

Perspectives

The Official Magazine of the Cornerstone Credit Union League



Cornerstone Says Farewell to Longtime Leader

Richard Ensweller retires as Cornerstone CEO

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Transitions: New CEO Caroline Willard

New CEO takes the Cornerstone helm

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Living in Fulfillment Everyday: A Small Credit Union Evolution







Improving bottom lines while better serving communities

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**“DO NOT GO WHERE THE PATH MAY LEAD,
GO INSTEAD WHERE THERE IS NO PATH AND
- RALPH WALDO EMERSON**

*Kenny Harrington, Chairman of the Board,
Cornerstone Credit Union League*

There's a reason Dick Ensweiler is known throughout the Credit Union Movement as a trailblazer. We have only to read his robust list of accomplishments to understand the significance of his 50-year career in credit unions, including 22 years as the president and CEO of the Cornerstone Credit Union League, Cornerstone Credit Union Foundation, and Credit Union Resources. For his dedication, he's earned many of the most prestigious awards one can earn in the credit union industry.

In the course of his career, Dick has fostered thousands of relationships. I'm one of those who admire him for his tremendous contributions to the movement and for the opportunities his leadership has afforded me. I've worked with him on the board since 2002, but I've known him for 22 years. When I first met him, he had just been hired as the new CEO for Texas Credit Union League, with whom I'd already been working. As the first regional manager for Shared Branching, I had opened two offices in Houston, and I reported directly to Dick. I'm proud to call him my friend today.



This April, we'll bid Dick farewell and send him off to his next big adventure in retirement. I invite you to join us at the 2017 Annual Meeting in Fort Worth, Texas, April 11-13, as we celebrate his many decades of distinguished service to credit unions.

We'll also introduce Caroline Willard, Cornerstone's new president and CEO and a trailblazer in her own right. You won't want to miss a chance to meet this dynamic individual in person. We're thrilled that she's joining us, and we look forward to supporting her endeavors on behalf of credit unions.

**IN THE COURSE OF A
CAREER THAT HAS
SPANNED 50 YEARS,
DICK HAS FOSTERED
THOUSANDS OF
RELATIONSHIPS.**

Also at this year's Annual Meeting, my term as Cornerstone's chairman of the board will come to an end. I want to take this opportunity express my thanks to all of you and to all of our board members. It's been my privilege to serve as your chairman.

Cornerstone Says Fa to Longtime Leader

Kimberly Cocrill, Publications Manager, Cornerstone Credit Union League

It's hard to know where to begin when it comes to acknowledging the impact our chief executive officer has made during his more than 50 years in the Credit Union Movement, and equally challenging to express the scope of the gratitude people have conveyed from all corners of the industry.

Cornerstone Credit Union League's 22-year CEO/president Richard "Dick" L. Enswailer has indeed been a trailblazer, as Cornerstone Chairman Kenny Harrington noted in this edition's opening op-ed on page 5. Enswailer is known globally as a visionary leader who encourages innovation and education, is committed to serving the underserved, and has tirelessly advanced the good news about the Credit Union Difference.

Enswailer's first career was in credit unions. He advanced up the ranks and eventually served as president and CEO of the Minnesota, Illinois, and Texas Leagues. He formed and was the first president of the Mid-States Corporate Federal Credit Union. Prior to joining the Texas Credit Union League in 1995, he served as senior vice

president of Corporate Relations at CUNA Mutual Group, where he led the team that created the Plan America program. He has always had a vision to help credit unions better serve Latinos/Hispanics, and this passion led to the creation of the Juntos Avanzamos (Together We Advance) program and the creation of the Richard L. Enswailer Hispanic Outreach Fund.

Enswailer has received many awards throughout his career, including the World Council of Credit Unions' 2015 Distinguished Service Award and 2008 Ambassador Award; National Credit Union Foundation's 2010 Herb Wegner Award for Individual Achievement; and the 2002 AACUL Eagle award.

He holds designations as a Certified Credit Union Executive (CCUE), a Certified Association Executive (CAE), and a Credit Union Development Educator (CUDE).

We asked a few industry leaders about Dick Enswailer's impact on credit unions, and here's what they said.



BILL CHENEY

"I first met Dick Enswailer 22 years ago when he was the brand new president of the then-Texas Credit Union League," said SchoolsFirst Credit Union President/CEO Bill Cheney. "He came to San Antonio to visit us at Security Service FCU. I have admired him and Judy ever since."

"Dick is one of those rare leaders who has been at the forefront of the Credit Union Movement in every dimension. It has been inspiring to witness his impact at so many levels. He understands the value of each layer of the movement, and the critical importance of us all working together.

With his leadership, the sum truly is greater than the parts.

"We joke that Dick was there at the formation of the U.S. Credit Union Movement in Estes Park, but truly, there is not a time in my credit union career that he has not been front and center. I think his ability to see the big picture and work towards a greater good has been a key to the success and growth of his member credit unions and our members. He has also had a profound impact on our partnerships and engagement with credit unions around the world, particularly in Mexico and Latin America."

rewell

DICK ENSWEILER

“THE SECRET OF
SUCCESS IS
CONSISTENCY
OF PURPOSE.”

- Benjamin Disraeli



JIM NUSSLE

"I think of three words when I think of my short relationship with Dick Ensweiler—and I feel gyped to some extent that I didn't get the Full Ensweiler. The three words are leader, partner, and teacher," said Credit Union National Association

President/CEO Jim Nussle, who took the helm at CUNA in 2014.

"**Leader**, because in every room I've been in with Dick, when he speaks, people sit up and listen," Nussle said. "His leadership has been a constant during my tenure at CUNA.

"**Partner**, because I couldn't accomplish anything on behalf of credit unions without a partnership with the Cornerstone League and with Dick Ensweiler.

"**Teacher**, because I had a lot to learn when I met him, and I still do. He's been willing to mentor me on many association leadership challenges that are both typical for any association but also unique to the last couple of years. So, I wish there was time to learn more, because I think Dick still has some things to teach me."



MIKE KLOIBER

"I have known Dick Ensweiler for most of the time he has headed up the Texas Credit Union League, and now the Cornerstone Credit Union League," said Tinker Federal Credit Union President/CEO Mike Kloiber, who's served for 21 years in that position. "Our tenures as CEOs run parallel.

