

# Perspectives

Spring 2015

The Official Magazine of the Cornerstone Credit Union League

## Member Engagement

Moving Beyond Commitment to Behavior

14

**CONTENTS**

**Feature**

- 18 Create Community Outreach Strategies
- 24 Member Engagement: How Do You Deliver Your Message?-

**Departments**

**Philosophy in Action**

- 5 Providing an Environment for Successful Engagement
- 9 Leadership Sets the Tone for Credit Union Success

**Legislative & Grassroots Advocacy**

- 6 Political Engagement Matters

**Regulatory Advocacy**

- 11 For Compliance Geeks Only
- 13 Cultivating the Compliance Culture

**Human Resources**

- 14 The Benefit of Collaboration When Resolving Conflict
- 17 How Engaging is Your Credit Union?

**Strategic Planning**

- 21 Building a Governance Partnership

**Products & Services**

- 27 The Credit Union Industry's Role in Hispanic Homeownership

**Credit Union Relations**

- 28 Serving the Community Through VITA
- 31 To Offer Financial Education or Not, That is the Question

**ADVERTISERS**

**Inside Front Cover** CO-OP Financial Services

**Inside Back Cover** Diebold

**Back Cover** CUNA Mutual Group

- 2 Harland Clarke
- 4 VINteck, Inc.
- 6 Love My Credit Union Rewards
- 7 PhaseOne Design Builders
- 8 Credit Union StudentChoice
- 10 Smith Hamilton
- 12 John M. Floyd & Associates
- 14 TransFund
- 15 Credit Union Resources HR Consulting
- 16 SerTech
- 20 CARPHORIA Member Services
- 22 Credit Union Resources Strategic Planning
- 23 Office Depot
- 25 Levels
- 26 CU Members Mortgage
- 29 ASI
- 30 ESI
- 32 Credit Union Resources

**Engagement: The Vehicle of a Movement**

*By Dick Ensweiler, President & CEO, Cornerstone Credit Union League*

This issue of *Perspectives* is all about engagement in its many forms: political, employee, social, and member engagement. When it comes to credit unions, engagement is the active commitment to our movement and our shared goals. Our philosophy of people helping people is the epitome of engagement.

How and why credit unions engage is what differentiates us from other industries. We encourage those around us to get involved, connected, and productive; and we foster activities that help people interact enthusiastically as agents of change and growth, lifting and propelling us forward to meet our highest aims.

Engagement leads to better business outcomes. Because we are a movement of people, after all, it is through cooperation, collaboration, and engagement that our movement will continue to grow and prosper. When we establish essential partnerships and cultivate relationships, we expand our field of influence and our opportunities to engage with an even wider audience. Engagement is our vehicle for reaching people.

To be engaged is to actively care by being and doing. Those who are engaged do things on principle

rather than out of habit or expectation. They use discretionary effort. An engaged computer programmer might be one who works overtime when needed without being asked. An engaged teller might be one who straightens up the forms shelves, even if the manager isn't watching. An engaged member might be the woman who writes letters to her congressman because she understands she is more than an account holder; she's an owner and those regulations affect her family. An engaged CEO might spearhead a blood drive in the community—and be the first one in the chair to take the needle—because there's an urgent need. An engaged legislator might call up a trusted credit union director to get an opinion on a proposal that might adversely affect his constituents.

As you read through these pages, I encourage you to think critically about how you can put these ideas to their best use within your credit union; and in turn, please engage with us. We are all learning and growing and trying to be better for our members, ourselves, and our movement.



*"We cannot live only for ourselves. A thousand fibers connect us with our fellow men; and among those fibers, as sympathetic threads, our actions run as causes, and they come back to us as effects."*

—Herman Melville



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## Building Capital Through Engagement

By Kenny Harrington, Chairman, Cornerstone Credit Union League

In mid-April at Cornerstone's 2015 Annual Meeting, Paul Trylko passed the gavel to me to begin my term as chairman of the board of the Cornerstone Credit Union League. I am honored to be entrusted with this responsibility, and I look forward to working with you.

In accepting the gavel, I promised to make Cornerstone credit unions the instruments of personal financial service and human well-being for our members; so I'm glad to see that this issue of *Perspectives* covers that basic tenet of credit union philosophy, people helping people, through engagement.

Every day we must earn the trust, goodwill, and influence of people who could support us, people who do support us, and those whom we support. By applying the credit union principles and philosophies to that engagement, we are building a wealth of human, social, intellectual, and political capital.

Human capital is the stock of knowledge, habits, social, and personality attributes embodied in a person's ability to perform and produce economic value.

It's all about the people, isn't it? The relationships, the influence, the give and take that transpires among them daily in small and large ways can help or hurt a business.

Social capital is the collective benefits derived from the preferential treatment and cooperation between individuals and groups—that includes our members, our coworkers, and everyone else we interact with. The thrust of social capital is that all social networks have value, and strong, positive social interaction affects productivity in constructive ways.

Intellectual capital is a real business asset. Companies spend millions annually training employees and paying for increased competence—they'll also pay for the lack of it. We must promote financial literacy and well-being, because they play a part in keeping credit unions and the system healthy.

The advantages of political capital cannot be understated. In today's over-regulated environment, it's too risky for financial institutions to not be engaged in some form of advocacy. We must defend our hard-earned gains in the political arenas, while using shrewd strategies to tackle those critical issues that come down the pike.

Building capital through engagement is a key component of credit union success. It can allow us to mobilize a small army of credit union ambassadors who can help drive the movement successfully into the future. I look forward to seeing what we can do together.

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—Henry Ford





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## Providing an Environment for Successful Engagement

By Howard Bufe, Assistant Vice President, OnBalance; Analyst, Asset Liability Management

Is your credit union encouraging employee engagement? Is the workplace environment conducive to employee engagement? If not, it should be. It's no surprise to anyone that engaged employees are more productive, member focused, and profit generating. It's also a key factor in the credit union retaining productive employees.

An interesting fact about employee engagement: it's a lot more than a human resources initiative that managers are prompted reluctantly to do once a year. It's critical to treat employee engagement as a key strategic initiative that will drive employee performance, accomplishment, and continuous improvement all year long.

As managers, we have to be proactive in our approach. We gain employee engagement through communication, clarity, and understanding. Unfortunately, many people in leadership positions are far better at complicating things than simplifying them.

### WHAT PRODUCES AN ENVIRONMENT CONDUCIVE TO ENGAGEMENT?

1. **FOCUS** – Employee engagement must be a business strategy that focuses on finding engaged employees and keeping them engaged throughout the employment relationship.
2. **ACCOUNTABILITY** – Employee engagement must focus on business results. Employees are most engaged when they are accountable and can see and measure the outcomes of their performance.
3. **COMMUNICATION** – Employee engagement occurs when the goals of the business are aligned with the employee's goals and how the employee spends

*One in nine employees are emotionally connected to their workplaces and feel they have the resources and support they need to succeed.*

his or her time. The glue that holds the strategic goals of the employee and the business together is frequent, effective communication that reaches and informs the employee at the level and practice of his or her job. Engaged employees have the information they need to understand precisely how what they do at work affects the company's business goals and priorities.

4. **COMMITMENT** – Employee engagement thrives when organizations are committed to management and leadership development in employee plans that are performance driven and provide clear succession plans.

