

Perspectives

Winter 2015

The Official Magazine of the Cornerstone Credit Union League

Advocating for Credit Unions in 2015

The Road to Political Engagement

14

CONTENTS

Feature

6 Attracting and Capturing the Young Adult Market

14 Advocating for Credit Unions in 2015

15 Arkansas Advocacy in 2015

16 Oklahoma Advocacy in 2015

17 Texas Advocacy in 2015

Departments

Philosophy in Action

5 2015: The Year to Inspire and Embrace Change

Human Resources

8 5 Common Mistakes Made in Human Resources

Technology

10 How to Balance Technology and Branches

13 Technology: Today, Tomorrow, and the Future

Regulatory & Compliance

18 Fair Lending: Dotting Your I's and Crossing Your T's

19 Some FAQs About Compliance

Professional Development

21 Five Reasons You Should Attend a Conference

23 THINK 15 Conference Speakers to Help CUs 'Seize the Now'

Small Credit Unions

25 REAL Solutions for Your Small Credit Union

26 What's New for Small Credit Unions?

Credit Union Relations

27 League Reps Build Relationships on Trust and Integrity

29 Stay Competitive with ALM Dividend Guidelines

Products & Services

31 Resources: Your Business, Our Focus, Expert Solutions

ADVERTISERS

Inside Front Cover CO-OP Financial Services

Inside Back Cover Diebold

Back Cover CUNA Mutual Group

2 Harland Clarke

4 CU Members Mortgage

6 Level5

9 SerTech

10 Sprint

11 TransFund

12 INTECH

14 Office Depot

20 Love My Credit Union Rewards

22 Carphoria Member Services

24 John M. Floyd & Associates

27 PhaseOne Design Builders

28 Smith Hamilton

30 dealertrack technologies

31 Credit Union Resources

Success Through Advocacy

By Dick Ensweiler, CEO, Cornerstone Credit Union League



As we launch into 2015, it's a good time to take stock of where we've come from as a movement and where we're headed. This issue of Perspectives highlights our advocacy efforts in Congress and at home in Arkansas, Oklahoma, and Texas, which is particularly notable because 2015 is the first year all three Cornerstone states have legislatures in session simultaneously since our 2013 inception. And let's not forget that the 114th Congress is also in full swing.

Our credit union leaders met across the state late last year to set the priority issues that Cornerstone would pursue during the 2015 sessions. As events unfold in the state legislatures and in Congress, it is critical that credit union advocates are informed and engaged in support of those priorities.

Every legislative session, our team reviews thousands of bills and works to amend those containing language that is potentially harmful or burdensome to credit unions. Our teams have already begun communicating with this session's lawmakers and will work closely with them on all issues that affect credit unions.

At the same time, our advocacy and compliance teams will pursue an agenda that calls for the minimization of regulatory burdens at both state and federal levels. Along with preventing any changes to the credit union tax status, we'll be closely monitoring issues surrounding reforms to risk-based capital, data security, examination fairness, Regulation D, the Privacy Notice Modernization Act, housing finance, capital, patent litigation, and even the structure of the Consumer Financial Protection Bureau.

Because it really does take a village, we hope Cornerstone credit unions will increase their acts of political engagement by making advocacy a priority. There are so many ways they can do that, but here are just some:

- Join CU:ROAR and keep up to date on advocacy initiatives;
- Designate advocacy liaisons who are knowledgeable and enthusiastic and can motivate others around them;
- Meet with your lawmakers throughout the year, run Project Zip Code for them, and talk about the credit union difference;
- Support colleagues who are venturing into advocacy for the first time;
- Attend governmental affairs conferences;
- Get everyone on board for PAC payroll deductions and fundraising efforts in your community;
- Regularly attend and take a leadership role in chapter meetings;
- Answer the league's calls for grassroots communication with lawmakers.

We've come a long way, and with our expanding advocacy presence at home and in Washington, DC, the health of the credit union movement far into the future will be assured. We appreciate all that credit unions do as members of the Cornerstone Credit Union League, and we strive to be of service to you, not just in advocacy, but in all ways.

Here's to a prosperous 2015!



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Targeted Acts of Advocacy

By Paul Trylko, Chairman, Cornerstone Credit Union League

Now that 2015 is well underway, we're filling up our planning calendars with important meetings and events, and setting high-watermark goals to shoot for throughout the year. Hopefully that calendar will also fill up with concrete opportunities for you and your staff to show a new or renewed commitment to engaging in "acts of advocacy" on behalf of your credit union and the credit union movement as a whole.

It's one thing to be pro-advocacy and talk about what needs to be done to enact change in Congress or in state legislatures, and another to take real action steps, like meeting face-to-face with lawmakers and explaining in simple terms the issues that threaten the way credit unions operate or even their very existence. That's a targeted act of advocacy. Whether it's the CEO in the advocacy trenches, a legislative liaison, or an entire team, every credit union can benefit from devoting people and resources to this critical aspect of credit union health, communication, and outreach.

So as you plan and strategize for the year, I would ask you to discuss with your staff the myriad ways you can begin or enhance your advocacy efforts. Inevitably, the questions will follow about how to engage, why it's important, when we need to do it, where, and with whom—and as a consequence, you'll likely identify the need for staff training so that your advocacy efforts can be the most fruitful.

Remember, advocacy is a joint venture. Our chances for success are much greater when we are allied with large numbers of credit unions and well-informed, engaged, motivated people who want to see real change that benefits our members, our credit unions, and our communities.

Rest assured, your league is primed to bring you and your staff into the advocacy fold and help with as much training as you need. Because while there are many ways we can advocate, sharing the same consistent messages will show our unique strength, solidarity, and credibility, which we can build on and carry forward to greater and greater impact—just one reason we call it a credit union movement.

We hope you'll reach out and let us know how we can help your 2015 be a year of many targeted acts of advocacy.

Our chances for success are much greater when we are allied with large numbers of credit unions and well-informed, engaged, motivated people who want to see real change.





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2015: The Year to Inspire and Embrace Change

By Howard Bufe, Assistant Vice President, OnBalance

People don't change easily, so any communication about change may result in a certain amount of anxiety, negativity, or resistance. Our ability to inspire others to embrace change is largely dependent upon our ability to communicate from our listeners' points of view.

Establishing the need to consider change must be accomplished quickly. To be convinced, listeners must see evidence that supports the stated need for change. The audience must not feel like they're being driven to change; they must see change as the logical option. After establishing the need for change, we illustrate both the advantages and disadvantages of alternatives. This holds true for volunteers, staff, and members.

In 2015, change will be inevitable. Are we prepared? So often we wait for change to come to us. Maybe, just maybe, we should take a bold approach and create the change ourselves.

Credit unions have experienced six years of declining and unusually low interest rates in conjunction with a sluggish economy. What will 2015 have to offer? Will interest rates go up? What's our potential for lending activity? What new options will technology bring? Where will our membership growth come from? What changes can we expect from senior management and board governance? These are complex questions.

Being prepared for change requires that a credit union pay significant attention to having a strong strategic plan along with a complete and up-to-date senior management and volunteer succession plan. Strategic planning plays a key role in providing our teams the opportunity to logically and emotionally address the future of the credit union and explore our best options.

Some may ask, in today's world of high uncertainty, why plan? Uncertainty is, indeed, a major problem in forward planning. However, to make the decision not to plan is an ostrich-like approach. Today, we see a significant need for good strategic planning.

Credit unions that are serious about growth, building a competitive advantage, prioritizing financial needs, and providing focus and direction will move from planning to action by way of a strategic plan that:

- Promotes cooperation and cohesiveness
- Creates focus
- Provides direction
- Allocates resources

Although, not a requirement by regulations, a strategic plan is considered sound business practice, and some credit unions will be mandated to formulate an adequate strategic plan.