"My relationship with Dick actually began when I served five years as the chair of the Oklahoma Credit Union League. I was invited to attend the TCUL Annual Meetings and spend some time with him. It was during this time, when the Oklahoma Credit Union League was looking for a CEO, that talk about a consolidation started to surface. Our board at that time was very interested in exploring a consolidation, but not a merger. Dick will probably remember the time I deflected questions regarding this issue from a reporter with the *Credit Union Times* at one of our Oklahoma Annual League Meetings. I am sure that did not make him real happy, but it turned out to be the beginning of what we have accomplished today.

"As my term as chair ended, the board asked me to pursue discussion of a multi-state consolidation. I sent out invitations to come and discuss our options, stressing the need to address the changing nature of leagues as the number of credit unions continued to decline locally and nationally. The players at the table included Dick and the TCUL chair, and the CEO and chair of eight other states. Dick and I struck up a great relationship as we spent the next five years trying to gain acceptance of a consolidation of regional state leagues. In fact, the two of us are the only ones left from the original team of explorers.

"As Cornerstone began to take form with the consolidation of the three states of Arkansas, Oklahoma, and Texas, we developed a business model and plan that included Dick as the president/CEO of the new organization. He was the right person to pull the strings to bring us all together as one league and represent us at a regional and national level. There is no one else out there with his credentials. We knew that Dick was looking at a short horizon, but we also knew he would be the one to make this consolidation take hold and be ready for the next CEO to take us to the next level.

"Well, we are now at that crossroads where Dick will turn loose of the Cornerstone reins, but his contributions will live on as his legacy and commitment to the Credit Union Movement. I am thankful for the opportunity to work closely with him over past the 15 years. I have learned a great deal from this man who has spent most of his life dedicated to credit unions and this industry. More importantly, I am glad to call Dick and Judy my friends. I wish them both all the best in the years ahead."



BOB TRUNZO

Bob Trunzo, president/CEO of CUNA Mutual Group, said, "Dick embodies everything good about credit unions, and he wears his passion for them on his

sleeve. His leadership and enthusiastic service to leagues, CUNA, and CUNA Mutual Group have directly benefited credit unions and millions of members. He's made an immeasurable positive impact on the Credit Union Movement these past five decades."

"DICK WILL TURN LOOSE OF THE CORNERSTONE REINS, BUT HIS CONTRIBUTIONS WILL LIVE ON AS HIS LEGACY AND COMMITMENT TO THE CREDIT UNION MOVEMENT."

-MIKE KLOIBER

“DICK EMBODIES EVERYTHING GOOD ABOUT CREDIT UNIONS, AND HE WEARS HIS PASSION FOR THEM ON HIS SLEEVE.”

-BOB TRUNZO



LOIS KITSCH

“Dick Ensweiler is a credit union icon and a long time Credit Union Development Educator,” said National Credit Union Foundation National Program Director Lois Kitsch, who heads the Foundation’s REAL Solutions and Development

Education programs. “He has generously supported the DE program with his time, his talent, and multiple resources for many years.

“He has guided countless credit unions here at home and around the globe to run financially sound institutions with members in mind. I am so delighted to call him and Judy my friends. I know they are moving on to new and exciting things to help people here and abroad. Thanks for your many years of service to credit unions.”

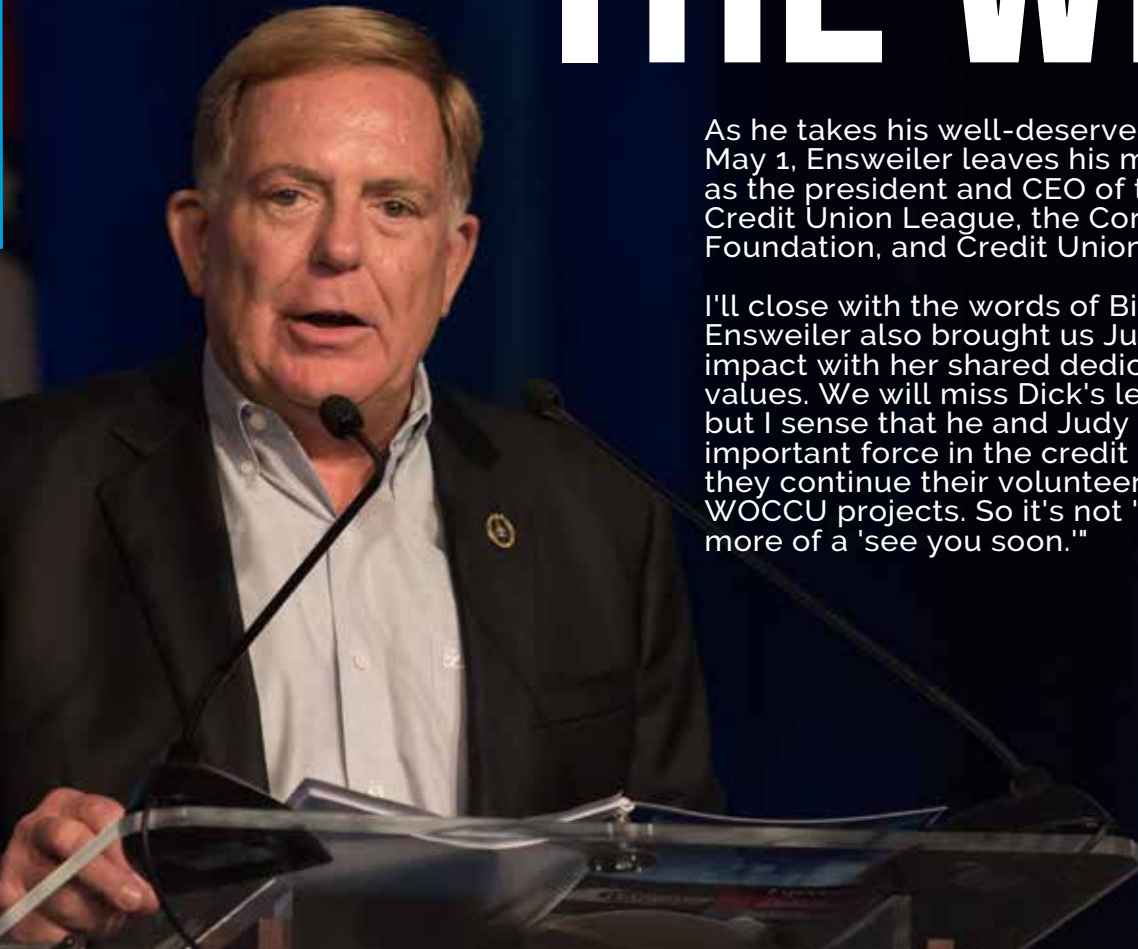


MIKE MERCER

“There are few people, now or ever, that have had more constructive influence on credit union leaders,” said Georgia Credit Union Affiliates President/CEO Mike Mercer, an industry big hitter and instrumental

voice in the Credit Union Movement. “His legacy will be those unselfish tidbits of advice offered with enthusiasm and a profound sense of opportunity.”