If employee engagement is so critically important to an organization's success, why do organizations pursue it so ineffectively? The reality is that incorporating a business strategy such as employee engagement is hard work. Many employers don't see an immediate effect on their bottom line and fail to see the long-term effect.

Employee engagement requires effective managers committed to:

1. **measuring** employee performance and holding employees accountable,

2. providing the **communication** necessary to align each employee's actions with the organization's overall business goals,
3. pursuing the employee **development** necessary to ensure success, and
4. making a **commitment** (time, tools, attention, reinforcement, training, etc.) to keeping employees engaged over the long haul because they fundamentally believe and understand that no other strategy will produce as much success for both the business and the employees.

Data from a Gallup survey conducted in 2009 and 2010 revealed that almost three in four (73 percent) employed respondents worldwide were satisfied with the work they do. What's interesting is that the same responders (47,000) revealed that only 11 percent of workers are engaged. In other words, about one in nine employees are emotionally connected to their workplaces and feel they have the resources and support they need to succeed.

The majority of workers, 62 percent, are not engaged; that is, they are emotionally detached and likely to be doing little more than is necessary to keep their jobs. The actively disengaged amount to 27 percent of workers, which indicates they view their workplaces negatively and are liable to spread that negativity to others.

Employee engagement has a significant impact on the performance of your credit union. People remain your most valuable resource. Respect, appreciate, and develop them.

## Political Engagement Matters

Jim Phelps, CAE, Senior Vice President, Advocacy

Politics often gets a bad rap. Many credit union professionals and volunteers see politics as something that other people do and not relevant to their day-to-day responsibilities. However, if we have learned anything since enactment of the Dodd-Frank Act and subsequent actions by legislators and regulators, it is that credit unions cannot afford to be apathetic about political engagement.

Take a moment to ask yourself the following questions:

1. Are you active in your local community via groups such as Rotary, chamber of commerce, or charitable organizations?
2. Do you know the names of your member of Congress, state senator, and state representative?

3. When was the last time you met with your elected officials in the district?
4. If you are a CEO, do you periodically communicate with credit union members about important legislative issues?

There is a good chance that you answered in the negative to at least one of these questions. Yet these questions encompass several key areas on which credit unions must focus if we are to enhance our political engagement efforts.

First, credit unions must become more externally focused. Start by looking into membership in Rotary, local chambers of commerce, and other community-based groups. If you've ever attended a chamber meeting,

you'll notice there are usually several bankers in attendance. Why not more credit union executives? These groups offer not only the chance to raise the profile of credit unions, but also the opportunity to meet with local elected officials and staff who often attend to speak to the local business community.

These are the kinds of local opportunities that credit unions should be taking advantage of on a recurring basis.

Second, if you do not know who represents you, please find out. In fact, ask your staff and volunteers to do the same. This knowledge is essential for making our collective voices heard on credit union legislation. Simply go online and type "who represents me" to access a website that matches

*Credit unions cannot afford to be apathetic about political engagement.*

you to your state and federal elected officials. After you have confirmed the names, take a few minutes to visit their websites and learn which committees they sit on and the issues about which they are most passionate.

Third, credit unions must position themselves as entities that can determine the outcome of elections. This can be accomplished a number of ways, but it must start by building relationships with elected officials at the local level. Note that it is not always necessary to meet with the elected official; it is also important to meet staff, many of whom have a better understanding of credit union issues than their bosses. Host "Get Out the Vote" events at the credit union; encourage staff or volunteers to get

involved in campaigns and serve as precinct chairs; and attend town hall meetings and candidate forums. Call the local office and schedule a day for your elected official to visit the credit union.

Finally, credit unions must be willing to communicate with members about legislative issues. How many of your members were impacted by the Target or Home Depot data breaches? Would they not be interested in receiving news about efforts to enact legislation that would protect their data from future breaches?

Research conducted by the Credit Union National Association shows that credit union members do want to hear about such issues. CUNA has introduced a Member Activation

Program. After surveying more than 70,000 credit union members, CUNA found that advocacy communications not only succeed in activating credit union members but also increase members' loyalty bond with their credit union. Further, 82 percent of members who receive advocacy outreach from their credit union want to do more business with their credit union. You can learn more about M.A.P. on the CUNA website or by contacting Cornerstone.

These suggestions are the first steps toward achieving a higher level of political engagement. Some of the most important work gets accomplished at home, and Cornerstone is here to answer your questions and facilitate opportunities for engagement.

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## Leadership Sets the Tone for Credit Union Success

*Dean Borland, Vice President, Product Development*

Leadership development is a strategic imperative; just ask Dr. Robert Kaplan or David Norton, authors of “The Balanced Scorecard: Translating Strategy into Action.” The Balanced Scorecard methodology contains four perspectives critical to business success: financial performance, customer value (“member” in the credit union vernacular), internal business processes, and learning and growth.

Financial performance (profitability and growth) and member value (quality, service, and price) are the outcomes of successful planning and plan deployment. Internal business processes (cycle time, cost, and productivity) and learning and growth (culture, competencies, and technology) are key internal inputs that drive outcomes.

It should not be surprising that learning and growth (employee development) were among the four critical building blocks of the “Balanced Scorecard.” In his 2001 bestseller “Good to Great,” Jim Collins cited leadership as a differentiating factor between good and great companies. Kaplan, Norton, and Collins all recognize that people, and their personal skills and competencies, are a fundamental key to business success, and it is especially so in service businesses.

Most credit unions point to service as their greatest competitive advantage, the “one thing” that differentiates them from competitors. Unfortunately, service is not built on an assembly line; it cannot be manufactured in advance and stored on a shelf for later use. Service is created and consumed simultaneously in an interaction between a member and a credit union representative. Service quality is judged by the member across the width and breadth of their individual experiences. Each positive service experience,

whether it occurs at the credit union or at a local merchant, establishes an expectation for the next.

When I think of service, my mind wanders to The Container Store’s Founding Principles. Number five is my favorite, “Intuition does not come to an unprepared mind. You need to train before it happens.” In case you haven’t heard, number five must be working pretty well for The Container Store. On March 5, 2015, The Container Store was recognized on Fortune’s “100 Best” list for the 16th consecutive year.

The examples of the benefits of a well-trained and competent workforce are exhaustive, ranging from technical competencies to soft skills like communications, teamwork, and leadership. All are important, but from an organizational performance perspective, there is no substitute

for informed, engaged, participative leadership. Leaders set the tone for every aspect of performance, from culture and planning to plan deployment and employee development, making professional development a key foundational component upon which “The Balanced Scorecard” learning and growth perspective and The Container Store’s founding principles are built.

Vince Lombardi said, “Leaders are made; they are not born.”

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**Not everything has to be complicated.**

## For Compliance Geeks Only

Barri Hamilton, Director of Compliance, Information Central

### DID YOU KNOW THAT FEDERAL CREDIT UNIONS ARE NOT REQUIRED TO OFFER A “REGULAR SHARE ACCOUNT?”

The Federal Credit Union Act and the Standard Federal Credit Union Bylaws require FCUs to set the “par value” of one share for membership purposes. That “par” can be deposited in any type of deposit account the FCU offers: checking account, certificate, MMA, or other deposit account. There is no requirement that the member’s par value be established in a regular share account.

