



AMERICA'S
CREDIT UNIONS™



FCUL

Florida Credit Union News



A publication of the Florida Credit Union League

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Consumer Federation of America report backs credit union tax exemption

A new report by a leading consumer advocacy group's director of research has determined that there is no justification for removing the tax exemption currently in place for all credit unions. The report, written by Dr. Mark Cooper, Director of Research for the Consumer Federation of America, concludes its lengthy examination by suggesting that "the benefits credit unions provide to society as a whole, far out weigh the cost of the tax exemption they receive and serve a specific purpose." A recent analysis conducted by Florida TaxWatch

suggest that the tax exemption creates the basis for unfair competition between credit unions and banks. Dr. Cooper notes that the value of tax breaks enjoyed by small banks in the form of S-corporations, Trust Preferred Securities, loan loss forgiveness, and other tax exemptions alone are about equal the value of credit union tax exemptions for all credit unions.

Dr. Cooper points out that the claim made by TaxWatch that "substantial" tax revenue could be raised by eliminating the tax exemption is incorrect. Since 70% of

Three Florida CU's earn national Dora Maxwell, Louise Herring honors

Three Florida credit unions, JM Associates FCU, Insight Financial CU and Gold Coast FCU have been selected to receive the top award for their entries in two national credit union competitions. First place awards were bestowed upon JM Associates FCU and Insight Financial CU in the national Dora Maxwell Social Responsibility Award, and Gold Coast FCU was recognized for its entry in the Louise Herring Philosophy in Action competition.

The Dora Maxwell Social Responsibility Recognition Award is given to a credit union or chapter for its social responsibility projects within the community. The award is given for external activities. The Louise Herring Award for Philosophy in Action is given to a credit union for its practical application of credit union philosophy within the actual operation of the credit union. It is awarded for internal programs and services.

JM Associates FCU, Jacksonville, was selected as the top entry in the \$20-\$50 million asset category. This marks the second straight year that JM Associates FCU has been selected for national honors.



Consumer Federation of America

raised the issue of whether the exemption could be justified. Dr. Cooper called the TaxWatch examination "one-sided in its treatment of credit unions and presents an extremely distorted view that could have the impact of misleading policymakers who must establish sound fiscal tax policies."

Dr. Cooper writes that it is absurd to suggest that 4 million Floridians and 84 million Americans have joined credit unions because of a tax exemption that, averaged out, is worth \$25 to each member. He also goes on to suggest that there is no basis to

the "tax losses" are in the federal, not the state jurisdiction, only about \$30 million would actually be within the purview of the state.

"If the exemption were lifted," writes Cooper, "credit unions would take measures to reduce their income, thereby reducing any tax liability."

Dr. Cooper contends that credit union success derives from their non-profit, democratically controlled, and member

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We wish you the happiest of holidays!

— Your FCUL staff

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The *Florida Credit Union News* is a monthly publication of the Florida Credit Union League. For business information or subscriptions, write the Florida Credit Union League, call 800.342.1266, or e-mail amy.jowers@fcul.org.

President: Guy M. Hood

VP of Communications: Mark Ivester

Managing Editor: Amy Jowers

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Return to our roots

Two reports were issued this past month, each of which should sound a clear call to all credit unions. It is important to read, study and react to these reports because to do otherwise would present powerful arguments to our opponents.

The first report was the annual survey conducted by the *American Banker* newspaper on customer satisfaction with their financial institutions. Over all, respondents who said they were "very satisfied" with their primary financial institution fell to 55% from 63% last year. But, even more alarming, credit unions had the biggest decline in customer satisfaction, down to 63% from last year's rather lofty 76%. The spread between satisfied customers of banks and credit unions fell to its lowest point, 9%. Banks also experienced a drop in satisfaction, just not as much as credit unions, which clearly indicates that the consuming public was miffed at all financial institutions last year.

The second report came from the General Accounting Office, which was commenting on the overall financial condition of credit unions, stating that the National Credit Union Administration should "use tangible indicators to determine whether credit unions are serving people in underserved areas." In other words, the GAO said there is no mechanism in place to determine if credit unions are doing what they claim to be doing, i.e., serving people of modest means.

Although there is good news aplenty in both reports, you might say that the reports do not paint a 100% rosy picture. And, frankly, it will be up to us to improve whatever perceptions now are viewed by consumers in general, or regulators in particular. Credit unions will prosper or suffer the consequences if these blips on the radar screen are not attended to. Our banking friends wasted little time in firing up the copy machines and fax machines to let policymakers know what these two reports stated. Now, we must roll up our sleeves and go to work.