THE WRAP



As he takes his well-deserved retirement, effective May 1, Ensweiler leaves his most current positions as the president and CEO of the Cornerstone Credit Union League, the Cornerstone Credit Union Foundation, and Credit Union Resources.

I'll close with the words of Bill Cheney: "Dick Ensweiler also brought us Judy, who amplifies his impact with her shared dedication to credit union values. We will miss Dick's leadership as he retires, but I sense that he and Judy will continue to be an important force in the credit union movement as they continue their volunteer work through DE and WOCCU projects. So it's not 'goodbye' to Dick; it's more of a 'see you soon.'"

Cornerstone Transitions

NEW CEO

*Kimberly Cockrill,
Publications Manager,
Cornerstone Credit Union League*

It's a new year and a new era at Cornerstone Credit Union League. In 2017, we'll see a number of high-profile changes, not the least of which is the top leadership position.

Yes, the Cornerstone Credit Union League and Credit Union Resources boards of directors have selected Caroline Willard as the next president and CEO of the Cornerstone Credit Union League and its subsidiaries, Credit Union Resources and the Cornerstone Credit Union Foundation, effective May 1, when Dick Ensweiler takes his retirement.

Willard leaves a position as executive vice president of Markets and Strategy for CO-OP Financial Services in Rancho Cucamonga, Calif. "I am excited to work with Cornerstone's board and management team to aggressively advocate on behalf of credit unions and to find innovative ways to improve service delivery as we navigate a changing environment for advocacy and collaboration," Willard said.

Willard expects to use her expertise and passions to build upon Cornerstone's strength, reputation, and relevance to credit union members and the entire credit union system, which includes ensuring Cornerstone and its subsidiaries are delivering relevant services that provide a

CAROLINE WILLARD

meaningful return to the association and its members. She has said she intends to build upon Cornerstone's legislative and grassroots advocacy efforts so they can serve as a model for leagues across the country.

Willard was named a "Woman to Watch" by *Credit Union Times* in 2012 and has previously served as the chairman for the CUES national board of directors; an advisory member for the Children's Hospital, Los Angeles' Credit Unions for Kids program; a board member for the Southern California and Arizona CUES Council; and a member of the California Credit Union League Political Action Committee.

Prior to joining CO-OP, Willard was vice president for marketing and strategic planning with American First Credit Union, La Habra, Calif., with \$700 million in assets, from 2001 to 2006. She has a Master of Business Administration from Pepperdine University School of Business and Management, and a Bachelor of Arts in communications/public relations from California State University, Fullerton.

We at Cornerstone are excited that Willard will be joining us, and we look forward to her leadership.



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Living in Fulfillment Everyday A SMALL CREDIT UNION EVOLUTION

Kimberly Cockrill, Publications Manager, Cornerstone Credit Union League

The not-for-profit cooperative business model is unique to credit unions, and members benefit every day in a wealth of ways. For small credit unions that are often nimbler and able to more easily adapt to change, those benefits can be amplified when directed toward a strategic vision.

One such credit union is Living in Fulfillment Everyday (LiFE) Federal Credit Union, formerly known as Members' Choice FCU, based in Denton, Texas (lifefcu.com). Serving the community since 1973, this credit union has 1,766 members and \$19 million in assets.

Dustin Fuller has been with the credit union for 12 years, the last two as its CEO. He says their name change reflects a renewed vision for the future, which emphasizes helping members live in financial fulfillment every day.

With that in mind, Fuller, his board, and his staff identified ways to improve their bottom line while better serving the community.

They rolled out new products and services, expanded their lending portfolio, and obtained the Juntos Avanzamos (Together We Advance) designation to help the unbanked and underserved demographic of their rural communities in Denton and

Aubrey. Additionally, in the next 60 days, they'll have a second branch in Cross Roads, Texas.

Since December 2015, the credit union has expanded its loan volume. Fuller says his focus on member relationships now takes greater account of their loan needs, including small business loans and lines of credit. "A

member's business life affects his personal life, and vice versa," he said. At Fuller's side is Chief Lending Officer Deke Alexander, whose background is in banks. Alexander says they have spent a lot of time on asset quality and bringing delinquencies down. "It takes strong asset quality to be able to implement a vision," Alexander says. "Without it, you can only move so far before you have to backtrack. The goal was to get the portfolio cleaned up and where it needed to be first."

FULLER, HIS BOARD, AND HIS STAFF IDENTIFIED WAYS TO IMPROVE THEIR BOTTOM LINE WHILE BETTER SERVING THE COMMUNITY.

They did that and also changed their credit culture—the way they approached delinquencies and origination. "We put more emphasis on the underwriting at the front end," Alexander said.

They were also successful in managing their loan program. The LiFE team worked together to become more sensitive to members' lives, inquiring about their hopes and dreams. They looked at loan statistics and expectations, then educated members about lending and repayment.

"You can make a loan if you can collect a loan," said Alexander.

Businesses are growing and impacting individual accountholders, Alexander says, and the credit union has become well diversified in originations, auto loans, commercial loans, and small business lines of credit. Interim construction home loans have also increased, with members looking to lock in interest rates before they rise.

CONTINUED ON PAGE 16





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Understanding

IRS Forms, Residency, and Deposit Interest

*Nathan Behncke, Regulatory Compliance Advisor,
Cornerstone Credit Union League*

Understanding the immigration status of a potential or current member can be a confusing mix of documentation, visas, and Internal Revenue Service forms, all to determine what kind of services may be provided to protect the credit union. Luckily, for purposes of documenting bank deposit interest, the IRS has made the distinctions pretty clear.

First things first. How the IRS looks at immigration and how U.S. Customs and Immigration (USCIS) looks at immigration are two different things. IRS makes only two distinctions: you are either a U.S. citizen/resident alien (taxed in the same way) or a non-resident alien.

Persons that are U.S. citizens or resident aliens should have a valid SSN/TIN, and will certify this at account opening on a W-9 provided by the financial institution. At the end of the year, the financial institution must document any bank deposit interest over \$10 on a 1099-INT, which is sent to the IRS and the account holder. This income is subject to taxation and must be included on the filer's tax return when calculating the person's tax burden.

Under IRS rules, a U.S. citizen is a person currently holding valid U.S. citizenship by virtue of birth on U.S. soil (including Puerto Rico, Guam, U.S. Virgin Islands), being born to a U.S. parent, or through naturalization.

