham said. "Before, overdrafts were considered taboo. However, the culture we live in has changed. Many members today are lax in their checkbook balancing and want to know that if they exceed their balance, they'll be covered. They will overdraft an account somewhere, so we might as well be the one to offer this service and build the loyal relationship that will sustain our growth and income capabilities."

One thing Worsham really appreciates is JMFA's professionalism, thoroughness, and great customer service. "Their experience and expertise have made their program successful," he said. "And their compliance guarantee brings peace of mind in this compliance-centric industry."

With the loss of income as a result of regulatory expenses, it appears that offering your members a high-performance, consumer-friendly overdraft program may make a positive difference in your bottom line. ♦

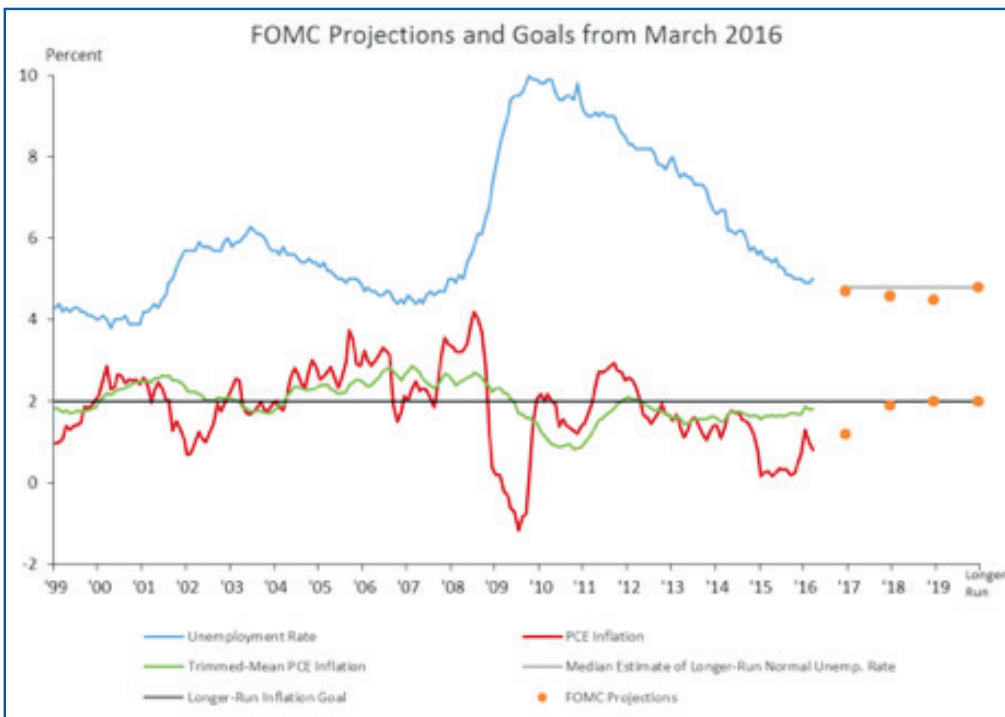


The Targets and Limits of Monetary Policy

Preston Ash and Thomas F. Siems, Federal Reserve Bank of Dallas

While the Federal Reserve System has been around for slightly more than 100 years, it was not until 1977 that Congress amended the Federal Reserve Act to give the Fed a dual mandate to guide its monetary policy decisions. The two main objectives are stable prices and maximum employment.

To fulfill this statutory mandate, the Fed's monetary policy decision-making group—the Federal Open Market Committee (FOMC)—sets goals and seeks to provide transparency and clarity on its decisions so that households and businesses can make better-informed judgments and, hopefully, deal with less economic and financial uncertainty.



Of course, the question remains, what level of prices is deemed “stable” and what unemployment rate is consistent with “maximum employment”?

In January 2016, the FOMC reaffirmed its long-run goals for prices. The FOMC has a 2 percent goal, as measured by the annual change in the price index for personal consumption expenditures. This is consistent with the statutory mandate and is a common target set by central banks around the world.

Achieving maximum employment, however, is not as clear-cut because jobs are largely determined by nonmonetary factors—such

as business cycle fluctuations and fiscal policies that impact taxes and regulations—which can affect the structure and dynamics of the labor market. So, instead of a fixed goal for employment (or unemployment), each FOMC participant must evaluate a wide range of indicators that affect the labor market and recognize that their assessments are uncertain and subject to revision.