Succession planning for the board and senior staff is also considered sound business practice. The purpose of a management succession plan is to ensure business continuity in the event of a temporary or permanent loss of a key management position. The plan's focus is continuity on an interim basis. The time frame for replacement of the

president/CEO will be determined, if necessary, by the board of directors. Other key management replacements will be determined, if necessary, by the remaining management.

Nothing is more important to the health and sustainability of our credit union than getting highly qualified, engaged, skilled, and enthusiastic people to serve on our board. Imagine all that your board and credit union could accomplish with “the right people on the bus,” as stated by Jim Collins, author of “Good to Great.”

Building a board is more than just filling slots. It's about being strategic in the way a board looks



Imagine all that your board and credit union could accomplish with “the right people on the bus.”

at its composition related to its responsibilities. Getting the right mix requires careful attention to the recruitment process.

In 2015, credit unions can drive change with an appropriate strategic plan along with a sound succession plan.

Attracting and Capturing the Young Adult Market

By Kimber Cockrill, Publications Manager

Across the globe, we have 57,000 credit unions in 103 countries and 208 million members; and as you know, in America, we've surpassed 100 million members. We've made strides in expanding our market share; however, the World Council of Credit Unions tells us the median age of our U.S. members is 47. That means we're not reaching as many of the young adult demographic—the Gen Y group—as we'd like.

The Gen Y group, also called Millennials, consists of adults aged 18-35. There are 80 million of them in North America. As our current membership ages, our ability to attract Gen Y credit union members in the future will be crucial.

So the question becomes, how can we “get along” with Gen Yers, as John Hancock implies, and influence their financial decisions?

This year, the month of April will feature two credit union campaigns simultaneously. One is Financial Literacy Month and the other is National Youth Month. While at first blush these might seem at disparate aims, consider that Gen Y may be the group most in need of financial fitness training, since they are reportedly the first generation worse off than their

parents. Yet, they are expected to be a powerhouse of the global economy over the next several decades.

Gen Yers, however, are particularly challenging, since they are distrustful of financial institutions. They're also greatly influenced by technology and stylish brands that are unique and authentic.

Credit unions have got “authentic” down and are certainly unique from banks, but they must also provide more tech savvy offerings to attract and keep these young people.

The World Council of Credit Unions has done extensive research on a global scale about what works to attract young adults, and they've compiled their findings in a technical guide called “International Lessons for Young Adult

The greatest ability in business is to get along with others and influence their actions.

~ John Hancock



Membership Growth.” The publication includes 12 strategies that work for credit unions in Australia, Brazil, Canada, Kenya, Mexico, Poland, and the U.S. They are:

1. **Provide core services online and via mobile.** Young adults expect to use online and mobile technology to manage their finances, just as they do for information, social engagement, and entertainment.
2. **Leverage payment services to respond to expectations for convenience.** Young adults often use commerce or payments systems, such as PayPal or Google Wallet, since many are unbanked.
3. **Design products for life transitions.** Young adults pursue education, start careers, get married, buy a home, and have children. They need products and services to address all those phases.
4. **Differentiate with social responsibility.** Young adults prefer institutions with ethical reputations that pride themselves on “doing good.”
5. **Shift to a culture that “wows” the members.** Young adults expect things fast and easy, and respond more to experience than product.
6. **Turn young employees into ambassadors.** When young employees understand the credit union difference, they become ambassadors for your organization.
7. **Represent youth in governance.** Explore leaders and board members with a younger voice.
8. **Embrace diversity.** Gen Y is the most ethnically diverse generation in history, so product design and delivery must be tailored to their various communities.
9. **Motivate peer recommendations.** Examine Brazil's Sicredi success, which has nearly doubled its membership in five years and now serves 2.7 million members.
10. **Initiate incentive programs.** Focus efforts on building incentive programs for young members, like a “Kids Club” where students receive \$1.50 for every grade they earn above 90 percent.
11. **Engage on social media; don't just post.** Just communicating is not enough. Building a community of engaged, loyal members who will share experiences is key.
12. **Offer financial management and literacy programs outside the classroom.** Even highly educated young adults can benefit from learning how to manage their money.

In April, credit unions will have the opportunity to capitalize on Financial Literacy Month and National Youth Month. Together, these campaigns can help you attract young adults and promote awareness of the need for financial fitness, not only for youth but for all credit union members.

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5 Common Mistakes Made in Human Resources

By Susan Looney, Senior Vice President, Human Resources

After working with credit unions for more than 18 years, I see credit unions make the same mistakes when it comes to essential human resources functions. The following five mistakes top the list.

1. NOT HIRING THE RIGHT PEOPLE

We don't want to hire people only to fire them. Turnover can cost up to 150 times the annual salary. Credit union managers feel the pain when they lose an employee and are eager to get someone quickly to find a replacement, but moving too quickly is not a strategic move and can be dangerous.

So how do you find the right fit?

1) Define what you want this person to do and what type of experience and skills are needed to do the job. 2) Understand the culture of your credit union. Are you casual and laid back or formal and fast-paced? Understanding your culture will help you identify candidates who will best match the position. 3) Determine the market rate for the position. If you are a credit union that lags behind the market in compensation, it may be difficult to attract the right person—and retain them. Surveys are a great way to see what your positions are really worth.

2. NOT DEVELOPING CLEAR POLICIES AND PROCEDURES

All credit unions should have written human resources policies and procedures that should include general employment areas like discrimination, harassment, and "at will." They should also include information on benefits like vacation and sick leave.

Laws change periodically, and so should your policies. Review them at least annually. Managers can forget what's in the policies and then policies aren't followed. Not following what you have in writing can be as dangerous as not having a policy at all.

In addition to reviewing and updating policies, it's important to ensure that staff understands the policies. Many credit unions hand out policies and expect employees to read them, but how many really do? Hold meetings to communicate the policies and allow time for questions.

Managers should get together to discuss established policies and make sure they are interpreting them the same way. For example, if a policy says "employees will be counseled for excessive late arrivals." Make sure everyone understands the definitions of "late" and "excessive" in regard to the policy.

3. NOT HAVING WRITTEN JOB DESCRIPTIONS AND JOB EXPECTATIONS

Job descriptions are the cornerstone of many employment activities. They are used to communicate to an employee what he or she is expected to do on the job, establish the worth of a position (pay), provide guidelines for hiring, and more.

Job standards should state how well job duties should be completed. An

example would be: Duty: Answer the phone; Standard: By the third ring. These job standards would eventually be the basis for performance evaluations.

Job standards are unique to every credit union and take time to develop; however, once completed, they will be the core of evaluations, training, and communication.

4. NOT HAVING A CLEAR UNDERSTANDING OF EMPLOYMENT LAWS

Managers need not know the details of every employment law. However, it is important to know enough to not violate the most basic laws. Equal Opportunity (EEOC), the Fair Labor Standards Act (FLSA), and Family Medical Leave are just some of the laws every manager should know. Not knowing is not an excuse in defending a wage claim or a claim of discrimination. All managers should take at least one class each year on these regulations.

5. NOT DOCUMENTING PERFORMANCE ISSUES

Most states are "at-will," which means the credit union can terminate someone at any time, with or without a reason. But those who have responded to EEOC and unemployment claims realize this is not always the reality.

When an employee has behavioral or performance problems, it's important to communicate the issue to the employee and document the discussion. If the discussion is not documented and signed off by both parties, the conversation can be disputed (your word against the employee's). But by documenting, your recourse, including termination, will be easier to defend.



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How to Balance Technology and Branches

By Brian McCue, Vice President, Remote Transaction Resources

I saw a Frost Bank commercial last week that impressed me. It says “there are a lot of ways to connect with Frost (apps, website and ATMs), but to be honest, none of these connections matter more than this one.” The commercial then shows a Frost employee greeting a customer by name at the door.