“HOW THE IRS LOOKS AT IMMIGRATION AND HOW U.S. CUSTOMS AND IMMIGRATION LOOKS AT IMMIGRATION ARE TWO DIFFERENT THINGS.”

Resident alien status is not simply living at or holding a U.S. address, and the IRS definition differs from the USCIS. Resident alien status under the IRS is conferred upon a person that holds a valid green card or someone that passes the IRS's Substantial Presence Test. The Substantial Presence Test provides that a person would be considered a U.S. resident for tax purposes if that person resided in the U.S. (excluding U.S. possessions, territories, and airspace) for a certain period of time in the past. To meet this test, a person must be physically present for at least:

1. **31 days during the current year, and**
2. **183 days during the 3-year period that includes the current year, and the 2 years immediately before that, counting**
 - a. **All the days the person was present in the current year, and**
 - b. **1/3 of the days the person was present in the first year before the current year, and**
 - c. **1/6 of the days the person was present in the second year before the current year.**

Certain kinds of visas given to students, teachers, professional athletes, and a few others exempt a person from consideration for resident status, as well as persons that may claim a closer connection to a foreign country.

Persons that are not U.S. citizens or resident aliens are considered non-resident aliens. To open an interest-bearing account, these persons must fill out a W-8BEN. The W-8BEN declares to an institution that the person is exempt from backup withholding on deposit interest. They will receive an accounting of their interest earnings on a 1042-S. This 1042-S is provided to the IRS and, in some instances, depending on agreement with the non-resident alien's home nation, is also

provided to the proper taxing authority in that home nation through the IRS.

A W-8BEN is not required if the non-resident alien opens a non-interest bearing account.

One common question concerns what form to use for a person who is not legally present in the country (under USCIS rules) when opening an account. The answer to that goes back to the Substantial Presence Test. If the person meets the test, they would have to fill out the W-9. If they do not, they would fill out a W-8BEN.

The use of a W-8BEN is improper in instances where a person does not have legal status (under immigration law) in the U.S. but passes the Substantial Presence Test. That person should, and although it may seem counterintuitive, request a TIN for tax filing from the IRS, and certify that number accordingly. The IRS states on its website that "...even an undocumented (illegal) alien under the immigration laws who passes the Substantial Presence Test will be treated for tax purposes as a resident alien."

To finish, there are a few other minor issues regarding non-resident aliens to consider.

First, a W-8BEN generally has a finite validity period, which expires on the last day of the third succeeding year after which the form was signed. So if the form was signed on Jan. 18, 2017, it would be valid until Dec. 31, 2020.

Next, a W-8BEN becomes invalid if a change in circumstances occurs, defined as when any of the information on the form becomes invalid. There are some limited instances in which a W-8BEN may be valid indefinitely, but most are subject to the three-year limitation.

Should a W-8BEN become invalid or expire, the credit union should ask the member to fill out a new form. If the member does not, any interest would be subject to 30 percent backup withholding, and the credit union should begin withholding the amount immediately.

CONTINUED FROM PAGE 13

Alexander points to the differences between banks and credit unions, especially the volunteers. "It's beautiful—volunteers on committees and boards, because that requires a servant's heart. That's a big asset and really speaks to the credit union industry. They're living their separate lives, but they're also attentive to the needs of staff, management, and membership."

Fuller and Alexander discussed working strategically with their board, acknowledging different perspectives and being consistent communicators, which goes both ways. They focus on commitment, communication, and trust to help their board make good, informed decisions.

They include other vital supporters as well. "When a company grows, it's the loyalty of staff and members who understand the goals and the vision that's really behind the growth."

The two say training is important. "Everyone is gifted and talented in their own right," Alexander says. "It's our job to identify, nurture, and offer training at a personalized pace. We're clear on our vision and consistent on that."

But, he adds, culture supersedes training. "Once a staff member fits into the culture of the CU, they flourish. They'll go above and beyond if they see growth opportunities."

Fuller says they're looking at organic growth in the way of membership—existing members, products, and services implementation.

Alexander says of his CEO, "Dustin has a real big heart for small credit unions. That incentive expands reach, membership, impact on staff, and community. And if we're truly an industry focused on people helping people, there can't be a limit on those we help."





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Betty DeWeese, SCMS, I-CUDE, CCUFC, President/CEO Telco Credit Union

Imagine a world where everyone had access to credit and a good education, where our environment worldwide provided safe, clean air and sufficient safe water for drinking, cooking, and cleaning. Imagine it.

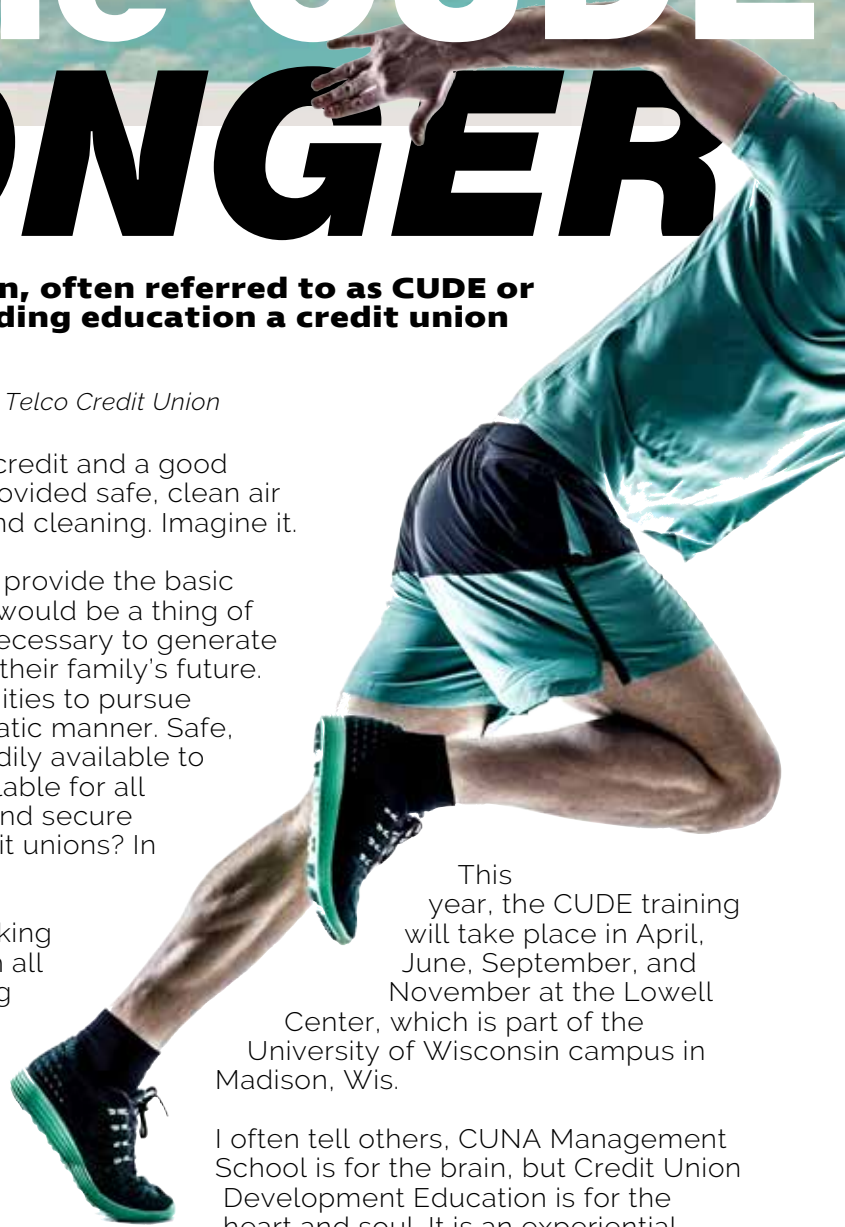
In this world, gaining worthwhile employment to provide the basic needs of life would not be an issue, and hunger would be a thing of the past. Individuals would have the resources necessary to generate income and grow savings to sustain and protect their family's future. Men and women would have the same opportunities to pursue their dreams without prejudice in a truly democratic manner. Safe, affordable housing and healthcare would be readily available to all. Democratic institutions would be readily available for all individuals anywhere in the world through safe and secure technology. What does this have to do with credit unions? In a word: everything.