In 1992, NCUA published a legal opinion letter that states a federal credit union is not required to offer a regular share account in order to establish membership. It states that an individual must subscribe to a share of stock and pay the initial installment (if any).

### NCUA LEGAL OPINION 92-0522

A credit union seeking to use this option of a non-share account for membership should assess:

- (1) Its disclosures; and
- (2) Procedures for assessing fees;

termination of membership; and offset rights as to the amount of the par value where there are fees owed or delinquency.

Some members complain about the requirement to have a “savings” account when they only want checking or Money Market Account. Depending on the demographics of an FCU’s field of membership, it may be something to consider.

### BUSINESS ACCOUNTS AND AUTHORIZED SIGNER CHANGES

When a signer on a business account requests another signer to be deleted, the credit union will need a copy of the business authorization from the board or board resolution (specifying what

changes are to be made). Minutes of the board meeting or a letter from the owner/partners of a business would be your best option if it specifically provided the details regarding who to add and/or remove from the business account.

### OVERDRAFTS, NSFS, RETURNED DEPOSITS—THEY ALL COUNT!

Did you know that it makes no difference whether a member’s check is under overdraft protection, NSF, or a returned deposit? The board of directors must charge off any negative balance within 60 days, if the member does not repay. The credit union did not advance monies in the case of NSF or a returned deposit, but the amount would be considered an “off-balance sheet liability” if the credit union exceeds the 60 days. NCUA’s rule does not distinguish whether it is overdraft protection, insufficient funds, or a returned deposit. See below.

### NCUA RULE 701.21

3) *Credit applications and overdrafts.* Consistent with policies established by the board of directors, the credit committee or loan officer shall ensure that a credit application is kept on file for each borrower supporting the decision to make a loan or establish a line of credit.

A credit union **may advance money to a member to cover an account deficit** without having a credit application from the borrower on file if the credit union has a written overdraft policy. The policy must:

- Set a cap on the total dollar amount of all overdrafts the credit union will honor consistent with the credit union’s ability to absorb losses;

- Establish a time limit not to exceed forty-five calendar days for a member either to deposit funds or obtain an approved loan from the credit union to cover each overdraft;
- Limit the dollar amount of overdrafts the credit union will honor per member; and
- Establish the fee and interest rate, if any, the credit union will charge members for honoring overdrafts.

### WHAT IS THE BUSINESS JUDGMENT RULE?

When serving in their official capacity, directors are protected by a concept called the “business judgment rule.” If directors handle a matter in a competent manner, including securing competent advice when necessary, courts have been less likely to impose liability because things turned out differently than expected. A director is not a guarantor of results.

Under the business judgment rule principle, the courts will not second guess or substitute their judgment for the business judgment of a corporation’s directors. The courts have increasingly, however, been looking at the procedures the directors follow in arriving at their judgment.

If the records—including board minutes—reflect active consideration, discussion, and the use of experts when needed, it is likely the credit union board is complying with the business judgment rule. If, on the other hand, the directors appear to merely rubber stamp a recommendation, they could be held liable if a loss results due to a “lack of care.”

## Situation:

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## Cultivating the Compliance Culture

Steve Gibbs, Assistant Vice President, Shared Compliance

During a period when we've seen such sweeping regulatory changes, necessity has dictated that we develop a "compliance culture," which must then be nurtured to keep it working effectively. As we've learned in recent years, compliance has become an integral part of the examination process, affecting the management rating significantly.

### CONTINUED MANAGEMENT SUPPORT AND BUY-IN

We've seen a noticeable turnaround in the strategy of officers and managers which more and more includes compliance officers and compliance-related subjects in senior-level credit union operations. The role of the compliance officer has become more integrated into policy development.

Outsourcing of compliance work has resulted in numerous businesses evolving to serve the needs of credit union and other financial institution senior management. Management professionals need to remember that they must continue to throw support to this constantly changing area. Any weak attitude toward continuing a robust compliance presence in any organization could be detrimental at a time when regulatory changes are occurring on an almost weekly basis.

### STAFF SUPPORT

Management's continued acceptance of the compliance culture is a good basis for shaping staff attitudes to accept the importance of compliance in the organization. Staff should also be advised of the continued impact of regulations and repercussions of failing to comply with such. Ongoing training and information will aid in reminding the staff that the value of regulatory compliance ranks on the same level as good member service, effective sales

of products, and security.

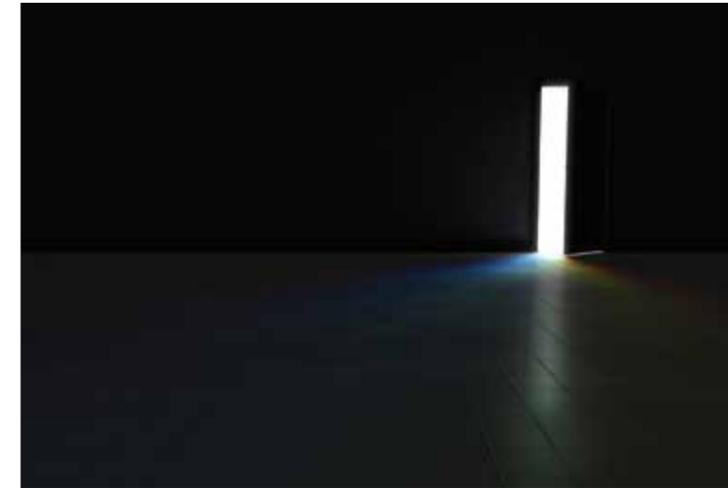
### THE COMPLIANCE OFFICER

To deal with the oncoming changes in rules and regulations, the compliance officer must be experienced, knowledgeable, and have sufficient authority within the organization to perform his or her duties effectively. Senior management has discovered that the level of duties assigned to the compliance officer have begun to eclipse all other responsibilities

assigned, and can create a harsh environment for already overworked officers. We should all remember that this position is mandated by federal law (the USA PATRIOT Act), and regulators take assignment of the position seriously.

### TRAINING, TRAINING, TRAINING

No one will disagree that education promotes understanding. Training has become another area of intense review by regulatory authorities. Management has shown an indication of going beyond the attitude of "forced to" and embraced training as a "need to." There are many opportunities for obtaining materials, given the resources and networks available to us through leagues, chapters, and professional groups. There are so many areas beyond those items that are required (BSA/OFAC, for example) that explain the "whys" of compliance to staff who view



*There are so many areas beyond those items that are required (BSA/OFAC, for example) that explain the "whys" of compliance to staff who view it as a "big dark room."*

it as a "big dark room." In most cases, the material is free and simply a case of allocating time.

Has the compliance culture taken root in our system? We can see evidence of increased requests for compliance officers as well as higher salaries. There is more competition among groups providing outsourcing services and compliance consulting professionals. The strength of the CFPB can be seen in changing regulations, and enforcing compliance laws has increased since its inception.

This has also motivated other regulatory agencies to become more aggressive in addressing compliance issues.

Compliance has grown to be an integral part of strategic planning.

Some might say that it's just good business.

## The Benefit of Collaboration When Resolving Conflict

Susan Looney, Senior Vice President, Human Resources

Conflict in the workplace happens. When you bring people together with different backgrounds and beliefs, conflict is inevitable. But it's not just a simple difference of opinion; it can be much more serious.