INTERACTING THROUGH MULTIPLE CHANNELS

As technology continues to improve and become more accessible, consumers seek more convenient (anytime/anywhere) transactions. For the past decade or so, credit unions have been aggressively adding more digital touch points with a goal to

become an Omni-channel financial institution, which combines digital and physical channels to create a better consumer experience.

Some credit unions are hesitant to implement these new technologies. There could be many reasons for this: membership profile, board of directors, or costs. Your members are looking for conveniences. If a product was too costly last year, don't give up. With the advances in technology, pricing on products will change. Sprig by CO-OP, for instance, is a new mobile product that offers mobile deposit capture. There are credit unions using Sprig with assets under \$10,000,000!

Are transaction volumes dropping? Are we moving to predominately digital

transactions? Will remote tellers be the new norm? You'll find conflicting studies on these topics. The one fact most can agree on is that consumers interact through multiple channels including the branch.

ARE BRANCHES GOING AWAY?

Branches are not going away. Credit unions, as well as banks, are still adding them, but we are definitely seeing a transformation of the branch. As basic transactions move toward self-service, many branches are being repurposed. It's more common to see remote tellers and personal teller machines (PTMs), a video-based technology that does everything a traditional teller would do. Diebold's Opteva ATMs are leaders in

the tellerless branch. University Federal Credit Union in Austin, Texas, was one of the early adopters of this technology.

With this transformation, the importance of positive branch and call center experiences becomes even greater. These interactions will become more complex services such as lending, investments, and problem resolution. Branch personnel will be responsible for sales and service instead of just transaction processing. Adjustments will need to be made to provide the appropriate sales culture in this new environment.

WOWING YOUR MEMBERS

Mike Mercer, CEO of Georgia Credit Union Affiliates, in a speech used the

term “Rare Opportunity to WOW.” Some members might only visit a branch once a year, so there's only one chance to WOW them. Does your staff understand this importance? Is your staff ready/trained to answer complex questions and WOW your members?

To become a true Omni-channel financial institution, credit unions must fluidly integrate people, processes, and

technology into their strategic plan. A successful credit union will be able to create consistent user experience across all channels.



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The payment world is evolving and EMV chip-based debit card technology is quickly emerging as the main concern for financial institutions in the United States today.

It's the most recent effort designed to help debit card issuers reduce growing fraud losses caused by counterfeit plastics. US financial institutions will begin issuing the cards in 2015 to take advantage of the new rules for liability.

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Technology: Today, Tomorrow, and the Future

By Tim Erwin, Intech

The traditional core processing system is a thing of the past, as we see it. Today's core data processing is a combination of the standard back-office core products and the digital front ends that touch your members' lives every day.

Credit union members and prospects, in increasing numbers, are demanding a wider spectrum of services, many of which require products developed using leading-edge technologies. Indeed, it is not just one service or product that helps with growth of a credit union; it is having available a variety of tools and services that appeal to a diverse mix of members.

Statistics show that more credit unions are outsourcing their complete core data processing, and there are many good reasons why. From small to large, credit unions are finding that outsourcing can help them avoid costly upgrades and expensive personnel costs, help free up time for other projects, and give them the competitive edge in the market place

for a fraction of the cost and in half the implementation time.

The digital front touch points of home banking, mobile banking, online account opening, bill payment, and mobile check deposit are expensive but have become required services for your membership and the overall survival of the credit union. The major hurdle is the cost-effective integration of these digital front-end products. All too often, credit unions are met with an interface or connection fee from their back office core provider that then makes the technology unaffordable and leaves the credit union struggling to obtain the technology to become competitive in the market.

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new products and services without the worry of integration issues, excessive increased maintenance expense, and those high-priced upfront investments in add-ons or modules.

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About the Author

Intech is an Omaha, Nebraska-based, multi-functional core-data processing company with a regional office in Austin, Texas. Intech serves credit union clients exclusively and combines the advantage of in-house and online core-data processing solutions backed by ongoing support and service. For information, visit intech-inc.com, or contact Tim Wells, vice president of sales at (512) 514-1058, toll free at (877) 592-4414, or twells@intech-inc.com.

Advocating for Credit Unions in 2015

By Jim Phelps, Senior Vice President, Advocacy

Political engagement is front and center in 2015. For the first time since the formation of the Cornerstone Credit Union League, the Arkansas, Oklahoma, and Texas state legislatures are in session simultaneously. In addition, the 114th session of Congress convened in January. As events unfold in the state legislatures and in Congress, it is critical that credit union advocates are informed and engaged in support of our legislative priorities.

LEGISLATIVE PRIORITIES

Cornerstone's legislative priorities were identified through a variety of means, including an advocacy survey distributed last summer to all credit union CEOs, input from visits with credit union CEOs and volunteers in the interim between state sessions, and, in some cases, carryover legislation that did not pass in previous legislative sessions.

At the federal level, Cornerstone will continue to defend the credit union federal income tax exemption. Vigilance is essential as members of Congress continue to express interest in enacting comprehensive tax reform. The "Don't Tax My

Credit Union" campaign is in effect until a president signs a tax bill.

Cornerstone is also focused on mitigating regulatory burdens from agencies such as the CFPB and NCUA. In support of this priority, it is imperative that we obtain specifics from credit unions about the impact of new regulations. We must also ensure a robust response to important comment calls and take advantage of opportunities to meet with representatives from the major regulatory agencies whenever possible.

Data security is also a top priority. Credit unions were forced to re-issue hundreds of thousands of cards in the wake



Ashley Pierce, Cornerstone Young Professional Advisor and A+ FCU CU:ROAR team member, discussing critical credit union issues at the Texas Capitol with Chris J. Sanchez, chief of staff for Rep. Larry Gonzales (House District 52), during the Texas GAC on Feb. 10.

of the Target and Home Depot data breaches. Many credit union members (and elected officials) still do not understand that credit unions, not retailers, incur the financial cost of data breaches. We will continue to seek opportunities to enact legislation that would protect sensitive customer data and hold merchants accountable when data breaches occur.

State level legislative priorities vary due to the governance differences between our three states, but there are some common themes that we are focused on. These include mitigating regulatory burdens, protecting lienholder interests, seeking opportunities to enact legislation concerning data breaches, and defending the tax exemption where applicable.

NEW MEMBERS = OPPORTUNITIES

Cornerstone's state and federal delegations include many new members which provide credit unions with opportunities to build relationships and educate representatives about key issues.

The Cornerstone congressional delegation includes six new U.S. House representatives and two new U.S. senators. Senators James Lankford (R-Okla.) and Tom Cotton (R-Ark.) previously served in the U.S. House.

ARKANSAS ADVOCACY IN 2015

By Reta Kahley, President, Arkansas Credit Union Association



The legislative members of Arkansas' 90th General Assembly were sworn into office on Monday, Jan. 12.

For the first time in many years, Arkansans elected seven Republican constitutional officers. Prior to the November election, the governor, state treasurer, auditor, and attorney general were Democrats.

The Senate has 35 members, including 23 Republicans, 11 Democrats, and one open seat. The gender make-up is 27 males and seven females in the Senate. The House of Representatives has 100 members, 41 of whom are freshmen legislators. There are 64 Republican and 36 Democratic representatives in the House; 81 are males and 19 are females.

House Speaker Jeremy Gillam and Senate Pres. Jonathan Dismang are targeting an 85-day session for 2015. The 2013 Regular session lasted 101 days. If they stick to the 85-day schedule, the session will end on April 6.

Priority issues expected to be introduced in the 2015 legislative session include Gov. Asa Hutchinson's plan to reduce the tax burden on middle class Arkansans. Prison overcrowding and education are two other main issues that will drive this legislative session, along with the state's Medicaid expansion or Private Option Health Insurance plan (adopted in the 2013 session). The Private Option Health Insurance plan may survive in its present form, as it is a hotly contested issue, especially among the freshmen legislators.