Remember why credit unions were formed. Working in our credit unions has become so stressful with all the regulations, technology, fraud, and struggling for bottom lines, that we often lose sight of our purpose and our cooperative principles.

You might ask, "How can I do anything about all these issues? I'm just one person." Did I mention cooperative? Working together to find and implement those solutions, we can accomplish great things.

"OK," you might say. "Where do I get more information on working together to develop solutions for my credit union and my members?"

I'm glad you asked! Credit Union Development Education, often referred to as CUDE or DE, is the most exhausting and rewarding education a credit union professional can receive. Certainly that's been my experience. For me, DE is all about getting back to the basics of what we do in credit unions and our "People Helping People" cooperative roots. DE reminds me why we are here.



This year, the CUDE training will take place in April, June, September, and November at the Lowell Center, which is part of the University of Wisconsin campus in Madison, Wis.

I often tell others, CUNA Management School is for the brain, but Credit Union Development Education is for the heart and soul. It is an experiential, deep dive into credit union philosophy, cooperative principles, international development issues, and issues facing all credit unions. You don't just sit there; you get involved, and it changes you.

Since graduating with my CUDE, I have had the opportunity, I have had the opportunity to attend and connect with the Caribbean Credit Union family at CaribDE in Jamaica. While the challenges of the credit unions in the Caribbean may be different, the principles of credit unions are the same all over the world.

Makes Us All



Working together with other credit unions and cooperative financial institutions worldwide on global development issues, we often find solutions and new perspectives for our own problems. In addition to attending CUDE and CaribDE, I

have been blessed to be able to mentor at CUDE in North Carolina and CaribDE in Trinidad, and I'm currently looking forward to mentoring at CaribDE in March in Jamaica. Mentoring gives me fresh eyes, and I'm re-energized each time.

By working together, we can do great things. We can improve our members' lives and improve living conditions in our communities, while making our communities—and by extension, our credit unions—stronger and healthier.

For more information on the CUDE program, please visit the National Credit Union Foundation at ncuf.coop.



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- Grow core products and services
- Increase debit and credit card usage
- Earn non-interest income from the Sprint and ADT programs

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That's a lot to love!

To learn information or if you have questions, visit LoveMyCreditUnion.org/PartnerCenter and sign your credit union up today.



The POWER of MEMBERSHIP

Jim Phelps, SVP Advocacy, Chief Advocacy Officer,
Cornerstone Credit Union League

In 2013, the Credit Union National Association unveiled a new program designed with the Credit Union Movement's most powerful resource in mind: membership. The program is called the Member Activation Program, also known as MAP. Since its inception, over 400 credit unions have enrolled in MAP, including more than 40 in the Cornerstone region.

Participation in MAP will be essential this year as CUNA and the leagues nationwide pursue an aggressive advocacy agenda that includes regulatory relief, protecting the credit union federal income tax exemption, and data security legislation.

MAP was the result of extensive research between CUNA, leagues, and credit unions to better understand the impact of advocacy-related communications. After surveying more than 70,000 credit union members in early 2014, the research found that advocacy communications not only succeed in activating credit union members, but also increase members' loyalty bond with their credit union. The research also found that people who consider themselves "members" are 89 percent more favorable toward credit unions over banks. However, people who view themselves as "customers" are only 67 percent more favorable. Members who receive advocacy outreach have a stronger bond to their credit union, and 82 percent of members who receive advocacy outreach from their credit union want to do more business with their credit union.

One of the most promising aspects of MAP is the potential to generate millions of "grassroots" messages on key legislative issues. The most influential groups on Capitol Hill have learned to harness the power of their membership, yet most of these groups have membership levels far below the credit union movement.

For example, the National Rifle Association has 5 million members; the AARP has 38 million members; and credit unions have more than 100 million members. If even one half of one percent of credit union members took action on an important advocacy issue, it would result in several hundred thousand messages to Congress. How impressive would that be?

To date, MAP has been used to communicate to credit union members about the "Don't Tax My Credit Union" campaign and "Stop the Breaches" in support of legislation to hold merchants accountable for protecting sensitive plastic card data. In addition, MAP was utilized during the 2016 elections to send messages to presidential candidates about how credit unions benefit the middle class.

How does MAP work? It's simple. Start by going to cuna.org/map to enroll in the program. Once the credit union is enrolled, CUNA will provide "plug and play" content and tools that can be used for communications to members.

The credit union has total control over the content and frequency of these communications. In addition to advocacy information, some credit unions are using MAP to communicate about upcoming events and promotions, as well as the "Credit Union Difference."

The success of interest groups in the nation's capital is determined in large measure by the ability to mobilize constituents back in their districts. MAP is uniquely designed to enable credit unions to educate—and activate—membership. This level of engagement will be critical as credit unions work to advance our legislative interests and create a more favorable operating environment.