While the FOMC has no numerical goal or range for the unemployment rate, each FOMC participant provides his or her own estimate for the long-run normal rate. Most recently, the median of FOMC participants' estimates of the long-run normal rate of unemployment is 4.8 percent, with estimates ranging from 4.7 to 5.8 percent.

What is the current state of consumer price inflation and the unemployment rate in relation to their respective goals and projections? At 0.8 percent, the current annual inflation rate remains below the established goal, although core measures of inflation that remove a lot of the volatility in prices—such as the Dallas Fed's Trimmed Mean Inflation Index that is currently at 1.8 percent—are much closer to the long-run inflation objective. For employment, the March 2016 unemployment rate was 5.0 percent, which is 0.2 basis points above the current median of FOMC participant's estimates of the longer-run normal rate of unemployment.



Going forward, the FOMC will aim to implement policies that achieve their mandated goals in order to promote a healthy and stable economy and financial system. Indeed, the world's leading central banks responded to the 2008-2009 financial crisis by lowering their interest rate targets on short-term policy rates to near zero through a massive expansion of their balance sheets.

But aggressive and extraordinary monetary policy accommodation can only do so much. There are limits to its effectiveness and, oftentimes, prudent and forward-looking fiscal policy decisions involving government spending, taxation, and regulation are also needed to boost employment and generate stronger economic growth.

Moreover, in our increasingly globalized economy, monetary and fiscal policy decisions made in other regions of the world can affect domestic markets. At roughly the same time the Fed

began to raise interest rate targets in late 2015, other central banks began to lower rates and some countries have even adopted negative interest rate policies.

In a globalized world, effective monetary policy seems to have become more complicated to implement. While the FOMC strives to make data-dependent monetary policy decisions in line with its mandate and independent from political pressures, it also aims to improve the transparency, accountability, and effectiveness of its policy decisions by communicating its objectives and economic forecasts. To this end, four times each year the FOMC publishes committee participant's projections for key economic indicators (see Chart for some of the March 2016 projections). ♦

Preston Ash is an Economic Outreach Specialist at the Federal Reserve Bank of Dallas and Thomas Siems is an assistant vice president and senior economist at the Federal Reserve Bank of Dallas.

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Small but Mighty Credit Unions: A Force to Be Reckoned With

Gretchen Ziegler, Vice President Political Affairs, Cornerstone Credit Union League



Did you know that 63 percent of credit unions in the Cornerstone region are less than \$50M in assets? And that they are the majority? Imagine if they joined forces in support of their respective state PACs. What a difference they could make in helping to elect pro credit union candidates for office—not to mention the political capital they would generate on behalf of all credit unions.

There's no denying what they accomplished with the CULAC "\$30 for 30" campaign last year. Small credit unions challenged each other and ultimately generated financial support from credit unions across our entire region.

With that in mind, we are introducing **THANKS A LATTE**, a campaign based on the concept that small contributions, when received in bulk from multitudinous sources, can make an impressive impact. Imagine, if all of the small credit unions in the Cornerstone region got behind this effort, the resulting impact would be enormous.

The **THANKS A LATTE** campaign runs from June 1 to August 31. Small credit unions can participate by placing a **THANKS A LATTE** contribution box in their break room or their teller lines, and they can even take it to their board meetings. The idea is to encourage members, volunteers, management, and staff to forego a latte or toss their spare change into the contribution box.

While this campaign is geared toward small credit unions, any credit union or chapter in the Cornerstone region may participate. All funds raised through the **THANKS A LATTE** campaign will support the respective state PACs (ARCUPAC, OCUPAC, or TCCUL PAC) and help to elect credit union-friendly candidates for office in the November elections.

For more information please visit the Cornerstone League website at www.cornerstoneleague.coop/thanks_a_latte_campaign.html or contact April Krause at akrause@cornerstoneleague.coop. ♦

FOR ARKANSAS ONLY – Contributions to ARCUPAC result in a tax credit on your state income tax next year up to \$100 for a couple and \$50 for an individual.

Extend Your Outreach with REAL Solutions

Paula Upchurch, Director, REAL Solutions



Credit unions are expert practitioners of social responsibility. That's what makes the REAL Solutions program such a perfect fit for credit unions. The primary mission of REAL Solutions is to help credit unions offer services that have proven successful for people of modest means and low wealth.