Guy M. Hood
President/CEO

The one facet that consumers have suggested distinguishes credit unions from banks has always been the friendly and personal service that credit union members have historically received. Apparently, according to the survey, this is where credit unions can regain their momentum. It may be time for many credit unions to review their services to ensure that members are receiving the best, member-friendly service possible. Jay E. Johnson, an executive vice president at Callahan &

Associates, Inc., a credit union consulting firm noted that some larger credit unions have struggled with service in the past year as they seek to increase efficiency. Members who are used to hands-on service at branches can feel miffed when remote delivery channels such as telephone call centers and online banking are introduced.

"A lot of these credit unions are focusing on educating their members on how to use the different channels so that they are not so confused or intimidated by them," Johnson writes. He predicts that once members get more comfortable with the new avenues, more and more members will return to the "very satisfied" group.

NCUA reports that the number of underserved areas now being served by credit unions is increasing. All NCUA board members are traveling the country and urging those credit unions that aren't already marketing into underserved areas that they should. It is apparent that if credit unions fail to convince lawmakers that they are trying to serve the underserved that the political fallout from such a perception could be significant.

Credit unions have a lot to offer. As we begin to celebrate another holiday season, credit unions that rededicate themselves to returning to their roots will be the best gift that can be given to all of its current and future members.

Unrelated Business Income Tax: Question & Answer

A two part article on UBIT was run in the August and September issues of the *FCUL News*. One was an overview of UBIT and how it might affect your credit union; the other, a description of how the audit process might occur should a credit union be audited by the Internal Revenue Service. Currently, only three states—Connecticut, Colorado and Alabama—have had UBIT activity. However, at a recent meeting with the IRS and the UBIT Coordinating Group (representing credit unions), the agency indicated that audits would continue—and might increase—as part of their ongoing fact-finding to determine how credit unions are operating in today’s economy.

Recently, the UBIT Coordinating Group sponsored a free UBIT webinar entitled: “UBIT: What it means when the IRS calls.” Along with an outline of the overall UBIT issue and how to deal with IRS auditors, four aspects of the UBIT issue were discussed: regulatory/legislative; litigation; dual chartering; and league participation. A portion of the webinar was devoted to fielding questions from the audience. Below are some of the questions Bill Berg, FCUL Director of Compliance, felt to be the most pertinent.

Q: There has been some talk that many of the items that were formerly considered to possibly fall under UBIT are no longer concerns; the main thing the IRS is looking for is rental income on credit union owned property, i.e., cu builds an office building larger than its current needs and rents out unused space. Is this true?

A: No. The IRS is focusing on all types of credit union products and services and has not narrowed its focus to rental income.

Q: Must rental income from subletting extra space be UBIT?

A: Generally, rental income (provided the income is not from a controlled subsidiary of the credit union and is not derived from mortgaged property) is not subject to UBIT. But since we cannot provide individual tax

advice or counsel to credit unions, you will need to obtain your own counsel. Consult with your league for advice and assistance regarding the UBIT issue in general, how other credit unions in your state are responding, and for possible referrals to professional legal and accounting resources.

Q: What do you mean by “sale of checks” as an example of taxable activity?

A: Income from checks sales to members has been alleged by one IRS auditor to be subject to UBIT. We do not agree with this assertion and believe check sales are related to credit unions’ exempt purposes.

Q: Is there anything going on in Congress to address this problem at this time?

A: This issue has not arisen in Congress yet and we do not want it to come up until there are no good alternatives left. Once in Congress, the bankers will push hard to “level the playing field” by making federal credit unions also subject to UBIT or open a taxation equity debate in general. If both federal credit unions and state credit unions were subject to UBIT, that might lead to significant numbers of credit union conversions to other types of financial institutions and could destabilize the credit union system. If federal credit unions maintained their UBIT exemption, the state system would be seriously disadvantaged, and there could be a resulting loss of a meaningful dual chartering system.

Q: Have any credit unions received notices of proposed adjustments?

A: Yes, in both Connecticut and Alabama, but in all cases the proceedings moved away from a deficiency notice posture and toward a request for technical advice. Going forward, the IRS national office has indicated that these notices will not be issued for the duration of the fact-finding audit process and technical advice phase that is in effect now.