Those bills already filed include the governor's tax-cut bill (SB6), which was amended on Wednesday, Jan. 14, detailing the \$100 million income tax cut; bills dealing with mortgages and mortgage releases; and bills targeting counties' and certain cities' regulations for nonconsent towing services.



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OKLAHOMA ADVOCACY IN 2015

By Nate Webb, President, Oklahoma Credit Union Association



The First Session of the 55th Oklahoma State Legislature convened on Feb. 2. With House and Senate seats changing hands either through term limits or defeat in the November elections, the dynamics at the State Capitol are impossible to predict.

For Oklahoma credit unions, there are several points of interest. With the help of Sen. Dan Newberry (R-Tulsa), we are introducing two bills supporting credit unions. The first gives the Oklahoma State Banking Commissioner statutory authority to grant low-income designation to Oklahoma credit unions—something he currently does not process.

We are also introducing a bill to clarify judicial proceedings for credit unions attempting to collect on past-due auto loans. The current statute has resulted in misinterpretation in a few district courts.

The deadline for filing legislation was set at Feb. 22, and we have already identified several bills we will either oppose or attempt to amend.

As these bills work their way through the process, it will be critical for Oklahoma credit unions to communicate with their elected officials. During the interim, great effort has been made to incorporate many of the tools that have been used effectively in Texas. We will utilize these resources during the 2015 session to alert credit unions when grassroots engagement is critical.

Since the last legislative session, the Oklahoma Credit Union Association has been working to restructure our department to more effectively meet our advocacy mission. For example, during the 2014 election, the Oklahoma Credit Union Political Action Committee (OCUPAC) was very engaged supporting candidates who are friendly to our movement and/or have the greatest potential to impact important legislation. In-depth analysis of these races and the individual candidates resulted in an impressive 94 percent win ratio.

March will be an important month for our advocacy efforts. This year's CUNA Governmental Affairs Conference in Washington, D.C., will be held March 8-11, and we will soon be finalizing appointments with members of our federal delegation and staff.

The Oklahoma Governmental Affairs conference takes place March 24-25 in Oklahoma City. Both of these events are opportunities to gain a better understanding of the current political landscape on both the state and federal levels.

These are just a few highlights of the many advocacy initiatives underway to support Oklahoma credit unions.

Effective political engagement is a process, not an event.

Also in the U.S. House, Arkansas has two new representatives: Rep. French Hill (R-2) and Rep. Bruce Westerman (R-4). Rep. Steve Russell (R-5) is Oklahoma's new U.S. House member. Texas has three new U.S. House members: Rep. John Ratcliffe (R-4), Rep. Will Hurd (R-23), and Rep. Brian Babin (R-36).

There are also changes in the Cornerstone state legislatures. All seven Arkansas constitutional offices are in Republican hands for the first time in history. In Oklahoma, the Governor's office and seven other statewide elected offices stayed in Republican hands, while the state House and Senate have some new members. In Texas, for the first time in over a dozen years, all four statewide officeholders are new to their respective offices.

POLITICAL ENGAGEMENT

There are a number of things that Cornerstone credit unions can do this year to support our legislative priorities. Start with knowing who represents you—specifically, your member of Congress, state senator, and state representative. Visit their websites to find out what committees they serve on and when they are back in the district. Make sure you have their contact information for when you need to make your voice heard on an important issue.

Participation in Cornerstone's key advocacy initiatives such as CU:R.O.A.R. (Ready, Organize, Activate, and Respond) will help ensure a strong grassroots infrastructure across the Cornerstone region while augmenting our lobbying efforts. Additionally, you can contribute to your state's respective PAC via payroll deduction, and run Project Zip Code every year.

It's also important to meet with your representatives locally and in the Capitol. Do this throughout the year, not just when we need their support. Visit your lawmaker's local district office or invite them to visit your credit union when they're back in the district.

Chapters can host lawmakers at meetings, and organize "Lobby Days" at the Capitol during session. Remember, you don't always have to visit with the elected official; building relationships with staff is also essential. In fact, legislative staff specialize in specific areas such as financial services and are sometimes more knowledgeable than their bosses about credit union issues.

Many credit union members (and elected officials) still do not understand that credit unions, not retailers, incur the financial cost of data breaches.

Last but not least, participate in the Governmental Affairs Conferences. The GACs are designed to showcase the grassroots strength of credit unions. The more credit unions participating, the stronger we appear to lawmakers.

Effective political engagement is a process, not an event. The legislative process does not work quickly. Success is often defined by actions not taken, not necessarily by the number of bills passed into law. A consistent effort encompassing local and Capitol meetings, PAC support, and advocates in your credit union ready to respond will help provide momentum for achieving our legislative priorities.

TEXAS ADVOCACY IN 2015

By Jeff Huffman, President, Texas Credit Union Association



The 84th Legislature of the State of Texas convened Jan. 13, 2015, and will come to an end on midnight of the 140th day, Monday, June 1. The Texas Legislature meets in odd-numbered years, so each session is an intensive drive to produce a biennial budget and pass legislation.

The Senate has 31 members, 20 Republicans and 11 Democrats. The 150-member House has 98 Republicans and 52 Democrats. There will probably be more than 5,000 bills filed during this session.

Gov. Rick Perry left office after serving as governor for 14 years, longer than any other governor in Texas history. The former attorney general and new governor, Greg Abbott, announced the following as his priorities for the current legislature: early childhood education and improved high-school graduation rates, increased border security, better transportation, water infrastructure, and economic development. The new governor and new Lt. Gov. Dan Patrick were sworn in on Jan. 20.

The 84th Legislature will be a more conservative one than in previous years, which will change the focus on issues. Rep. Joe Straus (R-San Antonio) was elected Speaker of the House again after a challenge from Rep. Scott Turner (R-Frisco).

The Cornerstone Credit Union League established the following 2015 legislative priorities in Texas:

- Support for amendments to address credit union concerns with the home equity lending law
- Cornerstone will seek opportunities to mitigate regulatory burdens on credit unions
- Support of legislation to protect lienholder interests
- Support of measures to favorably modify data security laws
- Support of the franchise tax exemption for credit unions
- Support of an independent credit union department with SDSI (semi-independent, self-directed status)

Texas held its Government Affairs Conference on Feb. 9-10 in Austin. Attendees visited the Capitol, meeting with their elected officials to build relationships with the members and their staff and discuss issues of concern to credit unions.

The Legislature may consider some issues that would impact credit unions, including patent trolls, tax lien lenders, SDSI authority at the Texas Credit Union Department, plastic card fraud, data security, and business/property tax relief.

Fair Lending: Dotting Your I's and Crossing Your T's

By Steve Gibbs, Assistant Vice President, Shared Compliance Resources

Back in the early 1980s the subject of fair lending was simply a case of poking red pins in maps, looking at Home Mortgage Disclosure Act registers to make sure there was diversity among approvals and denials, and asking some very straightforward questions to loan officers and related staff.

Credit unions with which I've served and worked have always been role models of fair lending, providing funds to people in all walks of life while remembering the philosophy, "People Helping People."

Unfortunately, credit unions are only one of myriad financial institution choices available to consumers, and some of those institutions have elected to put unfair criteria on various groups to avoid lending to them or to charge them exorbitant interest rates. As a result, financial institutions across the board are receiving Fair Lending Examinations from their regulators. Credit unions have seen these in recent months through the National Credit Union Administration.

Will this affect your credit union?

Yes, most likely. All financial institutions are subject to the underlying regulations—Regs B and C, to include the Fair Housing Act. NCUA published Letter No. 13-FCU-02, 2013 Fair Lending Examination Program and Compliance Assistance, as guidance to what the examiners want to see from your operation.