In conjunction with Cornerstone Credit Union League and the Cornerstone Credit Union Foundation, REAL Solutions exists to help credit unions in Arkansas, Oklahoma, and Texas. By instituting REAL Solutions in your business plan, you can extend your outreach in the community and expand business.

The REAL Solutions program helps individual credit unions make a meaningful difference for their members, families, and communities. It helps consumers build financial capability by offering tools such as an online resource center, product development, the Credit Union Financial Counseling Certification Program, experiential learning programs, planning/coaching, and speaking/training.

REAL Solutions means:

- Relevant
- Effective
- Asset-building
- Loyalty-producing

Following are just some of the benefits of being a REAL Solutions credit union.

CU 4 Reality Fairs

A CU 4 Reality Fair, or Financial Reality Fair, is an interactive financial literacy tool for high school students. The reality fair is a hands-on opportunity for students to experience some of the financial challenges they will face when they start life on their own.

As college tuition rises and student loan debt exceeds \$1.2 trillion, reality fairs can bring awareness of student loan debt and the impact on future financial stability. During the fair, students will choose a career with a corresponding salary and complete a budget to pay for housing, utilities, clothing, transportation, and food. Additional expenses, such as entertainment and travel, are factored in as well.

CU 4 Reality Fair facilitators work with local credit unions to connect schools and community booth volunteers.

Payday Lending Alternatives

Estimates of payday loan volume in America vary between \$28 billion and \$40 billion per year, with consumers paying between \$4 billion and \$8 billion in fees each year for a loan that generally lasts two weeks. The payday lending industry reports 15-20 percent of checks it receives are written on credit union checks, so it's likely some of your credit union members are using payday loans.

Credit unions can be part of the solution to high-cost payday lending by offering the right product at a price that is



a good value for the member but still sustainable for the credit union. Alternative payday lending products enable credit unions to reach out to those who are struggling financially and help them break the cycle of debt that grips them. That's where REAL Solutions comes in.

REAL Solutions offers credit unions the information and tools to build a short-term lending program designed to help their members escape the payday lending trap. REAL Solutions provides ongoing webinars and information on regulatory changes, policy updates, and opportunities to benefit their membership.

Volunteer Income Tax Assistance

VITA is a nationwide IRS program designed to help low- and moderate-income taxpayers complete their annual tax returns at no cost. VITA sites generally assist people who make \$51,000 or less or are eligible for earned income tax credits (EITC) or other low-income tax benefits. The volunteers who assist taxpayers through VITA are certified by the IRS to help prepare basic tax returns.

VITA sites can be used to deliver tax law changes or as part of community outreach. Many types of financial education and asset-building programs can be incorporated into a VITA site as tools to encourage clients to save a portion of their EITC refunds.

Elder Financial Abuse and Exploitation

Every year an estimated 5 million older Americans are victims of elder abuse, neglect, or exploitation. And that's only part of the picture. Experts believe that for every case of elder abuse or neglect reported, as many as 23 cases go unreported.

The Elder Financial Abuse and Exploitation (EFAE) program promotes awareness of the potential for financial exploitation of seniors. REAL Solutions offers periodic training and a toolkit to assist credit unions in understanding the actions they are required to take in combating EFAE.

Upcoming events that promote awareness of EFAE include:

- May, Older Americans Month
- June 15, World Elder Abuse Awareness Day
- October, International Day of Older Persons

Cornerstone is able to offer these programs and tools to our credit unions and chapters because of support received from the Cornerstone Credit Union Foundation and the Friends of Consumer Freedom.

For more information, contact REAL Solutions Director Paula Upchurch at pupchurch@cornerstoneleague.coop. ♦

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Why Local Advocacy is Important, Even if Your CU is Federal

Kimberly Cockrill, Publications Manager, Cornerstone Credit Union League



By virtue of membership in Cornerstone Credit Union League, credit unions are in the optimum position to face whatever the policymakers, the economy, and the business climate can throw at them. It's no secret that advocacy lies at the heart of membership in your league.

Your league's advocacy component is the command center for news and information, education and training, legislative briefings, fundraisers, in-district meet-and-greets, and grassroots initiatives and campaigns, to name just some. The very presence of an organized advocacy team tells consumers and policymakers that credit unions matter to their member-owners, that they are engaged and aware, and that they're here to stay.