Conflict in the workplace is a disagreement where those involved perceive a threat to their needs, interests, or concerns. It causes stress and frustration between co-workers. If not dealt with properly, it can cause serious issues and make it difficult to conduct business. When dealt with effectively, conflict can be an opportunity for employees to learn and grow together.

Most people view conflict negatively and avoid it as much as possible. In

only a few instances will avoidance be effective, and it generally makes the situation worse. The goal of conflict resolution is to manage yourself and others so as to bring about the best possible resolution for everyone.

One of the best ways to handle conflict is through collaboration. Collaboration is a strategy that involves working with the other person to find a win-win solution; with conflict resolution, it is an opportunity to find mutually beneficial results that satisfy both parties.

Collaboration is not the same as compromise. Compromise is giving up things you want in the hopes that the other side will do the same and being able to live with the outcome.

Collaboration occurs when parties cooperatively work together until a mutually agreeable solution is found. It requires an open discussion, exploration of alternative solutions, and honesty and commitment from all parties.

Collaborating skills include the ability to:

- use active or effective listening,
- confront situations in a non-threatening way,
- analyze input, and
- accurately identify underlying concerns.

The first step in collaboration is understanding everyone's perception of



the situation. All sides need to be heard. In a conflict situation, people respond according to their perceptions, which are based on their values, culture, beliefs, experience, gender, and other areas.

### HELPFUL TIPS/CHECKLIST:

1. Make sure everyone involved has a chance to present their viewpoints adequately.
2. Keep the discussion focused on the problem and curtail blaming.
3. Connect what each party is saying to performance or results.
4. Each party must actively listen and reflect back the other person's position.
5. Make sure that all parties agree on the problem before jumping to solutions.

Once this first phase has been accomplished, you can move on to the second phase.

1. Evaluate the parties as a group, taking everyone's needs into account.

2. Ask everyone involved to offer solutions to the problem(s).
3. Go beyond the stated positions or solutions to figure out what the parties really need satisfied in order to reach agreement.
4. Look for common ground between parties.
5. Decide as a group what the best solution is. That way, everyone involved will feel heard and invested in any proposed solution(s).

Collaboration as a strategy can be an effective way of resolving conflict so that the business at hand can go on. However, collaboration is time consuming and may not be practical when timing is crucial and a quick solution or fast response is required.

Collaboration is best used when a situation has risen to such a level that the work performance of one or more employees or groups is adversely affected. Effective collaboration can be invaluable in resolving conflict and maintaining an effective work environment.

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## How Engaging is Your Credit Union?

Kimberly Jones, HR Consultant

Employee engagement is a term used more and more in today's workplace. There are hundreds, maybe thousands, of articles about how to engage with your employees, and what can happen if you do not. However, how many employers actually understand what the concept of employee engagement really means? Once you do understand it, how do you go about determining how engaged your credit union is?

Employee engagement is defined as a workplace approach designed to ensure that employees are committed to their organization's goals and values, motivated to contribute to organizational success, and are able at the same time to enhance their own sense of well-being. Simply stated, engaged employees are knowledgeable about your organization's mission, vision, goals, and values, and they work to communicate and showcase all those things to the world. Engaged employees create value within your workplace.

In the United States, it is estimated that active disengagement, which ranges from 18 percent to 27 percent of the workforce, costs the economy \$450 billion to \$550 billion per year. While many credit unions, as well as other businesses, spend a majority of their time engaging with everyone from members to vendors to partners and more, many employers forget they also need to engage with their employees.

Only 41 percent of United States employees know what their company stands for and what makes its brand different from its competitors, according to the "State of the Global Workplace" survey. In other words, if someone asked these employees to speak about their company's brand, they probably wouldn't know what to say. So, it is great to have values and mission statements, but how much can they help your organization if



*Every organization has a story to tell, and the most engaged companies create new stories all the time.*

employees are not aware of them? Employers need to ensure that employees are able to learn the organization's values, prompting them to act on them so they can showcase what your company is all about.

So, now you know the definition of employee engagement and why some employees are disengaged, but what is the solution? How do your employees become engaged?

An example of one solution is storytelling. Every organization has a story to tell, and the most engaged companies create new stories all the time. Even if you feel that your product or service is boring and there is no way to make it exciting, your organization can still be engaging because what makes you engaging is not what you do, but how you tell the world your story. Your stories should always tie back to your mission, your reason for

existing, and your employees' purpose in making your organization successful. Take a second and think about some of the amazing stories that have emerged from your credit union, and ask yourself if you could have done more to engage your employees when that opportunity occurred? Better yet, have you created the kind of atmosphere where people want to and can do amazing things?

Creating an engaged workforce is not simple and it takes time. It requires communication, training, and leadership that will lead by example as well as employees who are a good cultural fit. It is a continuous process that will surely need tweaking and improvement along the way to be successful. However, it can be achieved if everyone is committed to the task. So, again I ask, how engaging is your credit union?

# Creative Community Outreach Strategies

Kimberly Cockrill, Publications Manager



By their very nature, credit unions are unique, but for more reasons than their cooperative structure. With diverse individual characteristics, product and service offerings, member demographics, and challenges, the one-size-fits-all approach to marketing and outreach won't work.

Credit unions must first consider their membership base, the local environment, and other characteristics unique to them when creating an effective marketing strategy. While they need to build long-lasting member relationships based on specially designed services, developed trust, and member loyalty, their marketing strategy should also include generous community outreach and influence.

The first rule of credit union marketing is "Know Your Member." After you've conducted a thorough analysis of your credit union profile (needs, local environment, mission, goals, complexity of operation, etc.) and assessed your resources, you're ready to

develop a marketing plan specifically tailored to your credit union for maximum effectiveness.

## MARKETING TO YOUR COMMUNITY

Once you understand the community you serve, consistently do things to draw positive attention to the credit union and make it stand out through goodwill activities that engender respect, admiration, the desire to get involved, and the desire to tell others how great you are, such as:

- Offering financial education and financial literacy programs in local schools to attract youth (your future borrowers), including reality fairs and scholarship programs.
- Forging relationships with school officials, which may permit a credit union branch or satellite office in the school.
- Extending a hand to low-wealth households by offering

affordable financial products and opportunities. Offer non-traditional products like alternatives to payday loans, credit builder programs, and small savers products.

- Partnering with community organizations to provide Volunteer Income Tax Assistance services, Individual Development Accounts programs, and micro-business loans.
- Participating in special community events such as open houses, ribbon cuttings, trade shows, fun runs for special causes, festivals, etc.
- Sponsoring or contributing to charity events such as blood drives, meals on wheels, toys for tots, coats for the homeless, Children's Miracle Network, Wounded Warrior Project, etc.
- Reaching out to community-based organizations, including

*Build stronger member relationships by focusing on your community participation.*

nonprofits, churches, schools, and other groups.

- Helping advance the cultures of minority demographic groups. The immigrant population in the U.S. is rapidly growing and represents a market opportunity that includes families, small business operators, skilled artisans, laborers, professionals, and others who value home ownership and need credit union services to help make their dreams a reality.
- Joining the local chamber of commerce and participating in their activities.

## GENERATIONAL MARKETING AND SOCIAL MEDIA

Knowing your members also means understanding them in terms of the seasons of their lives. The technique used to reach a 25-year-old may not work with the 50-year-old. Members expect information tailored to their age group, and there is value in meeting that expectation.