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Young Professionals

CHANGES IN THE AIR

Kati Buchanan, AVP–Small Credit Union Development, Cornerstone Credit Union League



Change seems to be the theme in 2017, not only for the U.S., but for Cornerstone Credit Union League. While it can be scary, it's also exciting. Just as we have a new

President of the United States, we will also have a changing of the guard here at the League, with Caroline Willard taking the helm as the new president/CEO of Cornerstone in April.

Willard will inherit a new class of Young Professional Advisors as well. Each class of Advisors serves a two-year term to break down barriers to collaboration, drive positive change, and bring a new perspective to our credit union system.

Let's discuss some of the current YP Advisor accomplishments, how we will move forward, and what you can do to be a part of the change.

The class of 2016/2017 YP Advisors set our highest benchmark for YP engagement. They accomplished their goals and held more meet-ups and reached more YPs than ever before by focusing their efforts on relevant topics, CEO roundtables, and even tied in community outreach to help grow the YP movement. The current group of Advisors wanted to bring a new perspective to the YP group, and boy-oh-boy did they! They held blood drives, reality fairs, back-to-school drives, toy drives, and food drives, and they rehabbed a veteran's home with Purple Heart Homes. And that's not all.

The Class of 2016/2017 wanted to not only set the bar for the impact YPs can have, they wanted to show how invested they are in the Credit Union Movement. They stepped up their advocacy efforts and helped election

campaigns. They created buzz to bring awareness to their local PACs and raised more than \$2,700. They held the 5th annual YP Conference, which was well attended and received positive feedback, and they created a Young Professional of the Year award, the winner of which was Alyssa Guillory with Unity One Credit Union.

A select few participated in "Crash" events, like Crash the Leadership Conference and Crash the CUNA Governmental Affairs Conference, enjoying in-depth, behind-the-scenes looks at credit union industry trailblazers.

In mid-December 2016, the YP Advisors met for their 2017 planning session. They set goals in three categories—advocacy, engagement, and outreach—and focused on engaging, empowering, and impacting YPs. The Advisors want to bridge the gap between CEOs and YPs and to wipe out misconceptions by showing how invested they are in not only other YPs, but in the Credit Union Movement as a whole.

If the young professionals in your credit union aren't registered, you—and they—are missing an opportunity to grow the talent within your credit union. If you're 40 or younger, we invite you to learn about the Cornerstone YP group. Visit the website and sign up. The program is free—another benefit of membership—and even gives your credit union Member Engagement points.

As a registered YP, you'll have access to a network of other YPs within the Cornerstone region, the opportunity to engage with your local community and make a positive impact, be inspired to take a bigger role in advocacy issues, and attend the YP Conference.

If you would like to join the new class of YP Advisors, the application process will open mid-2017. We hope you'll register to ensure you're up to date on all things YP.



Jobs, Retail, Housing, and GDP:

How the Numbers Give Us a Great Starting Point for 2017

Sarina Freedland, Senior Investment Officer, Catalyst Corporate FCU

Though we've begun a new year with a new administration in Washington, DC, it's important to take a snapshot of last year's economic highs and lows to compare their potential impact.

In 2016, the United States added more than two million jobs for the sixth year in a row. Average monthly job gains were 180,000, compared to 225,000 in 2015. Hourly earnings increased 2.9 percent for the year, the largest annual gain since 2009. The unemployment rate closed the year at 4.7 percent, the lowest level in nine years.

The U.S. economy grew 1.9 percent in the fourth quarter, much slower than the third quarter's 3.5 percent growth. The slowdown came mostly from the largest decline in exports in seven quarters.

The robust spending that drove economic growth in the third quarter moderated during the fourth quarter, increasing 2.5 percent versus 3.0 percent. The most promising news in the report was a 3.1 percent increase in business spending, the first gain in five quarters. After-tax incomes adjusted for inflation rose 1.5 percent, a three-year low. The savings rates fell two-tenths of a percent to 5.6 percent.

IN 2016, THE UNITED STATES ADDED MORE THAN TWO MILLION JOBS FOR THE SIXTH YEAR IN A ROW



Retail sales rose 0.1 percent in November, following two months of exceptional strength. Nine of the 13 categories posted gains. Auto sales declined 0.5 percent, the biggest decline since March, after six years of steadily increasing and reaching a record 17.5 million units in 2015. As the length of auto loans continues to increase affordability

and interest rates start to rise, the rate of delinquency is expected to increase. Delinquency on sub-prime auto loans has risen for 10 quarters.

Moving on to housing, despite being plagued by a lack of inventory and rising prices, the market made progress in 2016. New home sales increased 5.2 percent, the largest increase since July. Existing home sales rose 0.7 percent to the strongest rate in over nine years.

Unfortunately, the inventory of previously owned homes for sale fell to the lowest level since January and is down 9.3 percent from a year ago. Construction on new homes fell 18.7 percent. If optimism counts for anything, builder confidence jumped the most in 20 months to the highest level in over 11 years.

Mortgage rates continued to move higher in December to close out the year at the highest levels in more than two years. The average 15-year mortgage rate offered by credit unions increased nine basis points to 3.53 percent. The low point for the year was 3.01 percent. The average rate for a 30-year mortgage was 4.21 percent, up 21 basis points from the prior month. Mortgage rates are on average 13 basis points higher from December 2015. The spread between

mortgage and Treasury rates increased by 14 basis points as mortgage rates rose more than Treasury yields.

DESPITE BEING PLAGUED BY A LACK OF INVENTORY AND RISING PRICES, THE MARKET MADE PROGRESS IN 2016.