“Both state and federally chartered credit unions have an immense stake in advocacy,” says Jim Phelps, senior vice president of advocacy for Cornerstone. “The fact that decisions made in the state legislatures can impact not only state but federal charters, and vice versa, reinforces the need for all credit unions to stay informed and engaged on key regulatory and legislative issues.”

Your League:

- Provides grassroots/advocacy training and engagement opportunities during events such as young professional conferences, chapter meetings, governmental affairs conferences, capitol visits, and legislative breakfasts, etc.
- Informs and supports credit union activists year-round with specialized programs like Project ZIP Code, CUNA's Member Activation Program (MAP), and Cornerstone's signature advocacy initiative, CU:ROAR.
- Is also comprised of expert-level lobbyists who are dedicated, knowledgeable, and connected. Every day they are on the front lines reviewing filed legislation, meeting with elected officials, and ensuring that credit union interests are advanced in, not only Congress, but state legislatures.

Without your league, such education, expertise, and initiatives would not exist, and credit unions would have to rely upon their own resources for advocacy, while also managing the credit union and serving members.

The danger is silence. When credit unions are quiet, we send the message to policymakers that we don't really have a stake in their decision making or the results and, therefore, will be content with whatever new laws and



regulations they decide to pass. It is precisely because of the league that lawmakers and regulators recognize credit unions as a force to be reckoned with and that we can contend on all levels with the full faith and grassroots power of our membership.

All of these advocacy efforts take political will and fundraising on a local stage. This is where the league's political action committee (PAC) comes into play. Most often, PAC funds are raised through payroll deduction, making it possible for your league to support credit union-friendly candidates.

Some of the greatest credit union champions in state legislatures are those whom, while running for office, the league supported with PAC contributions and grassroots volunteers. This kind of local engagement is how we will continue to build our political capital; many of these lawmakers will seek higher office in the Halls of Congress, where we hope they will continue to stand by credit unions.

Phelps says, "Regardless of asset size or chapter type, credit unions can contribute to a more favorable operating environment by becoming politically active at the local level and by keeping our priorities at the forefront of lawmaker's minds throughout the year."

Advocacy and Compliance: Not Just a Marriage of Convenience

Your advocacy and compliance staff work together to examine and monitor tens of thousands of proposals during each of three state legislative sessions. They assess and measure the effects of new policies on credit unions and their members. Your league staff take this responsibility very seriously. And make no mistake, no federal agency would be so focused, knowledgeable, and particular about what ought to go into a bill, what should be stricken, and whether it should exist at all.

Advocacy walks in lockstep with compliance and, because of that, two dangerous myths about state vs. federal credit unions can complicate matters when it comes to following the laws of your state.

Credit Union Myth #1:

We are a federally chartered credit union, so we don't have to follow state law.

Credit Union Myth #2:

We are a state-chartered credit union, so we don't have to follow NCUA regulations.

To clarify . . .

- As a federal credit union, you DO have to follow MANY state laws; and
- As a state-chartered credit union, you DO have to follow MANY NCUA regulations.

You'll want to arm yourself with the facts to avoid problems, and Cornerstone has provided a handy "State vs. Federal CUs Cheat Sheet" on the website that credit unions can use as a reference guide or as a springboard for learning more about which rules apply to you.

How Does CU Advocacy Affect Credit Union Members?

Credit Union National Association's innovative "Member Activation Program" (MAP) gives us some insight on how members view advocacy. The program leverages the loyalty members have for their credit union to provide information and mobilize them to take grassroots action by contacting public officials in support of credit union advocacy priorities. Not only does the program resonate with longtime members who understand the credit union difference, it uses grassroots advocacy to build a stronger bond among newer members.

The numbers confirm that recruiting credit union members for advocacy action is good for business. More than 80 credit unions across the country contacted 3 million credit union members on campaigns including "Stop the Data Breaches" and "Strong Credit Unions, Strong Middle Class," national drives that deeply affect state affairs. During those campaigns, 82 percent... of members who received advocacy outreach from their credit union wanted to do more business with their credit union.

Regardless of your charter, credit union advocacy is about sustained awareness and engagement in issues that affect your credit union first at the state level. From solid roots in local concerns, stakeholders can best expand their reach and influence on the national advocacy stage with the full support of all credit unions. ♦



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Celebrating a Decade of Shared Compliance

Chad Stanislav, Vice President, Credit Union Resources

Does July 21, 2010, ring a bell? That's the day Dodd-Frank legislation was signed into law and changed the landscape of compliance for generations to come.