Generational marketing involves appealing to each generation's unique characteristic and mindset, so give your credit union a competitive advantage by acknowledging generational factors when designing your marketing messages.

Social media marketing is a critical component to an overall communication and marketing strategy. The ability to deliver marketing messages, interact with members, and facilitate information sharing about your credit union 24-7 at the member's convenience is invaluable and increasingly the standard. Tap into this fertile area to find, engage, and acquire future credit union members. Have an active presence where members frequent, such as Facebook,

Twitter, Google+, YouTube, and the next big platform yet to arrive.

Roughly 890 million consumers log into Facebook daily; and according to Twitter, their 232 million subscribers send more than 500 million tweets per day. Did you know that the highest Facebook traffic occurs mid-week between 1 p.m. to 3 p.m.? Since you have the potential to reach more consumers and drive higher traffic to your site during peak usage times, consider this statistic in determining when to make more frequent or important status updates, offers, and other posts. Also, on Thursdays and Fridays, engagement is 18 percent higher.

It is important that your strategy includes clear goals and measurements for success in reaching current and prospective members. Your social media marketing plan should:

- **Define your target audience**—the full demographic array of current and potential members.
- **Understand and provide insight to emerging trends** within the target audience; for instance, the social media platforms they are migrating to, how their interaction is changing, and how that may affect the relationships of the credit union.
- **Leverage existing "fans" of your credit union** to share their positive experiences on their social network. Experts suggest focusing social media outreach toward young professionals and young families making significant financial decisions—some of them for the first time. Reach this audience by offering expert advice and delivering value through cross-promotions.

Provide information on where to open a checking account without fees, how to save for a college education, or where to get the best rate on a loan for their first home.

- **Build stronger member relationships** by focusing on your community participation. With the proactive use of a Facebook event page, a credit union can encourage participation and promote your organization to the community.
- **Enhance member services.** Twitter is an ideal platform to help members by providing quick responses to general questions about accounts and the services your credit union provides. Many credit unions also tweet information about service hours, loan programs, and other information of interest to members.
- **Include member testimonials.** Consider that testimonials on your website may have great power to influence other members and potential members. Boastful advertising just cannot compete with tales of real life experiences told online by members.

*As part of its Small Credit Union Initiative, the National Credit Union Administration released a guide called "Marketing Tips, Techniques, and Tools for Credit Unions with Limited Resources." Its purpose is to help credit unions create an effective marketing plan and strategy. The guide offers a fairly comprehensive overview of how to do that, and you can find it on the NCUA site for Small Credit Unions.*



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## Building a Governance Partnership – Part Six

*Karen Houston-Johnson, Vice President, OnBalance*

If you’ve been following along with us in previous issues of “Perspectives,” you know that we’ve covered five of the seven rules for the board and CEO in developing a successful governance partnership. Board-related work consumes an average of 22 hours per month of the CEO’s time. Board chairs typically spend 19 hours and other directors spend on average 10 hours, so ensuring effective practices is important to all parties.

In this issue, we’ll be looking at **Rule 6 – Structure the Board’s Work: “Mobilize board members with purposeful organization and process.”**

Bringing together a group of people with diverse talents, interests, and skills to work toward a common goal is no easy task. Structuring board members’ work so that they are fully engaged

in their governance role has been compared to herding cats.

The structure and function of a credit union board differ from almost any other type of team or group. On most sports teams, for example, some members play unique roles, but all players share an interest in and knowledge of the sport and have skills that support success. Boards are built differently. Backgrounds and skill sets are diverse, and motivations and interests vary. And while board members determine policy through a purposeful process, they are encouraged to employ independent thinking in their board work.

It seems impossible to lead this well-intentioned group of individualists so that they focus on meaningful strategic thinking and collective action. A good starting point is an annual leadership or

succession survey that assesses board members’ interest in continuing on the board, anticipated year of departure from the board, and other information such as critical competencies of each director.

### GUIDING STRATEGIC PLANNING

When the board chair and CEO set the scene for effective planning, they help provide the right framework for the board to structure its actions and fulfill its organizational responsibilities.

A strategic plan determines where a credit union is going over the next several years, how it’s going to get there, and how it will know if it got there or not. Working together, the chair and CEO should outline the planning process and develop a timeline; and then management prepares a budget of the resources needed. The strategic

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*Encourage board members and committee chairs to submit high-impact issues for discussion.*

plan will help them chart what needs to be done and provide a solid basis from which board, committee, and staff goals and objectives flow.

### CONDUCTING STRATEGIC FOCUSED BOARD MEETINGS

With all the usual policy issues that must be recorded in board meeting minutes (including financial reports, committee reports, and updates from the CEO and board chair), it can be a challenge to structure board meetings as strategic discussions rather than rubber-stamping events focused mainly on past history. If meetings are simply show-and-tell sessions, some board members may not show up unless they are presenting reports.

The CEO can help the board chair shift the culture of meetings from rubber-stamping to dynamic discussion. This culture shift may take some courage, since the outcome of the new and improved meetings will depend far less on a controlled, predictable agenda and far more on harnessing the wisdom and passion of the board.

A good first step is for the CEO to work with the board chair to move the committee reporting function and other repetitive items to a consent agenda supported by written materials sent well in advance of the meeting. The consent agenda should include all items that require formal board approval but are not controversial, such as approval of the minutes from the last meeting, committee reports, and receipt of the past month's financial report, and therefore require NO discussion before a vote.

Next, the CEO and the board chair should encourage board members and committee chairs to submit high-impact issues for discussion. These

issues may relate to long-term goals in the strategic plan or to a particular challenge the credit union is facing.

### MAKING DECISIONS IN THE BOARDROOM

When preparing the board to make optimal decisions during the meeting process, the CEO should remember these guiding principles:

- Research, prepare, and distribute in advance all background information that puts all board members on a level playing field to participate in decision making.
- Touch base with key board members to learn their questions, concerns, and stances on important issues.
- Share background information about each of the issues for discussion with the board chair so that he or she is prepared and can address lingering concerns before a decision is made.
- Communicate your recommendations on critical issues with board members informally and formally.
- Ask to present an executive analysis, which can point out how a particular issue or decision does or does not fit the credit union's mission, strategic plan, and annual goals.
- Take time to discuss important board decisions with the board chair well in advance of the meeting to learn his or her stance, share ideas, and fill in information gaps.

Even with the best advance work, board discussion of a critical issue may be sidetracked by intense emotion, lack

*Board discussion of a critical issue may be sidetracked by intense emotion, lack of preparation, weak participation, or poor attendance.*

of preparation, weak participation, or poor attendance. The board chair can head off a risky decision at the pass if the discussion seems to be going in that direction.

While most motions can pass with a simple majority, the skilled chair knows that if there is a great divide among the board, a decision either way could continue to cause organization strife. He or she will also be aware if the CEO's position differs from the board majority's position and consider this fact when guiding the discussion. To reach consensus, the chair may choose to table the issue for a future meeting or assign further study to the CEO and/or a board committee. The CEO may also

suggest alternative processes if he or she senses an impasse.

### PARTNERSHIP TIPS TO REMEMBER

- Keep your strategic plan alive by including its goals and key issues in board work plans and written progress reports at board meetings.
- Work with the board chair to encourage board members and committee chairs to submit high-impact issues for board meeting discussions.
- Alert the board chair to any information or issue that has the slightest chance of escalating into a risk for the credit union.