According to NCUA, the following are among their numerous decisional factors:

- **HMDA Outliers.** NCUA will review the federal credit union's annual HMDA report. This report must be filed if the federal credit union makes mortgages, has an office in a Metropolitan Statistical Area, and is above the asset threshold required to

report HMDA data. If a review of the HMDA report indicates that the federal credit union's lending practices fall outside the normal range for pricing, denials, withdrawals, or lending terms when compared to other financial institutions, the federal credit union is considered an HMDA outlier. Federal credit unions that are HMDA outliers and demonstrate the potential for higher fair lending risk are subject to a fair lending exam in accordance with the FFIEC exam procedures.

- **Fair Lending Violations.** In addition to HMDA data, NCUA will consider whether a federal credit union has received fair lending findings or violations noted in recent safety and soundness exams. This includes a review of the number of compliance exceptions for fair lending or other consumer lending regulations.
- **General Compliance Risks.** Federal credit unions that receive moderate or high risk ratings on compliance issues during their most recent safety and soundness exams may be selected.
- **Other Factors.** NCUA will also consider whether a federal credit union demonstrates the potential for higher fair lending risk because of the volume, types(s), or complexity of the products and services offered, types of communities served, and whether the federal credit union has been the subject of lending discrimination complaints.

This same issuance included the NCUA Fair Lending Guide. In addition, some credit unions are subject to an off-site fair lending supervision contact.

If the off-site review indicates potential discriminatory practices or significant findings of non-compliance with fair lending laws or regulations, the credit union could receive a full fair lending exam during the next exam cycle.

Fair lending guidance can also be found through the Consumer Financial Protection Bureau.

What can we do to be proactive?

- **Do your research.** As we are all aware, regulatory changes are taking place every day, and credit unions cannot afford to get blind-sided. Check NCUA, CFPB, CUNA, and league/association websites, as well as those for the Federal Reserve and FHA.
- **Make sure you have easy access to documents.** As we've all heard, "If it's not in writing, it doesn't exist." This will also expedite examination time as items are easily obtained.
- **Do your own fair lending risk assessment.** This provides a clear, documented indicator to regulators that you are monitoring this area. There are a number of variations of this format available online, some more detailed than others. You might also choose to outsource the assessment in order to give you a more unbiased review.
- **Educate staff.** A variety of resources (as with the NCUA issuance) may be used for instructional materials. As has been proven many times, a well-trained staff reduces risk from a variety of areas of liability.

Credit unions have been "living" fair lending for as long as they've been around. We need to remember that documentation, monitoring, and training will always lend support to our practices.

Some FAQs About Compliance

By Barri Hamilton, Director of Compliance

Q: CAN WE STOP PAYING DIVIDENDS/ INTEREST WHEN A MEMBER DIES?

A: No. NCUA Part 707—Truth-in-Savings, requires financial institutions to disclose account terms at the onset of the account. The disclosures do not include "death" as a condition for discontinuing dividends on the account. The dividends/interest in a deceased member's account belong either to the payable-on-death (POD) beneficiary or the estate of the deceased member.

Q: WHAT MUST WE DO FOR THE CREDIT UNION TO TAKE ADVANTAGE OF THE NEW "ALTERNATIVE DELIVERY" METHOD FOR OUR ANNUAL PRIVACY NOTICE?

A: The final rule amends § 1016.9(c) of Regulation P to provide an alternative method for delivering annual privacy notices. The primary purpose of the rule change is to reduce unnecessary costs in providing these annual privacy notices. A financial institution may use the alternative delivery method if:

1. It does not disclose the customer's nonpublic personal information to nonaffiliated third parties in a manner that triggers GLBA opt-out rights;
2. It does not include on its annual privacy notice an opt-out notice under section 603(d)(2)(A)(iii) of the Fair Credit Reporting Act (FCRA);
3. The requirements of section 624 of the FCRA and the Affiliate Marketing Rule, if applicable, have been satisfied previously or the annual privacy notice is not the only notice provided to satisfy such requirements (sometimes called Joint Marketing Agreements. Check your agreement for confirmation);

4. The information included in the privacy notice has not changed since the customer received the previous notice (subject to an exception); and
5. It uses the model form provided in the GLBA's implementing Regulation P.

Under the alternative delivery method, the financial institution would have to:

1. Convey in a clear and conspicuous manner not less than annually on an account statement, coupon book, or a notice or disclosure the institution issues under any provision of law that its privacy notice is available on its website, it will be mailed to customers who request it by telephone, and it has not changed;
2. Post its current privacy notice in a continuous and clear and conspicuous manner on a page of its website on which the only content is the privacy notice, without requiring a login name or similar steps or agreeing to any conditions to access the page; and
3. Mail its current privacy notice to customers who request it by telephone within ten days of the request.

Q: DOES REGULATION Z REQUIRE A CERTAIN TIME PERIOD BEFORE THE FIRST LOAN PAYMENT DATE?

A-1: Under **closed-end** credit, Regulation Z Part 1026.17(4) states that when the creditor is making calculations and disclosures, they may disregard any irregularity in the first period that falls within the limits and any payment schedule irregularity that results from the irregular first period:

1. For transactions in which the term is **less than 1 year**, a first period not more than 6 days shorter or 13 days longer than a regular period;
2. For transactions in which the term is **at least 1 year and less than 10 years**, a first period not more than 11 days shorter or 21 days longer than a regular period; and
3. For transactions in which the term is **at least 10 years**, a first period shorter than or not more than 32 days longer than a regular period.

A-2: Under Regulation Z **open-end** credit rules, part §1026.5(c) states that the terms are based on contract law and reads as follows:

1. Legal obligation. The disclosures should reflect the credit terms to which the parties are legally bound at the time of giving the disclosures.
 - i. The legal obligation is determined by applicable state or other law.
 - ii. The fact that a term or contract may later be deemed unenforceable by a court on the basis of equity or other grounds does not, by itself, mean that disclosures based on that term or contract did not reflect the legal obligation.
 - iii. The legal obligation normally is presumed to be contained in the contract that evidences the agreement. But this may be rebutted if another agreement between the parties legally modifies that contract.



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Love My Credit Union Rewards focuses on partnerships that not only save your members money, but also connect to your core products and services and provides your credit union the opportunity to:

- **Build member loyalty and savings**
- **Increase auto loans**
- **Increase debit and credit card usage**
- **Earn non-interest income**

Plus, your credit union gets marketing support and free marketing materials to help you promote the new Love My Credit Union Rewards program.

Love My Credit Union Rewards has already helped over 3.6 million credit union members save over \$1 billion and has helped generate more than 340,000 auto loans for credit unions totaling more than \$7.5 billion. So what are you waiting for?

Learn more at LoveMyCreditUnion.org/PartnerCenter or call 800.262.6285.



Five Reasons You Should Attend a Conference

By Thom Singer, Professional Speaker, Corporate Trainer, and Author

There's power in connection. But in our busy "social media crazy world," we often forget the importance of being in a face-to-face setting with others from our community. In fact, we can come up with all kinds of reasons for not taking an active part in our industry trade associations or attending conferences. But the missed opportunities to make those powerful connections just might determine the degree of your success.

Here are five reasons to attend your industry conference:

1 EDUCATIONAL OPPORTUNITIES

No matter how experienced you are at your business, everyone can learn. Working in a small business venture can often be isolating, and without exposure to a variety of points of view, we can miss new ideas and trends that can impact future results. The educational aspect of a conference can expose you to new ways of conducting your business and help you discover how to be more productive.

2 NETWORKING WITH PEERS

Industry conferences provide a great opportunity to network. Often competitors from other regions of the country can become valuable resources for referrals and best practices.