On Jan. 1, 2006, Shared Compliance Resources was born out of a need by credit unions to address the burgeoning burden of compliance requirements. So before the Dodd-Frank reform legislation and before the 2008 financial debacle and corresponding economic collapse, Credit Union Resources' Shared Compliance Resources was assisting credit unions with their ever-increasing compliance challenges. With more than 20 years of experience in financial regulations and legislation, Steve Gibbs was a natural choice to lead the newly formed Shared Compliance Initiative, later changed to Shared Compliance Resources. Gibbs accepted the challenge to develop a program to assist credit unions with their compliance concerns.

Shared Compliance is a cooperative concept that allows credit unions to share a compliance professional/officer along with access to that individual's experience and departmental resources.

Gibbs says, "Shared Compliance Resources helps credit unions by taking personal pride and ownership of our role in those client credit unions and seeking to keep them educated, as well as creating a level of credibility and confidence in the tasks we perform for credit unions."

Gibbs indicates five primary areas where Shared Compliance assists credit unions:

- Develop, organize, or coordinate the credit union's compliance program while being their advocate with regulatory examiners or audit professionals. This aids the credit union in a well-organized compliance program and allows another layer of protection for the credit unions with examiners.
- Create new policies or review existing policies and procedures for completeness.
- Research and monitor law and regulations and their impact on credit unions.
- Provide training to credit union clients.
- Perform various risk assessments and reviews, such as BSA/OFAC risk assessment, Fair Lending review, Asset Concentration risk review, website review, and SAFE Act review.

Gayleen Supak, chief operations officer/compliance officer with Chocolate Bayou Community FCU, states "Kerry (Sheehan with Shared Compliance) has been a God-send. She has made my job easier with her quarterly visits because she will keep our policies up to date, perform risk assessments, and her knowledge has been great in keeping the examiners happy."



Gibbs has increased the level of service since 2006. His department has gone from one employee to six—employees who work 205 weeks a year helping 68 credit union clients. Shared Compliance Resources has also performed compliance work in Louisiana, California, Florida, and Mississippi, along with ongoing credit union clients in New Mexico and Tennessee. We have helped more than 125 credit unions during the past decade.

It has been amazing to watch this program go from concept to execution. We quickly gained three clients in the first quarter of 2006 and have been growing ever since, despite increased Dodd-Frank compliance requirements since 2010. As we celebrate our 10th year, Shared Compliance Resources' mission and focus has not changed from its original goal of assisting credit unions with their compliance needs. We look forward to many more decades. ♦

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The Credit Union Difference Lies in Our Core Operating Principles

Lois Kitsch, National Credit Union Foundation

I am a fortunate credit union professional, as I have traveled the world visiting and assisting credit unions on five continents. I know the power of the movement and have seen a multitude of countries where credit unions were the best, if not only, economic choice for their citizens. What I find as the most profound in all of my credit union travels is the similarity of values and the common goals of helping even the poorest of members. I have seen this in Haiti, Scotland, Kenya, Macedonia, Australia, Romania, the United States, and many other countries.

In each of these movements, credit union professionals like you and I follow the nine International Credit Union Operating Principles, which are classified in three distinct categories. The first category is democratic structure.

Principle 1: Credit unions believe in open and voluntary membership for everyone within our common bond. For me, this means everyone can join, no matter their credit score, as long as they are willing to accept the responsibilities of membership.

Principle 2: Democratic structure. Our boards represent the membership, and they actively seek to diversify it with talented and qualified representatives.

Principle 3: Non-discrimination. Everyone can join a credit union regardless of their race, orientation, nationality, gender, religion, or politics as long as they meet common-bond requirements.

Imagine what it's like to implement these democratic principles in the Islamic Investment and Financial Cooperatives (credit unions) in Afghanistan. The idea behind democratic principles takes on new relevance where the very idea of men and women working side by side is unusual or unacceptable.

The second category of principles focuses on service to members. Service goes far beyond a smile at the teller counter. Service is providing the right products and services with favorable terms and conditions and the right price with delivery channels that meet member needs.

Principle 4: Distribution to members. Credit unions will pay a fair return on savings through dividends and may also, as appropriate, pay surplus dividends recognizing the patronage of each member.

Principle 5: Build a strong financial institution that will guarantee service today and tomorrow.

Principle 6: Provide service to members that improves the economic and social well-being of the membership.