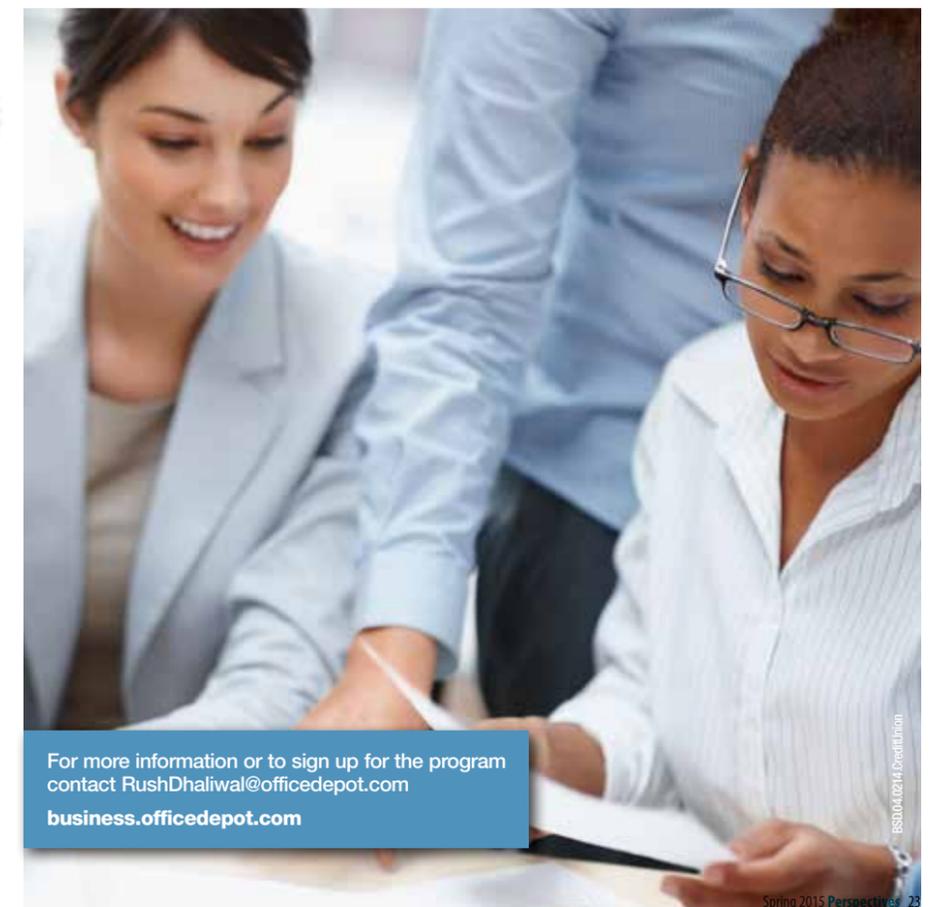
Early warning and assessment will prepare the board to deal with the situation head on, allowing the best chance at successful resolution.

*Join us in the next edition of "Perspectives" when we explore the final Rule 7 - Plan for Transitions: "Lay the groundwork for changes in leadership."*



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## Member Engagement: How Do You Deliver Your Message?

John W. Hyche, Senior Vice President/Principal, LEVEL5

The financial services sector is in a tremendous state of flux, and everyone is scrambling to ensure they have the right technologies in place. Mobile wallet inventors are squaring off like the VHS versus Betamax showdown of the late '70s. The industry's effort seems to be in response to a wake-up call—give the customer what they want, how they want it, when, and where they want it. It seems like the financial world is taking an increasingly customer-centric focus. It should. Survival depends on it.

Credit unions have carved out a unique niche in the financial services world. Some may argue that credit unions' products and services are generic, making credit unions just like banks. Still, most credit unions have built strong member affinity and loyalty over the years, most often by having a very strong relationship (dare I say common bond?) with their members.

The financial services world continues to evolve, with disruptors and non-financial players muddying the waters and credit unions

pursuing increasingly broad fields of membership. As this reality plays out, it is important to recognize the tap root of credit union success and ensure that it remains a unique strength. In a phrase, that tap root is member engagement. This notion brings up big questions:

*How are you engaging your community?*

*How are you delivering your message in a marketplace that is increasingly crowded and noisy?*

Three key aspects will help secure credit unions in their role and contribute to their overall success:

1. **Evangelist** – At the top levels, the management team must truly believe their credit union offers something the community needs. This is NOT about increasing ROA or equity ratios; that's an outcome. This is about active participation in the

community because the credit union contributes something that is needed.

2. **Educated Faithful** – The evangelist can't do the job alone. That's where engagement becomes important from the frontline staff up; employees must be well versed in the credit union's vision. More importantly, they must be able to translate and apply the credit union's capabilities to meet the needs of those they encounter in the branch, online, and in the community.

3. **Demonstrable Evidence** – The testimony of those who have benefitted by interaction with the credit union becomes the proof that leads to increased opportunity. We all understand about the power of word-of-mouth advertising. Leverage the success stories to

demonstrate how the institution supports the consumers and businesses in the community.

Some credit unions have showcased "turn around" stories, letting actual members tell stories of their journey from financial difficulty to stability to success, pointing out how the credit union played a key role in the outcome. Other credit unions display pervasive community involvement, raising the credit union to a position of respected prominence in their markets. Central to this is a culture of member engagement, where each member is valued as important while seeking every opportunity to improve the member's financial life by connecting the member to appropriate and beneficial solutions.

Credit unions that are truly part of their communities occupy an enviable position in terms of their connection to local businesses and consumers. Couple that with an evangelical enthusiasm for member engagement and the credit union should become so deeply rooted that it can withstand any economic storm.



*This is about active participation in the community because the credit union contributes something that is needed.*

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## The Credit Union Industry’s Role in Hispanic Homeownership

Wallace C. Jones, *Vice President of Training and Business Development, CU Members Mortgage*

I will start and end with the same message: You **NEED** to be involved in the Hispanic mortgage market!

The best way to get involved is by joining NAHREP, The National Association of Hispanic Real Estate Professionals. NAHREP’s mission is to advance affordable and sustainable Hispanic homeownership.

Most everyone has seen the statistics on the Hispanic market; it has most certainly emerged and will continue to grow. Let’s look at just a few of the projections:

- Net new household formations projected to reach 5 million by 2020;
- By 2020, 50 percent of all new homebuyers will be Hispanic;
- In 2015, Hispanics have \$1.5 trillion in purchasing power (projected to be \$2 trillion by 2020).

While the top 10 states for current Hispanic population include some that you might expect (i.e., California, Texas, Florida, and New York), the states with the fastest growing Hispanic population include Alabama, South Carolina, Tennessee, Kentucky, South Dakota, and Maryland.

Generally speaking, Hispanics make their decisions based on who they trust. They prefer to deal with those who speak their language, even though most can speak English or at least have one person in their family who does. They want and crave education and prefer to deal with someone local.

Some Hispanics’ qualifying profiles may not fit traditional Fannie Mae or Freddie Mac programs, so a lender with the ability to make sound credit decisions and keep loans in their portfolio will certainly be well positioned. Am I the only one seeing the perfect fit for credit unions here?