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June 2004

Thursday

17

2004 FCUL
CONVENTION &
EXPOSITION++

Friday

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THE WYNDHAM PALACE
RESORT & SPA

Saturday

19

JUNE 17-19, 2004
ORLANDO

++DON'T MISS THIS!!!!

Credit Union Political Action

The League's Governmental Affairs Committee met December 2, in Orlando to discuss political action, Florida CUPAC issues and to plan for the turbulent times that are almost certain to come.



Aletta Shutes,
Executive VP,
FCUL

GA Committee Chair Bob Beskovoyne, CCUE, CEO of Martin FCU, led a wide-ranging discussion of the Committee's role and responsibilities. This year, League Chairman Greg Blount expanded the size of the GA Committee to ensure every part of the state is represented and has a voice and point of contact for political activities. Each member will be held accountable for the political involvement of credit unions in their area and for ensuring the credit union movement is well represented at political and legislative functions.

Substantial discussion occurred regarding banker activities across the nation and how those attacks may foreshadow future events in Florida. Tom Dorety, CCUE, CEO of Suncoast School FCU, who is a member of CUNA's National Action Response Program, and Richard Gose, CUNA's Vice President of Political Affairs, led that discussion. Activities were discussed and a plan will be created to forestall the banking industry's efforts.

The GA Committee chose to recommend to the CUPAC Trustees a 50 percent increase in CUPAC funding for 2004. Because we had an extraordinary fundraising effort this year – for which I owe each of you a large debt of gratitude – I feel the goal is a bit of a stretch, but certainly attainable given your support.

Next year promises to be a busy time for the GA Committee. The League and the committee will need your personal involvement to ensure credit unions are protected from unwarranted attacks and be able to provide the full range of activities our members need.

Credit Union Regulatory Improvement Act Introduced

CUNA recently announced the introduction of the Credit Union Regulatory Improvement Act (H.R. 3579). CURIA, as the legislation is known, is a result of good timing and several issues that have needed to be addressed. The timing is good because of the support of senior members of the House Financial Services Committee and the fact that CUNA has tried to pass the provisions in H.R. 3579 as part of other bills in the past few years.

There are two major provisions in H.R. 3579: An increase in the ceiling on member business loans from 12.25 percent to 20 percent; the other change relates to how a credit union's financial health is measured—based on the risk involved not an arbitrary percentage. For example a CAMEL 5 credit union would have to maintain higher percentage of capital than a CAMEL 1 CU. There will probably be a markup in the House Financial Services Committee on H.R.3579 in the spring.

CUNA was told, politically, the cap on MBL's cannot be eliminated, but it is understood the 12.25 percent ceiling is too restrictive for credit unions.

Two other issues currently on credit union radar screens were not included. There are no provisions in the bill addressing private share insurance or Farmers Home Loan Bank. Reason being is one senior sponsor opposes private share insurance and another doesn't, in general, like the FHLB.

What will be needed to help pass this bill? The League and Florida's credit unions will need to work to have the members of the Florida Congressional Delegation that also serve on the House Financial Services Committee sign on as co-sponsors of the bill. Those congressional members are U.S. Rep. Tom Feeney (R-24), U.S. Rep. Ginny Brown-Waite (R-5), and U.S. Rep. Katherine Harris (R-13). And ultimately, it will take every one of us to work with our members of congress to pass this bill.

If you have practical examples of how changes in either of these provisions will help your credit union help your members, send them to Mark Landreth at the League office. He can be reached at MarkL@FCUL.org, or at 800.342.1266, ext. 1012.

Central Florida Chapter for CUPAC & Habitat

The Central Florida Chapter recently held a golf tournament fundraiser to benefit Habitat for Humanity and Florida CUPAC. It was a beautiful day and fun was had by all. Pictured to the right are Bernie Arvin, former CEO of Gulf States CU and Gary Teramae, CEO of Gulf States CU.



Meet & Greets

Four legislative “Meet & Greets” were held in October and November to wrap up the 2003 meeting schedule.

The Palm Beach Chapter sponsored a swanky event at the Governor’s Club. Four legislators, two congressional aides and several local politicians along with more than 50 credit union representatives attended. As with all the “Meet & Greets” each legislator or representative is given time to address the group to share issues of mutual concern.