Building a strong financial institution where no regulatory guidelines or disciplines exist is very difficult. In many developing economies, credit unions focus on being social institutions with little thought of using financial disciplines to protect member savings. In doing so, they are unable to fulfill the true social mission of credit unions to provide quality financial products and services to those who need them most.

The third category of the principles focuses on the social goals of credit unions.

Principle 7: On-going education of members, officers, and employees, along with the public, is a priority for the credit union. This education promotes thrift and the wise use of credit.

Principle 8: Cooperation among cooperatives to serve members and communities with activities such as joint educational programs, fundraising efforts for local charities, advocacy efforts, or the distribution of products and services.

Principle 9: Social responsibility to bring about human and social development for members and communities.

Across America, credit unions are banding together to provide children access to financial education programs. Adults need information to live better financial lives, and they are joining forces to combat poverty, illness, hunger, and homelessness in their communities. We do that because of our principles and values.

I know credit unions are continually looking for ways to differentiate themselves in their marketplace. Using and promoting the use of these nine operating principles defines who we are as organizations. Use of the principles demonstrates our values to our members and our communities.

So let's all use these principles to promote our mission. Add them to our websites, post them in our lobbies, and teach our staff to use them as a measurement indicator of value to our members. Doing so will prove to make good business sense and good social sense. Our members will love us for it. ♦

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Drowning in Regulatory Burdens? The Power of the Comment Letter, and You!

Nathan Behncke, Regulatory Compliance Advisor,
Cornerstone Credit Union League



We hear you! Let's rally, team. It's time to make some changes.

Over the years, credit unions have been leaders in grassroots efforts to influence lawmakers. (High five!) With little happening in Congress these days, now is the time to focus our efforts on relieving regulatory burdens. To bring about change, we need to work as a team. The League's advocacy team works diligently to educate regulators and help positively shape regulations. Despite those efforts, it is the unique feedback from credit unions that really moves the regulators.

You may think, "[sigh] Isn't this a waste of my time?" The good news is, regulatory agencies are required by law to read and respond to every unique issue raised in a comment letter.

How does the process work?

After a bill is passed into law, an applicable government agency may iron out the details through rules and regulations. For example, a law might determine that a credit union must send out a notice to members informing them of their rights. In response, the regulatory agency may adopt a regulation with a sample disclosure.

A regulator must "publish" a proposal (in the state or federal register) and solicit public comments before it can adopt the changes or a new rule and before it can take effect. This process provides persons with the opportunity to comment on how proposed changes might impact them. Once this comment period ends, the regulator must read and respond to all unique comments submitted. Based on the intent of the proposal and the feedback provided, the agency may decide to adjust a final rule or publish a revised rule with a new comment period.



Why is your feedback important?

The people proposing these rules do not run a credit union. Many times, well-intentioned rules have dire unintended consequences. It's our job to educate the regulators. An example of success would be the thousands of comment letters filed in response to NCUA's risk-based capital proposal. The proposed rule included many features that were not well received by credit unions, including the weighting of certain credit union assets as significantly high risk, and the inclusion of an interest-rate risk component. We spoke up in opposition, and our letters made a difference.

We demanded a second comment period, and we got it. Additionally, when the revised rule was published for comment a second time, it included significant changes requested by the credit union industry, including positive changes to the risk weighting and a raise in the asset threshold for covered credit unions from \$50 million to \$100 million (benefitting many smaller credit unions). The aforementioned interest-rate risk component was also completely stripped from the proposal.

Keep in mind, anyone can comment on proposals, and when good things come our way, the bankers pull out all the blockers. As a result, positive feedback to regulators is important too.

In NCUA's recent field of membership proposal, a significant

number of letters were submitted by advocates on behalf of the banking lobby, urging NCUA to rescind or change the proposal. While the disposition of this rule is still pending, the NCUA will have to read and respond to a mountain of opposition whose suggestions may or may not figure into their final rule along with any ideas from credit unions. This is why our letters of support for a proposal providing regulatory relief is so important.

How can you get involved?

Write a letter. The letter should detail exactly what parts of the rule are likely to cause the most headaches for your credit union, and if possible, offer better alternatives.

The letter need not be complicated. A simple statement of support or opposition to a proposal always helps. Cornerstone and CUNA also offer resources like PowerComment or Voter Voice that provide model templates to help shape your response.

For more information on proposals currently open for comment, visit CUNA's website or Cornerstone's Comment Call page.