### WHAT YOU NEED TO DO TO GET INVOLVED

1. First and foremost, get involved in NAHREP. Many of you have a local NAHREP chapter you can join and become acquainted with realtors and other Hispanic mortgage practitioners in your area. You do not have to be Latino or speak the language to join. All real estate professionals are welcome. There are 35 local chapters nationwide, and you can find the nearest one to you at [www.nahrep.org](http://www.nahrep.org).
2. Also, if you can find it in your time and budget to attend the major conferences, you will not be disappointed.

Consider hiring back-office staff (processors, underwriters, and closers) that are fluent in Spanish. Of course, Spanish-speaking originators are crucial as well, but you will have better

3. Consider hiring a consultant to help with marketing and other collateral materials. Just asking the one employee you have who speaks Spanish to translate marketing materials could get you in trouble. One consulting service you might consider is NAHREP consulting services ([nahrepconsulting.com](http://nahrepconsulting.com)).

The bottom line is you need to be in the Hispanic home ownership market. Don’t hesitate. Get involved now.

## Serving the Community Through VITA

Kimberly Cockrill, Publications Manager

If the first rule of credit union engagement is to know your member, then Border Federal Credit Union must be on a first-name basis with every one of their neighbors. They understand well the communities they serve and consistently do things to stand out through goodwill activities that engender their members' respect and repeat business. One of their most successful outreach efforts is the Volunteer Income Tax Assistance (VITA) program.

The VITA program is a volunteer-supported service that helps eligible residents. Services are provided by trained, IRS-certified volunteers and staff through a partnership between the IRS and BFCU—the only IRS Certifying Acceptance Agent in the community. This year, BFCU is celebrating its 10th anniversary of providing free VITA services.

BFCU Director of Financial Education Gina G. Perez-McNeal reported that in the last ten years, BFCU has prepared more than 11,500 income tax returns. Averaging approximately \$150 per tax return preparation fee, BFCU has saved the community over \$1.7 million dollars in fees.

"This is money the taxpayers were able to keep in their pockets," Perez-McNeal said. She adds that the average household income for VITA participants is about \$17,014, and the average age of their taxpayers is 42.

Through BFCU's VITA program, nearly \$23 million dollars in income tax refunds went back into the communities, and close to \$7 million in Earned Income Tax Credits went back to members.

"These are monies the families were able to use to pay off debt, rent, put food on the table, send kids to school, save, catch up on their mortgage, etc.," Perez-McNeal said.

28 Perspectives Spring 2015

For the past two years, BFCU has partnered with Raise Texas and the Cornerstone Credit Union Foundation to incentivize VITA participants to save through the Texas Opportunity Savings Project by establishing the Opportunity Savings Account, or OSP, at BFCU. The OSP is a special savings account offered during the VITA season to members willing to use Form 8888 Split Refund to save \$500 from their income tax refund.

In 2013, the taxpayers walked away with a \$50 VISA gift card when their income tax return was prepared. If they added \$100 to the OSP account before the end of 2013, they would also receive a dollar-for-dollar match of up to \$100. BFCU opened 71 OSP accounts in 2013 and 61 accountholders, or 85.9 percent, completed the program successfully with an initial savings of \$28,750 and total savings of \$38,304 by the end of the year. Also, 30 of those participants attended a financial education class or a one-to-one financial counseling session.

In 2014, Perez-McNeal reports they opened 108 OSP accounts, 82 of whom completed the program, which was a 75.9 percent success rate. The initial deposit for the 108 participants was \$53,000, and they ended the program with a total savings of \$62,876.



*Del Rio City Mayor Robert Garza presents the 10th Anniversary Proclamation to Border FCU President/CEO Maria Martinez, the BFCU management team, and VITA Volunteers.*

BFCU has also been an integral partner of the Del Rio High School's VITA Program – CTE Department for the past three years, providing training and guiding students through the certification process.

"We credit the success of BFCU's free income tax preparation service to our staff and site coordinators that have volunteered numerous hours to this program," said BFCU President/CEO Maria J. Martinez. "The tax preparers undergo intense training and must pass an annual, comprehensive exam before preparing a single tax return. Through this service, families save money and keep every penny of their refund, which in turn helps build a financially stronger community."

Del Rio City Mayor Robert Garza, IRS representatives, other dignitaries, and the VITA volunteers celebrated their 10-year milestone in BFCU's HEB in-store branch in Del Rio, where Mayor Garza presented BFCU with a VITA 10th Anniversary Proclamation.

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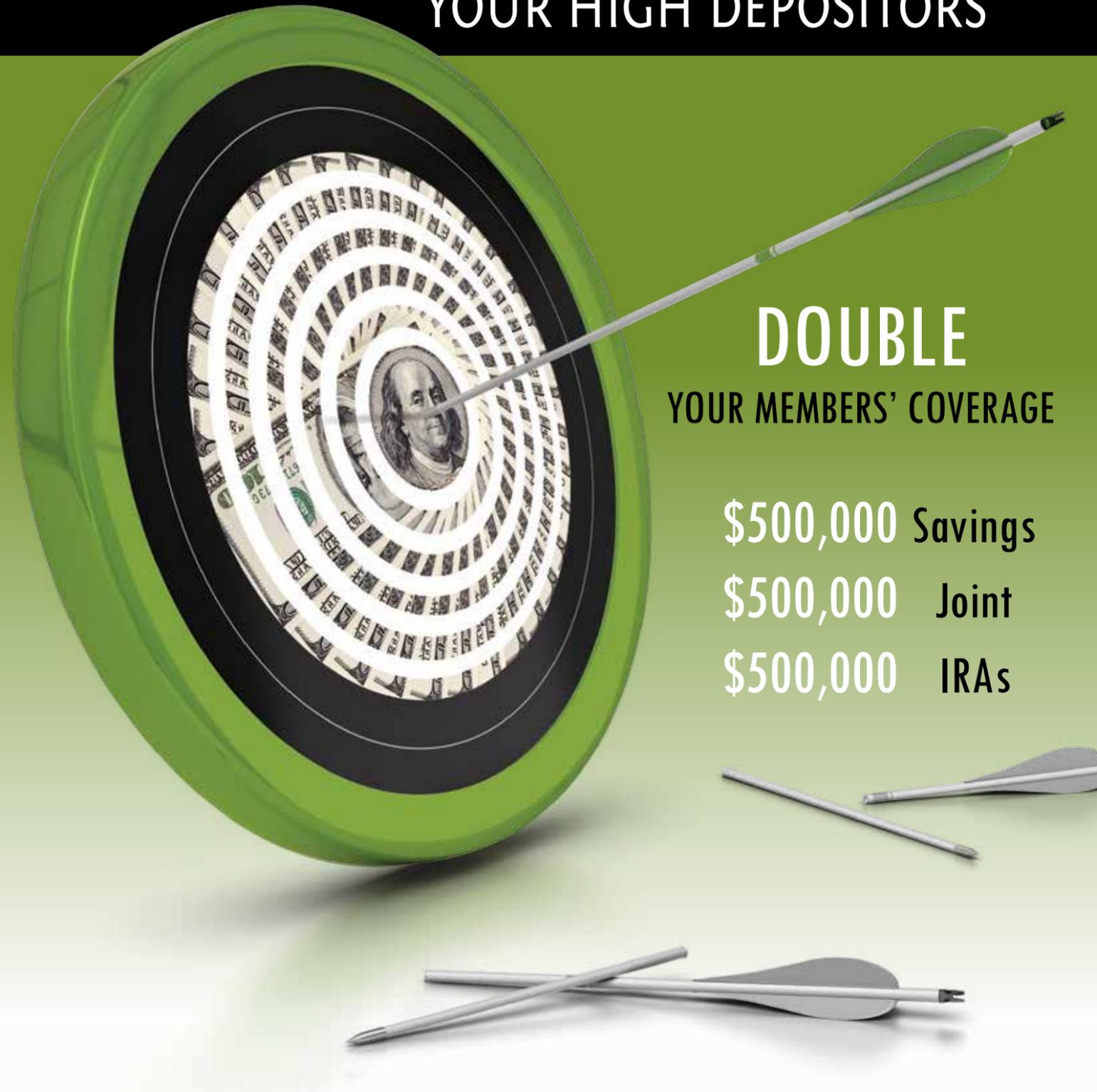
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## To Offer Financial Education or Not, That is the Question