Avoiding peers for fear of others discovering your competitive advantage can actually limit your success. Collaboration is the way to approach networking. While there are those whose intentions can be suspect, most people can help each other uncover ideas and spark inspiration when they get to know each other on a personal level.

3 ENCOUNTER NEW VENDORS AND SUPPLIERS

Too often people shy away from the trade show exhibit hall at conferences. They fear having to talk to salespeople. But these industry suppliers are some of the best people to know if you want to learn more about the current business climate. Discovering innovative products and services for your business is necessary to stay competitive in today's fast-paced world. Plus, these vendors who sell to your industry fully grasp what's happening inside your competition. Invest time with the event sponsors and turn them into your friends and allies.

4 POSITION YOURSELF AS AN EXPERT

When you are active in your industry, you can develop a reputation as an expert to your peers and your clients. Those who are engaged over the long term are often asked to speak at the events and to write articles for their industry publications. Like it or not, others like to associate with experts in any industry. Clients feel good about doing business with those who are celebrated by their peers. If your strategy is to be the best-kept secret in your business community, you will be missing a valuable opportunity.

5 HAVE FUN

Being in business should be rewarding and fun. All work and no play can get old fast. Industry conferences can add a layer of enjoyment to managing your career growth by mixing a social aspect into your learning and industry branding efforts. Many events have fun activities such as parties, golf, and tours of the local area where the event is hosted. Taking an extra day at the beginning or end of the trip to explore or visit friends in the region is also a great way to maximize the investment

in travel. Never underestimate the power of a little fun mixed with some interesting people.

Many falsely believe that since they can access industry information via the Internet that the days of live meetings are gone. The truth is, meetings are more important than ever. The value in meetings comes from the human-to-human connections. Often at live events, people cite the serendipitous hallway conversations they have with other attendees as the most valuable part of attending. When two or more people begin to discuss topics on a deeper and more personal level, the success of the event to those involved becomes irreplaceable.

While you're thinking about attending your next industry conference, don't forget to register for Cornerstone Credit Union League's 2015 Annual Meeting and Expo in Austin, Texas, April 4-10.



Thom Singer is a professional speaker, corporate trainer, and author of ten books on the power of business relationships, networking, presentation skills, and entrepreneurship. He speaks at conferences across all industries and helps create an atmosphere for engagement that leads to more powerful business connections.

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THINK 15 Conference Speakers to Help CUs 'Seize the Now'

By Bill Prichard, CO-OP Financial Services

CO-OP Financial Services (co-opfs.org) has announced eight featured speakers for THINK 15, focusing on how an unprecedented convergence of social and technological advances has made 2015 the critical year for credit unions to gain consumer loyalty.

THINK 15 is being held at the Broadmoor Hotel in Colorado Springs, May 5-8, 2015. Registration is \$799 for credit union employees, who may register immediately at co-opthink.org.

"The THINK 14 Conference unveiled our 'Empowering People. Amplifying Dreams' initiative to help Millennials develop greater financial literacy, including education on credit unions," said Stan Hollen, president/CEO of CO-OP. "We believe our movement fulfills both the values and services that most consumers, especially Millennials, now demand; and credit unions offer the kind of financial support they are seeking right now in their lives. The theme is 'Seize the Now' and our speakers will help us seize the great opportunity we have with this modern consumer by turning today's trends into enduring competitive advantages."

The THINK 15 speakers will tackle topics of utmost relevance to credit unions, including how to build business by helping consumers achieve life goals, exploring the technologies that transform their daily lives, operationalizing these new technologies and experiences, and how to prosper by being a mission-driven company.

Now in its eighth year, CO-OP's THINK conference is dedicated to credit union innovation, specializing in attracting world-class thought leaders from outside the industry who share their unique perspectives on issues confronting credit unions. To help

credit unions "Seize the Now" in 2015, the conference will present:

- **Sara Critchfield**, founding editorial director of Upworthy, deemed by Fast Company as the "fastest growing media company of all time."
- **Nir Eyal**, contributing writer for Forbes and bestselling author of *Hooked: How to Build Habit-Forming Products*.
- **Lisa Gansky**, founder and chief instigator of Mesh Labs, a leader in shaping the evolution of the sharing economy.
- **Christopher Gavigan**, who co-founded and helped build the Honest Company's values-based business to provide safer, more effective products to parents.

Unprecedented convergence of social and technological advances has made 2015 the critical year for credit unions to gain consumer loyalty.

- **Ido Leffler**, co-founder and CEO of Yoobi, the company that made selling school supplies a cause that touches classrooms across the nation.
- **Nilofer Merchant**, bestselling author on innovation and collaboration who has worked with industry leaders ranging from Apple and IBM to GE and Google.

- **J.B. Straubel**, co-founder and chief technical officer of Tesla Motors, Inc., directly responsible for operations of nearly one quarter of the company.
- **Darcy Winslow**, CEO/managing partner/co-founder of the Academy for Systemic Change, who spearheads Nike's efforts to ensure its social responsibility and environmental friendliness matches its world-renowned brand of athletic wear.

The event's master of ceremonies will be journalist and radio host Tess Vigeland, who served in that capacity at THINK 14 in New Orleans.

Industry service providers interested in getting involved in shaping the THINK 15 experience as an "Evolution Session" (industry seminars planned for May 5) presenter, can inquire with CO-OP's marketing department at marketing@co-opfs.org.

More conference information is available at co-opthink.org.

Bill Prichard is senior marketing manager, public relations and corporate communications, for CO-OP Financial Services (co-opfs.org). Prichard can be reached at (800) 782-9042, ext. 3450, or bill.prichard@co-opfs.org.



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REAL Solutions for Your Small Credit Union

By Paula Upchurch, Director, REAL Solutions

REAL Solutions is the signature program of the National Credit Union Foundation whose primary mission is to help credit unions offer services that have proven successful for people of modest means and low wealth. In conjunction with the Cornerstone Credit Union Foundation, REAL Solutions exists to help credit unions in Arkansas, Oklahoma, and Texas.

REAL Solutions means relevant, effective, asset-building, loyalty-producing solutions. It works through credit union leagues and associations to help individual credit unions make a meaningful difference for their members, families, and communities. And 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 credit unions dedicate themselves to the principles upon which they were founded and collaborate with their credit union peers and the Cornerstone Credit Union League to make a positive difference in people's lives.

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

CU4REALITY FAIR

A CU4 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.

Students will choose a career with a corresponding salary, and they will complete a budget to pay for housing, utilities, clothing, transportation, and

food. Additional expenses, such as entertainment and travel, are factored in as well.

This year we are excited to bring a certification program to credit union employees and volunteers interested in becoming CU4 Reality Fair facilitators. The facilitator will work with local

Credit unions dedicate themselves to the principles upon which they were founded and collaborate to make a positive difference in people's lives.

credit unions to connect schools and community booth volunteers.

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.

PAYDAY LENDING ALTERNATIVES

REAL Solutions offers credit unions the information and tools to build a short-term lending program designed to assist their members escape the payday lending trap.

Last year we held two webinars for credit unions interested in developing a short-term lending program. REAL Solutions will provide 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

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, Texas Elder Abuse Prevention 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.

What's New for Small Credit Unions?

By Lorri Gaither, Vice President, Small Credit Union Development

With the majority of members within the Cornerstone Credit Union League classified as “small,” it’s no surprise that Cornerstone offers plenty of resources to small credit unions to help them succeed.

WHAT WE ACCOMPLISHED IN 2014

In 2014, the Small Credit Union Development Department held nine local workshops that focused specifically on small credit union needs. The topic highlights were compliance, strategic development, advocacy, and small credit unions. Workshops were held in Corpus Christi, Dallas/Fort Worth, Houston, Lamesa, Longview, Little Rock, Oklahoma City, Port Arthur, and San Antonio. The workshops were very successful and attendees provided amazing feedback on what they felt were the benefits of the workshops.