For assistance writing comment letters, contact Suzanne Yashewski at syashewski@cornerstoneleague.coop. ♦

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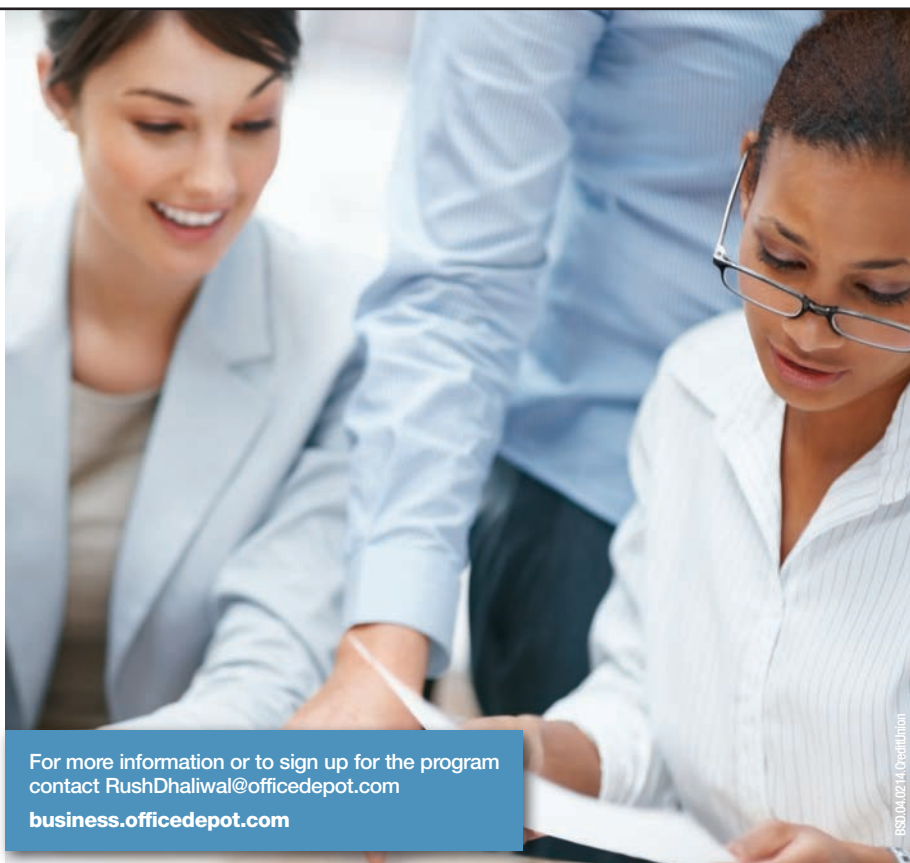


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What Best-in-Class FIs Know About Their Members

David England, Sr Research Analyst, Cornerstone Credit Union League

In the midst of fierce competition in the marketplace, is it difficult for your credit union to meet or exceed its financial goals? Some credit unions are improving their bottom lines significantly. How do they do it? They say it takes hard work and a commitment to their members beyond what the competition is willing to make.

While members might have multiple financial institutions to choose from, top performing credit unions win the battle in their members' minds for:

- Trustworthiness;
- Quality of service and support;
- Delivering value;
- Ease of doing business;
- Providing products and services that meet their needs.

Credit unions have always done well in these areas; but because of increasing competition, credit unions will have to step up their games. These five performance dimensions are the most critical to long-term success. If members (and potential members) were to rank you highest in these dimensions relative to your competition, your financial performance would improve significantly.

Growth comes by capturing more of your current members' business and bringing in new members via marketing and word of mouth. These are the basic facts, and they are incontrovertible.

So, how are the best-in-class credit unions capturing this new business? They're doing the hard work and making the commitment to their members. They're learning what needs to be done to improve the members' experiences at their credit unions and to develop the plans to set decisions into action, and this is ongoing. These credit unions:

- Seek member feedback/input.
- Invest in efforts to improve services.
- Examine processes and procedures step-by-step from the member's perspective—understanding the root causes of defections is critical.
- They determine why members (and/or non-members) make certain choices (why that bank and not us). They consider how to win in that decision process, and make decisions that are best for the credit union and the members.
- They deliver member feedback to all parts of the organization and make sure those entities use it.

“I believe in innovation and that the way you get innovation is you fund research and you learn the basic facts.”