*Courtney Moran, Executive Director*

While the decision for your credit union to offer financial education is certainly not as dramatic as Prince Hamlet's contemplation to live or die, I do believe education shouldn't even be a question for credit unions. Perhaps the real question should be, "Why would a credit union choose not to provide financial education opportunities?"

Financial empowerment is critical to societal stability, and credit unions can benefit from developing more capable and competent citizens. The reality is we are not born with decision-making skills for financial health; we have to learn them, which means we need knowledgeable individuals willing to teach them. To adequately prepare our youth for adulthood and adults for retirement, we must empower them with the tools, information, and skills necessary to save and invest in their futures.

*"My credit union is small, and we don't have the capacity."*

*"We don't have time to be trained."*

*"I don't see the ROI in terms of financial education."*

*"Our budget doesn't allow for materials, staff time, etc."*

These are just some of the reasons we've heard from credit unions, large and small, for choosing not to provide financial education. But every reason becomes an unnecessary roadblock to bettering the credit union and its members. Every reason ignores the many valuable resources available to credit unions today.

From the Cornerstone and National Credit Union Foundations to the National Endowment for Financial

Education, you can find resources that fit your credit union's needs—training, curriculum, grants, development, partnerships, and overall support. The first step is easy. Simply reach out and ask for help.

a vicious financial cycle. Can you picture the financially unstable? Just look around; it could be you and me, your next-door neighbor, your co-worker, your family member. Financial instability is everybody's problem.



Students of all ages may have learned financial education fundamentals at home or school—both usually trusted sources. Credit unions pride themselves on being a trusted provider and the primary financial institution for our members. Shouldn't we complete the circle by offering these continuous learning opportunities at our financial institutions? Credit unions are the home of member money, and a teachable moment presents itself in every transaction. We just have to take advantage of these moments.

Financial education is at the core of every need, want, and fundamental lesson in life. Unfortunately, your members and staff are increasingly at risk of turning to alternative payday lenders and, as a result, living in

Credit unions see their members as family, and we sometimes watch those families grow before our eyes. The expansion of skills and skillsets is achieved through continuous learning and increased knowledge. As life changes, the need to adapt is as real as the changes themselves. And the fact is, our members and employees will never outgrow the need for financial education. Why wouldn't we do our best to help them achieve their financial dreams?

Credit unions were founded on one simple principle: "People Helping People." Providing financial education is the right thing to do, and based on our simple principle, it is in our DNA.



Lori Solberg | 800.521.6342 | lsolberg@americanshare.com | www.excessshare.com

# 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.

## 3SI

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

## Agility Recovery Solutions

**Contingency Planning Resources**  
Debbie Bergenske  
debbie.bergenske@cuna.com  
www.agilityrecovery.com

**Awareness Technologies' Internal Threats Prevention Software**  
Debbie Bergenske  
debbie.bergenske@cuna.com  
www.awarenesstechnologies.com

## Buzz Points

**Member Loyalty and Rewards**  
Brenda Halverson  
bhalverson@cuna.com  
www.buzzpoints.com

## Catalyst Corporate FCU

Karen Coble  
kcoble@catalystcorp.org  
www.catalystcorp.org

## CO-OP

**ATM & Debit/Credit Cards**  
David Newman  
david.newman@co-opfs.org  
www.co-opfs.org

## CU Members Mortgage

**Mortgage Lending & Services**  
Linda Clampitt  
lindacl@homeloancu.com  
www.homeloancu.com

## CU People, Inc.

**Payroll Administration Solutions**  
Tom Lybeck  
tlybeck@cuna.com  
www.cupeople.com

## CUNA Mutual Group

**Financial Services & Insurance**  
Delania Truly  
delania.truly@cunamutual.com  
www.cunamutual.com

## D+H

**Cloud Computing**  
Debbie Bergenske  
debbie.bergenske@cuna.com  
www.dh.com

## dealertrack

**Automated Collateral Management Services**  
Robert Christini  
rchristini@dealertrack.com  
www.dealertrack.com

## Diebold

**ATM Equipment, Electronic Security Products, Managed Services & Supplies**  
Amy Lombardo  
amy.lombardo@diebold.com  
www.diebold.com

## GreenPath Debt Solutions

**Member Financial Counseling & Education**  
Jan Garkey  
jgarkey@cuna.com  
www.greenpath.com

## Harland Clarke

**Share Draft/Check Printing Services**  
Terry Loyd  
terry.loyd@harlandclarke.com  
www.harlandclarke.com

## informa research services

**Rate & Fee Intelligence**  
Brenda Halverson  
bhalverson@cuna.com  
www.informars.com/main/Default.aspx

## INTECH

**Core Data Processing Solutions**  
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terwin@inech-inc.com  
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## John M. Floyd & Associates

**Overdraft Privilege/Income Enhancement Programs**  
Mark Roe  
mark.roe@jmfa.com  
www.jmfa.com

## Level<sup>5</sup>

**Facilities Management**  
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jensweiler@level5.com  
www.level5.com

## Love My Credit Union Rewards

**Auto Discount Program, Member Rewards & Discounted Phone Services**  
Colleen Meek  
colleen.meek@cusolutionsgroup.com  
www.lovemycreditunion.org

## MoneyGram

**Money Transfer/Money Orders**  
Tom Lybeck  
tlybeck@cuna.com  
www.moneygram.com

## Newtek

**Member Business Services**  
Rick Govek  
rgovek@cuna.com  
www.thesba.com

## Office Depot

**Discounted Office Products**  
Rush Dhaliwal  
rush.dhaliwal@officedepot.com  
www.officedepot.com

## Ongoing Operations

**Business Continuity**  
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dbergenske@cuna.com  
www.ongoingoperations.com

## Passageways

**Web-based Portals**  
Rick Govek  
rgovek@cuna.com  
www.passageways.com

## SER Technology

**Loan Generation Marketing Enterprise Risk Management**  
Andrew Dawson  
Andrew.Dawson@sertech.com  
www.sertech.com

## SilverSky

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

## Student Choice

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

## Verafin

**Anti-Money Laundry Program**  
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\*Source: U.S. Census, 2013  
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Each product in our Lending Suite is effective by itself. But they're designed to be used together. Credit unions that offer multiple products from the Lending Suite have a higher return on assets than those that don't<sup>1</sup>. **To learn more, call 800.356.2644 or visit [cunamutual.com](http://cunamutual.com).**

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