In addition, Cornerstone held a very well-attended Small Credit Union Forum at the Annual Meeting. The forum provided a panel discussion of resources available to small credit unions, including grants, compliance assistance, and training opportunities. The panel was comprised of experts from the Cornerstone Credit Union Foundation, the Small Credit Union Committee’s chairman, Cornerstone’s Information Central, and the NCUA’s Office of Small Credit Union Initiatives (OSCUI).

Last September, Cornerstone’s Category One Directors, representing credit unions under \$50M in assets, hosted another well-attended breakout session at the Leadership Conference. A panel of small credit union experts led an open discussion focused on lending and marketing best practices. There was much discussion and sharing of information.

Cornerstone has a Small Credit Committee consisting of 18 small credit union leaders from various chapter areas across the Cornerstone region, six Category One Directors, and Cornerstone liaisons. These dedicated leaders provide Cornerstone with great insight into the needs of small credit unions. The members serve as liaisons in their local areas and provide educational meetings for their peers. In 2014, the Committee held a combined total of 42 meetings in their local areas and reached 888 attendees.

WHAT CAN YOU LOOK FORWARD TO IN 2015?

2015 holds great promise as we look forward to providing various training and networking opportunities for small credit unions. We are planning eight workshops to be held in various locations throughout the Cornerstone region, and topics will focus on compliance and other areas of importance to small credit unions.

SMALL CREDIT UNION EVENTS IN 2015

Small Credit Union Conference

July 11 Dallas

Small CU Workshops

May 5	Oklahoma City
May 6	Dallas/Ft. Worth
May 7	Lamesa
Aug 5	TBD
Aug 6	TBD
Aug 11	Little Rock
Aug 12	Longview

We will continue to hold the popular Small Credit Union Forum at the Annual Meeting and the Asset Category One breakout session at the Leadership Conference.

A new educational and exciting opportunity that we are exploring for 2015 is a one-day Small Credit Union Conference to be held on a Saturday. We feel that a Saturday event would allow more credit union staff and directors to attend since weekdays are often hard for staff to get out of the office. The conference would be a low-cost event, and credit unions could apply for a grant from the Cornerstone Credit Union Foundation to assist with related expenses.

Two additional resources of great value to small credit unions are the Check-it-Out Library and the Small Credit Union Online Forum.

The Check-it-Out Library has archived webinar CDs, DVDs, and books available for check out to affiliated credit unions with assets of \$35M and under. The only cost is in the shipping of items back to Cornerstone. The Check-it-Out Library is constantly growing as new items are donated, like the latest financial literacy training books, which are a great tool for directors.

The Small Credit Union Online Forum is a tremendous resource for sharing best practices with your peers. There is no cost to sign up, and the forum is available to all affiliated credit unions under \$50M in assets.

The Small Credit Union Development Department is served by Lorri Gaither and Kati Buchanan. Please visit the “Small CU Resources” webpage found under the “Services” tab of the Cornerstone’s website to find out more about these and other great resources for small credit unions.

League Reps Build Relationships on Trust and Integrity

By Greg Robertson, Vice President, Credit Union Relations

Cornerstone is comprised primarily of specialists in their designated fields—and that includes league representatives. However, the league representatives have the expanded role of being occupational generalists.

If you were to obtain a summary of the league representative position, it would read something like this: serve as the primary point of contact and deliver personal or partnered solutions to assist credit unions in achieving their business objectives related to operations, management, compliance, asset liability management, and other needs as identified. There would also be several essential job functions listed. But that doesn’t tell the whole story.

Cornerstone league representatives serve the divergent needs of our

member credit unions, while possessing personal backgrounds as specialists in different areas. In fact, your representatives have backgrounds in branch operations, consumer and real estate lending, accounting, project management, strategic planning, and payment systems. Two members of the current group have even been CEOs and managers of small credit unions.

Your league representatives often establish lifelong personal and professional relationships on the job, and we like it that way. These relationships are built on a foundation of trust, integrity, dependability, competency, and a few more adjectives. Having spent many hours with credit union leaders and staff, we understand

the everyday demands of your job, and we place great value on your time.

Just as credit unions are driven to assist their field of membership, so are we driven to assist our field of membership: credit unions. We are here because of you, and we want to provide the quality service you deserve.

Your Cornerstone league representatives wish you and your credit union a strategically driven, financially successful, and operationally sound 2015.

If you want to know more about league representatives, you can visit our page on the Cornerstone Credit Union League website or, just pick up your phone and call. We look forward to serving you.

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Stay Competitive with ALM Dividend Guidelines

By Debbie Rightmire, Vice President, Asset/Liability Management

Did you know that Cornerstone Credit Union League ALM Resource publishes dividend guidelines on a monthly basis? For almost 30 years, these guidelines have helped credit unions determine appropriate dividend rates on deposits and respond to changes in the economic environment in a timely manner.

Developed by Dr. Charles Idol and typically available by the fifth working day of each month, the Monthly Dividend Guidelines provide several pieces of valuable information.

Table A shows the average rates paid on money market accounts (MMAs) and certificates of deposits (CDs) at several maturity levels from the five states holding the largest concentrations of consumer deposits. These states are California, Florida, Illinois, New York, and Texas.

This is good information for credit unions for two reasons: (1) you have money to invest in the market and (2) this allows your credit union to stay competitive when members use the internet to search for the best deposit rates. The rate information in Table A shows that the rates are different depending on the term and geographic location. The differential between the highest and lowest rates for 3-month and 6-month CDs averages 12 basis points. Rates for 1-year, 2-year, and 5-year CDs have a differential of 20+ basis points between the highest and lowest points. New York's 5-year rate suggests they have little need for long term deposits.

Table A also contains a column titled Yield Curve. If your credit union has attended an ALM Workshop in the last 15 years, we have suggested that loan costs/rates be developed using a market indicator; and our suggestion for a market indicator is the two-year yield curve. The credit union can use the yield curve listed here for the current month, or it can be found in the Wall Street Journal each day.

Table A - Average Bank APYs on Jumbo MMAs & CDs on 5-Feb-15

Types of Accounts:	Five Large States					U.S. Bank Average	Yield Curve	Bank Spreads (bp) to:	
	NY	CA	IL	FL	TX			Yld. Curve	6-mo. TBS
MM Accts (MMAs)	0.14%	0.22%	0.13%	0.12%	0.25%	0.18%	0.25%	-7	12
							Fed Funds Target		
3-Mo. Certificates	0.07%	0.13%	0.06%	0.09%	0.17%	0.10%	0.02%	8	4
6-Mo. Certificates	0.12%	0.19%	0.13%	0.14%	0.25%	0.15%	0.06%	9	9
1-Yr. Certificates	0.21%	0.31%	0.21%	0.24%	0.42%	0.25%	0.20%	5	19
2-Yr. Certificates	0.41%	0.45%	0.34%	0.40%	0.57%	0.40%	0.52%	-12	34
5-Yr. Certificates	0.77%	0.97%	0.82%	0.97%	0.98%	0.85%	1.30%	-45	79

• Note: Bank rates are for jumbo accounts with \$100,000 minimum balances. Bank jumbo rates are much more in line with retail (less than \$100,000) rates paid by CUs than are bank retail rates which can be considerably less than CU retail rates (bankrate.com).
 • Spreads (bp) in last two columns are U.S. bank average APYs vs. yield curve and discount rate on 6-month T-bills.
 • 0.06% was the 6-month T-bill discount (auction) rate on 5-Feb-15
 • Note: Average annual percentage yields (APYs) during the month are those reported by the three largest banks in each state on jumbo savings/MMAs & CDs > \$100,000. Pre-compounded rates are 3 bp to 7 bp less than APYs.
 • Source: online.wsj.com/mdc/public/page/2_3021-bankrate.html

Charles R. Idol

As with loan pricing, we suggest that deposit pricing be tied to a market indicator. We use the 6-month Treasury bill as that indicator. Table B provides the expected range for auction rates on the 6-month Treasury bill for the coming month.