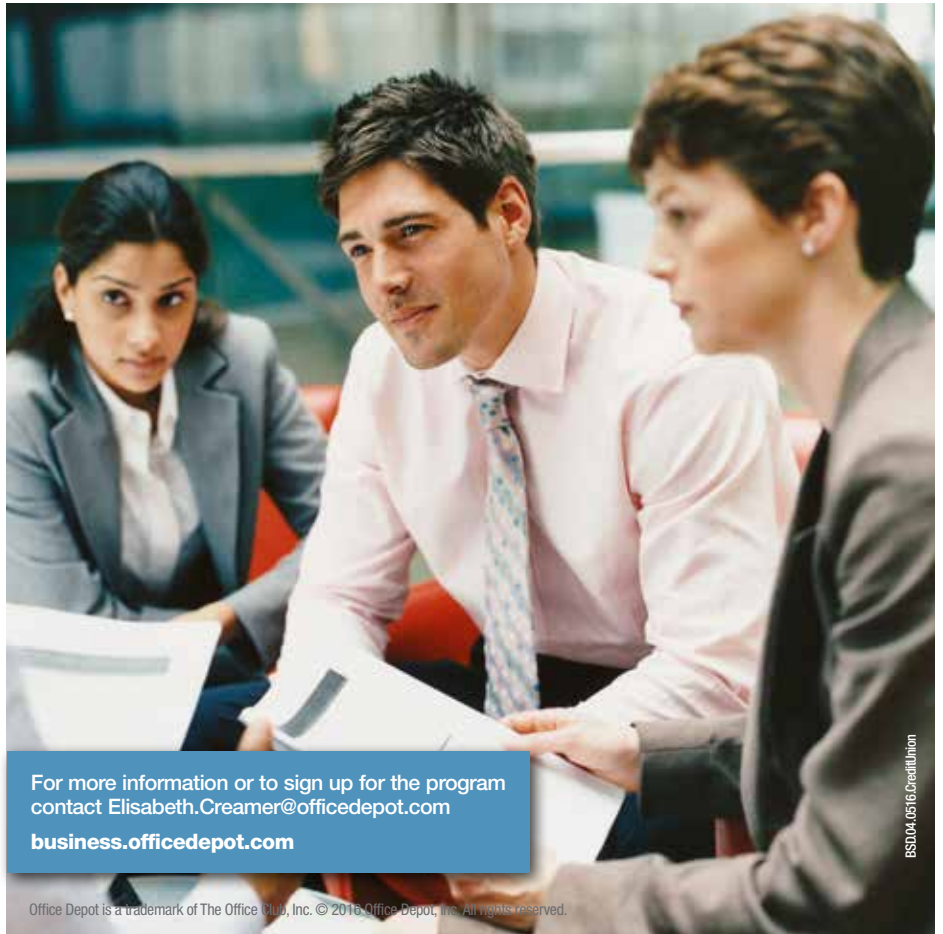
And as investors continued to ride the Trump Train amid optimism for an expanding economy, the Federal Reserve took action at the end of 2016 and raised the benchmark lending rate by 25 basis points. Not only did the FOMC raise rates

for the first time in a year, but the committee's revised rate forecast painted a scenario for more aggressive rate increases in the years ahead.



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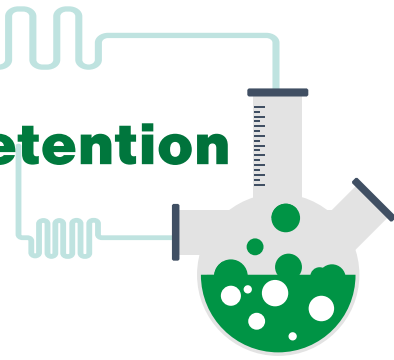


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The Formula for Employee Retention

Kimberly Jones, AVP HR Consulting, Credit Union Resources



SATISFACTION, ENGAGEMENT, COMMITMENT.

How's your retention? Experts in the HR field advise employers to focus on several key concepts for achieving high employee retention, which contributes to the success of the organization. Let's take a look at the top three determinants for developing and implementing a formula for success and keeping your best employees.

SATISFACTION

Job satisfaction, or the lack of it, is commonly reported as the number one reason many employees quit. Employee satisfaction means that employees are engaged in their jobs and feel appreciated for their efforts. While many will leave for more money or other factors, the underlying reason for turnover in many situations is a lack of satisfaction with leadership.

When organizations understand the underlying causes of dissatisfaction, they can work toward creating a work environment that promotes open communication and consistency, which are essential to organizational success. This also opens the door to a more satisfied workforce; however, to reach ultimate success, employers should consider taking things further.

ENGAGEMENT

Employee engagement is defined as employees being fully invested emotionally, mentally, and physically in achieving the organization's objectives. You'll see it in employees who are enthusiastic about their jobs; they work hard to make sure management and coworkers see that enthusiasm consistently.

While having an engaged workforce should be a goal of every organization, the term engagement is often confused with an employee's passion for their work. Having passion for the work does not make an employee committed to your organization.

COMMITMENT

An employee's commitment signifies their enthusiasm for the organization they work for. It's essential that employees have passion for their work; however, the primary concern should be to evaluate an employee's commitment to the organization, which leads to the achievement and successful completion of the organization's goals.

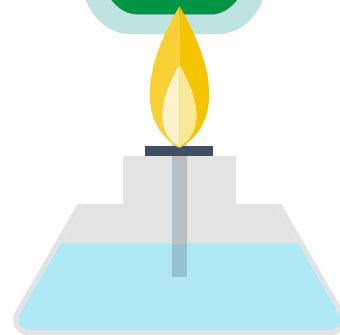
Commitment promotes loyalty among employees and the organization, which is considered to be a declining but welcome attribute in today's workforce. Maintaining an employee's commitment can be difficult and may vary as economic conditions change; however, results can be achieved through clear and open communication, adapting your engagement and commitment strategies to your employee's needs, and leading by example.

RETENTION

Job satisfaction, engagement, and commitment are reliable predictors of employee retention. Some turnover is inevitable and can be good for the organization, but high levels can contribute to lower morale, increased costs, and lower productivity and efficiency.

By applying the formula Satisfaction + Engagement + Commitment = RETENTION, organizations can ensure that they're putting themselves in the best position to capture, grow, and retain top talent, which increases employee productivity and morale.

Need more information on how you can do that? Contact Kimberly Jones at 469-385-6432 or kjones@curesources.coop.





Know the 4 Steps to Launching a DATA & ANALYTICS PROGRAM



Harsh Tiwari, Senior Vice President, Chief Data Officer, CUNA Mutual Group

The consulting firm Aite predicts that financial institution spending on marketing analytics and customer data will total \$3.2 billion in 2017, up from \$2.6 billion in 2014.¹ An increase of this magnitude almost certainly wouldn't be taking place if this approach wasn't yielding competitive advantages.

If your credit union still bases marketing strategy on past performance and instincts about the future, it's time to make data and analytics a bigger driver of success. Let's look at four ways to launch (or improve) your data and analytics program.

Start Small and Use Successes to Gain Buy-In. If you have no data and analytics strategy and your leadership hasn't bought into the idea yet, start small. Experiment by asking specific questions about the business problems your organization faces. For example, rather than asking, "How can we grow loans?" ask specific questions like, "Can we identify and present auto loan offers to members about to pay off their existing loans?"

Next, try using basic analytic tools like pivot tables to compile and organize a relevant subset of your data. To answer the question above, you would want to pull auto loan balances rather than ACH transaction data. Use your early successes to begin building awareness and support for a more sophisticated data and analytics capability.