— Bill Gates

- They connect loyalty to financial outcomes. They measure the impact of changes in products, procedures, policies, etc. compared to the bottom line. They put a stake in the ground and measure where they are at a certain point in time and check for improvements periodically.

With this last point in mind, best-in-class credit unions are using tools to measure how well they are improving their members' experiences and, therefore, their bottom lines.

The Net Promoter Score (NPS), Member Effort Score (MES), and Share of Wallet (SOW) are examples of member-centric measures of a credit union's performance. While these scores are useful, they are meaningless if credit unions do not use the insights from the research to alter the culture and actions of the credit union.

Best-in-class credit unions who are using this member-centric mindset and these tools are winning that battle in their members' minds for the “best option for me and my family.” Experience informs us that these credit unions gain the following benefits:

- Increases in loyalty (higher NPS, more promoters and fewer detractors);
- Increases in the number of products and services used per member;
- Increases in the number of new members referred from existing members—and these new members are proving to be more profitable than the existing members;
- Increases in profits, based upon the above.

It's hard work. And it requires exceptionable commitment to members. These are practices at which credit unions excel. Keep learning those basic facts about your members and winning more of those marketplace battles! ♦



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How Prepared Are You?

New Research on ATM Security

Diebold, Inc.

We're pleased to share the results from a recent commissioned study conducted by Forrester Consulting on behalf of Diebold. The study explores the challenges retail banks and credit unions face when managing the security of their ATM fleets. Forrester conducted a global survey of 220 business and IT decision makers with responsibility for the security and management of ATM fleets.

Imagine you're asked two questions. The first is probably easy: How many ATMs are in your fleet? Then, the second question hits: What percentage of those devices can you say are overwhelmingly protected from security threats?

If you balked a bit at being expected to answer that second question, especially in any public forum, you are not alone. According to recent findings from Forrester, financial institutions (FIs) around the world lack full confidence in their current ATM security strategies and programs.

As a survey respondent and VP of operations from a North American retail bank stated, "ATM security is getting bigger than we can handle." Another respondent shared, "Security has to be updated at any cost."

In the face of today's ever-evolving digital-threat landscape and the ongoing attempts at physical breaches, protecting your business and its self-service channel is undoubtedly a complex challenge. Securing and protecting your ATM fleets is a function requiring a considerable amount of manpower, management, and technology.

It's a massive undertaking, no matter the size of your business. And Forrester's research found that FIs are definitely feeling challenged. They outlined four key findings that many organizations can empathize with:

1. FIs lack confidence in their current ATM security. The FIs surveyed have between 100 and 499 ATMs operating regionally, and 21 to 30 percent of all in-house security efforts are tied to ATMs. There's no room for error when dealing with information security, physical security, card skimming, phishing, etc.

2. Managing security is a bigger task than internal teams can handle. Most retail banks choose to manage security in-house, which leads to a need for greater internal resources and, eventually, the internal management model is not sustainable.

3. Technology and resource issues create a whole other set of challenges. Not only are some in-house ATM management strategies unmanageable, FIs also have to keep up with changing ATM security needs and compliance requirements. These challenges are compounded when FIs use multiple ATM providers because of the separate sets of software and updates for the fleet.

4. Financial institutions consider partners for support, but are concerned about handing over control. As ATM networks grow and threats continue to evolve, internal security teams will find it harder to handle the onslaught

of complex challenges and attacks alone. Forrester recommends that FIs consider a managed services partner to properly—and proactively—secure their ATM fleets.

In fact, Forrester reveals that FIs that have outsourced their ATM fleet management to a trusted provider with the right expertise, structure, and processes see improved security as a result. Outsourcing was also found to reduce costs, mitigate future risks, and find new ways to eliminate breaches.

Furthermore, the study reveals a gap between the perceived benefits of outsourcing and the actual benefits of outsourcing. FIs anticipate improved reliability and customer availability, when in reality they're most satisfied with the enhanced security and faster breach mitigation.

So ask yourself: Do you still want to shoulder the responsibility of ATM security, or would you like to focus on your organization's core competencies and partner with a trusted expert who can help design a strategy that's right for your unique needs? ♦

Download the 11-page study which includes an executive summary, key findings and recommendations at www.diebold.com/forresterstudy. In addition, you'll find an infographic, on-demand presentation, and a roundtable Q&A discussion covering common ATM security questions. For more information on our managed services solutions, connect with us virtually at www.diebold.com/company/contact.

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