Some deposits are not as rate sensitive, so suggested rates for share drafts, MMAs, regular shares, and IRA share accounts are posted for the month on the right side of Table B.

When setting rates for the various terms of CD maturities, the credit union has two options. You can use the rates displayed in the right hand column; however, if your credit union's CD mix (CDs divided by total assets) is a significant source of funds, you may want to determine the 6-month Treasury bill rate each Tuesday and pay the spreads suggested in the middle column.

For example, in February 2015, the spread over the 6-month Treasury bill for a 3-year CD is 130 basis points. If the 6-month T-bill auction rate is .10 percent, add 130 basis points to the .10 percent; therefore offering a rate of 1.40 percent on CDs with a 3-year maturity for the next seven days—or until the next Treasury auction.

The spreads in the center column change monthly, so remember to access the guidelines each month to determine the appropriate calculation.

Payment of these rates would allow the credit union to maintain a competitive advantage, not over-attract deposits, and to reinvest excess liquidity for a reasonable spread if loan demand does not materialize. If loan demand

is heavy, a credit union can choose to increase the spread on CDs to attract money to fund the increased loan demand. If excess levels of liquidity are present, it might be prudent to reduce these spreads slightly to avoid increases in deposits.

Many credit unions take advantage of this tool to ensure proper pricing of deposits, no matter what the interest-rate environment. You may access these guidelines at cornerstoneleague.coop/asset_liability_management.html.

If you need assistance in using the Dividend Guidelines effectively or developing a loan pricing process for your credit union, please contact Deborah Rightmire with the ALM Resource at (800) 442-5762, ext. 6496, for assistance.

Table B - Guideline Dividend (APY) Ranges for Feb-15

Types of Accounts:	APY Spread (bp) to:		Spread Maint. APY Ranges
	Yld. Curve	6-mo. TBS	
Share Drafts < \$10k	NA	NA	.05% to .10%
Share Drafts > \$10k	Rate range for non-tiered accounts		.10% to .15%
Share Drafts > \$50k	NA	NA	.15% to .20%
Regular Shares < \$10k	NA	NA	.20% to .25%
Regular Shares > \$10k	Rate range for non-tiered accounts		.25% to .30%
Regular Shares > \$25k	NA	NA	.30% to .35%
Regular Shares > \$50k	NA	NA	.35% to .40%
Money Mkt.Shrs. < \$25k	NA	NA	.30% to .35%
Money Mkt.Shrs. > \$25k	Rate range for non-tiered accounts		.35% to .40%
Money Mkt.Shrs. > \$50k	NA	NA	.40% to .45%
Money Mkt.Shrs. > \$100k	NA	NA	.45% to .50%
IRA Shares < \$10k	NA	NA	.30% to .35%
IRA Shares > \$10k	Rate range for non-tiered accounts		.35% to .40%
IRA Shares > \$25k	NA	NA	.40% to .45%
IRA Shares > \$50k	NA	NA	.45% to .50%
3-Mo. Share Certs. > \$10k	35	30	.35% to .40%
6-Mo. Share Certs. > \$10k	35	35	.40% to .45%
1-Yr. Share Certs. > \$10k	35	50	.55% to .60%
2-Yr. Share Certs. > \$10k	45	90	.95% to 1.00%
3-Yr. Share Certs. > \$10k	50	130	1.35% to 1.40%
5-Yr. Share Certs. > \$10k	60	185	1.90% to 1.95%

• Same rate structure recommended for both regular and IRA share certificates.
 • Feb-15 expected range for auction rates on 6-mo.T-bills is .05% to .10%.
 • Note: Dividend ranges are expressed as annual percentage yields (APYs). Pre-compounded rates will be 0 bp to 2 bp less than APYs.
 • Minimum advised early withdrawal penalty on any share certificate is loss of dividends that would have accrued over 50% of the certificate's remaining term.
 • Source: ALM Consulting and Research

Charles R. Idol



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Resources: Your Business, Our Focus, Expert Solutions

By Dean Borland, Vice President, Product Development

Credit Union Resources exists as a wholly owned subsidiary of the Cornerstone Credit Union League with a dual mandate that creates a win-win scenario for credit unions. Resources’ first priority is to provide natural person credit unions with access to a suite of high-value products and services aligned with credit union needs. Revenues generated from credit union product and service purchases are used to fund Resources’ operations, to help offset Cornerstone costs, and to support Cornerstone’s mission.

The states of Arkansas, Oklahoma, and Texas represent a diverse credit union marketplace. At the end of September 2014, 620 credit unions called the

Cornerstone region home. The smallest credit union had 32 members with assets of \$95,531,

while 65 percent of Cornerstone region credit unions have assets less than \$50 million. Cornerstone’s largest credit union has more than 900,000 members and \$8 billion in assets.

FILLING THE GAPS

Obviously, the needs of small and large credit unions are vastly different. Capacity limitations, both physical and financial, pose some of the greatest challenges to small and mid-sized credit unions. As a result, Resources offers HR consulting, staffing assistance, non-qualified audit, IT and compliance consulting, strategic planning, training, marketing, and printing services to help fill the capacity gaps.

Larger credit unions, which organizational structures contain

broader in-house competencies have less need for basic services. However, Resources provides value through strategic alliances with third parties that provide specialized products and services to the credit union industry.

REVENUE GENERATION AND LOANS

We understand that revenue generation is a prerequisite for financial soundness and that lending is a credit union imperative. As a result, Resources has developed a suite of lending solutions to help credit unions diversify and build their loan portfolios. From recapturing auto loans that members financed elsewhere to mortgages, student loans, and lending analytics,

Resources’ first priority is to provide natural person credit unions with access to a suite of high-value products and services aligned with credit union needs.

Resources has solutions to help credit unions grow loans and profitability.

PARTNER SOLUTIONS

Our partners can help credit unions identify viable branch expansion locations; design, construct (or renovate), and furnish facilities; and deploy leading edge, reliable branch automation and remote transaction equipment. Other solutions focus on credit union safety and soundness, with services ranging from bond to financial services including plastic cards, correspondent, payment, and investment services.

MEMBER BENEFITS

The value proposition provided by Resources’ Endorsed Partners also benefits members. Members of credit

unions participating in the CO-OP shared branching network can access their accounts from thousands of locations nationwide. And the CO-OP ATM Network expands the convenience of credit union membership to include nearly 30,000 ATMs at credit unions and retail locations like Costco, Walgreens, and 7-Eleven. By adding CO-OP’s home banking, electronic bill payment, mobile deposit, and Sprig P2P payment solution, credit union members really can have anytime, anywhere access to their credit union accounts.

SOLUTIONS FOR MEMBER PROTECTION

Credit union members can benefit from solutions for protection—everything from the inconvenience of an NSF check/debit to personal loss (auto, home, disability, and life) and products that help with things like auto repairs and bridging the gap between value and balance when a vehicle is totaled.

THE VALUE PROMISE

For Resources, value to credit unions is key. All solution providers undergo an exhaustive due diligence analysis before Premier Business Partner status is bestowed. And a relationship review with a due diligence update is performed annually to ensure that the value promise continues to be delivered.

“Your Business, Our Focus, Expert Solutions” is not just the Resources motto; it’s why we exist. We are continually scouring the credit union marketplace for solutions that can help credit unions grow and prosper. We encourage you to bookmark our website (curesources.coop) as the first place to shop, and we urge you to let us know any time you have a problem in need of a solution.

Expert Solutions



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

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