Develop Your Vision and Assess Analytics Maturity. Before developing a strategy, articulate a strategic vision for data and analytics at your credit union. Your vision should be aspirational. Spell out a future that's better than today and believable for everyone in the organization.

Next, assess your analytics maturity. Are analytics confined to basic reporting at your credit union? Can you explain why things happen or predict what will happen? Your strategy needs to address any gaps between the current vs. desired state of analytics maturity.

Create Your Data and Analytics Strategy. An effective data and analytics strategy can help your credit union uncover unmet member needs, enhance your members' experience, become more efficient, and manage risk. A data and analytics strategy should have clear goals that support the achievement of your overall corporate strategy and objectives, and should be used to align and prioritize your data and activities.

Your strategy should spell out what data will be collected and stored, how data will be governed, and how it will be analyzed. It should also establish accountability for



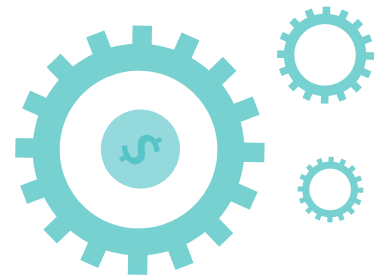
the achievement of goals, as well as address how you will attract, develop, and retain specialized talent. And don't forget to detail how actionable insights will be integrated into your day-to-day operations.

Manage Change. During the implementation phase, effective change management is key to sustaining your data and analytics strategy. Educate your employees about the strategy and what it means to the organization. Celebrate successes and reward the people behind those successes. Finally, increase reliance on data and insights, rather than gut instinct, to drive decision making at your credit union.

By following this general approach, your credit union can begin tapping into the tremendous opportunity offered by data and analytics.

¹ "Big Data and Predictive Analytics: A Big Deal, Indeed," ABA Banking Journal, Nov. 4, 2015; Aite Group

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Playing Defense Against

INTERNAL FRAUD



Pamela Blevins, Remote Financial Services Manager, Credit Union Resources

HAVE YOU, OR A CREDIT UNION YOU KNOW, EVER BEEN A VICTIM OF INTERNAL FRAUD? IF YOU ANSWERED YES, YOU MAY BE ABLE TO TAKE SOME SOLACE IN THE FACT THAT YOU ARE NOT ALONE WHEN IT COMES TO THIS TYPE OF HORRIFIC OCCURRENCE.

In a recent article in the *Credit Union Times*, 11 of the 16 credit union closures in 2015 were a direct result of fraud, which ultimately cost the National Credit Union Share Insurance Fund (NCUSIF) \$12.5 million, not to mention the countless other credit unions that were able to absorb their fraud loses. Internal fraud remains the third largest threat to credit unions when it comes to fraud-related events and can affect any credit union, regardless of size, at any time.

The time is now to put on that game face and vow to not become just another one of the statistics. Internal fraud can be battled, if you can arm your credit union and your employees with the right defenses. These defenses come in a three-prong approach.

Limit the opportunity to conduct fraudulent activities, increase employee satisfaction, and identify employees who are most likely to conduct fraudulent activities. Seems easy enough, right? Okay, maybe not that easy, but here are some quick tips to help you accomplish those three key factors.

Limit the opportunity

How strong are your internal controls? In a recent survey of credit unions, a startling 64 percent admit they don't adequately dedicate enough resources to internal controls. Here are some crucial internal controls and suggestions that need to be a priority in your credit union:

- Segregation of duties (have written procedures that are tested regularly);
- Quarterly surprise cash counts and loan reviews;
- Assignment rotation (cross training);
- Mandatory vacations;
- Monthly review of bank reconciliations, credit cards, and expense reports;
- Quarterly review of new loans, delinquencies, loan reports, and file maintenance reports;
- Consider a full scope annual audit; and
- Consider an internal auditor (in-house or outsourced to assist).

Increase Employee Satisfaction

Shelling out extra money is not always what makes employees happy, believe it or not. Try some of these suggestions to improve credit union morale without hurting the bottom line:

- Get them involved in the Credit Union Movement and live the philosophy;
- Share success stories on how the credit union or an employee made a member's life better;
- Recognize them when you notice them going above and beyond;
- Utilize their skills inside and outside their normal areas of expertise;
- Address employees who do not mimic the credit union culture/philosophy (one bad apple can spoil the whole bunch);
- Ask them for ideas, feedback, and ways to improve the credit union (give them a voice); and
- Be the leader your employees need.

Identifying Red-Flag Employees

The majority of employees involved in fraudulent activities felt they had no other choice, due to some type of personal financial difficulty. By identifying employees and opening communication, employees will be significantly less likely to entertain the idea they would be able to commit fraudulent activities without it being noticed. Here are some ways to identify red-flag employees:

- Quarterly reviews of employee statements;
- Send reminders to employees that reviews of their accounts are conducted;
- Review unsecured loan aggregated totals by employees for trends;
- Compare credit scores and debt ratios on employee loans for trends;
- Listen to employees who may openly discuss their difficulties; and
- Offer solutions or assistance to employees experiencing a financial difficulty.



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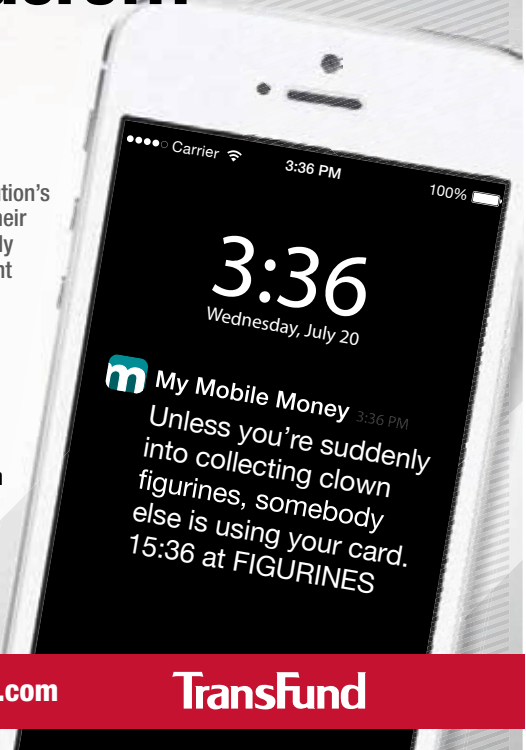
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And their future.



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Learn how our approach puts you at the center of everything we do at www.cunamutual.com/aboutus.



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