The Broward and Southernmost chapters held successful events thanks in part to the Credit Unions of South Florida who underwrote the cost of the two luncheons. Six state representatives and nearly 55 credit

union leaders attended the Broward event, which was held at the Old Davie School, a wonderful local facility. A smaller legislative crowd turned out for a quality event in Miami.

Unfortunately, the Central Florida Chapter had to compete with President Bush. He was in town the same day as the “Meet & Greet.” Still, two legislators attended, several called with their apologies, and three sent their aides. The crowd of credit union leaders seemed to enjoy the event none-the-less.

Pics from Meet & Greets →



Rep. Tee Holloway (D-103) and Jace Reyes, Miami Postal Service CU (right)



Mark Landreth, FCUL (left); and Rep. Phillip Brutus (D-108)



Rob Delany, CEO Gold Coast FCU and Hank Harper (D-84).



(Left to Right) Aletta Shutes, FCUL; Rep. Gayle Harrell (R-81); and Dr. James Harrell



(Left to Right) Stephen McGill, Eastern Financial Florida CU; Rep. Ron Greenstein (D-95); Greg Blount, Tropical Financial CU; and Rep. Roger Wishner (D-98)

Panhandle Golf Invitational

The first ever Panhandle Golf Invitational to benefit Florida CUPAC was held in Pensacola on a “Chamber of Commerce Day.” Forty-three golfers participated in the event that was sponsored by the Florida Credit Union League.

The event raised just more than \$7,000—a great start for a first year tournament. Much is owed to the sponsors, most notably Navy Federal Credit Union for sponsoring the BBQ Awards Dinner; Pen Air Federal Credit Union, sponsor of the Tournament Lunch; Pen Air Financial Services, LLC for sponsoring the Beverage Cart; and Morgan Keegan, sponsor of the BBQ Dinner Beverages.

There was also great support from several credit unions around the state and two FCUL Chapters as Tournament Hole Sponsors. The credit unions sponsors were Gulf Winds FCU; Members First CU; Navy Federal CU; Pen Air FCU; Florida DOT District 3 CU; San Antonio Citizens FCU; Southeast Corporate FCU; St. Petersburg Municipal Employees CU; Tropical

Financial CU; and University CU. The Tallahassee and the Northeast Florida chapters made contributions as Hole Sponsors.



(Left to Right) Volunteers for the tournament were: Aletta Shutes, FCUL Exec. VP; Amy Jowers, FCUL; Robin Ray, Clarke American; Danyell Howell, CDS; Jeanie Henson, SE Corp.; and Grace Potter Freni, FCUL.

Vendors also came out in support of the area credit unions. AXIS, Inc; Centrix Financial; Florida Concepts; Florida Credit Union Shared Services; John M. Floyd & Associates; and Multi-Bank Securities were Hole Sponsors.

A raffle was held in conjunction with the tournament. Many thanks to the credit unions and vendors that donated prizes for the raffle: Clarke American; Credit Data Services; CUNA Mutual; Duval FCU; Gulf Winds FCU; the Florida Credit Union League; Florida Credit Union Shared Services; HRx; Multi-Bank Securities; Navy Federal CU; Norman & Stenglein Consulting; Office Depot; Pen Air FCU and Southeast Corporate.

Again many thanks to all those who supported the event—a long and prestigious list! Plans are to make the tournament an annual event.

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Regulatory Update

Bill Berg, CCUE, CUCE, director of compliance, brings regulatory changes to your attention through this column. If anyone has questions or suggestions for additional topics, call 800.342.1266 or 850.576.8171 ext. 1028, FAX to 850.558.1029 or e-mail billb@fcu.org.

Compliance Assistance Available on the Web

Visit InfoSight to familiarize yourself with the many wonderful resources that are available. This project is joint effort of the Texas, Michigan, Georgia, Ohio, and Florida leagues. The site contains compliance content that not only covers federal regulations, but also state specific regulations to these above listed states. Other leagues are joining this program, making it even more valuable in the future.

Over the next few months, we will be sending post cards and posting questions online that can only be answered by logging onto InfoSight (visit www.fcu.org) and emailing a correct response to billb@fcu.org. A drawing will be held of all correct answers. The lucky winner will win a digital camera with a retail price of more than \$140.

To obtain a password and logon ID, see your credit union's password administrator. Materials have been sent to the President/CEO of all affiliated credit unions. If you are having any problems logging onto the system, please send an email to info@fcu.org

Accuracy of Advertising and Notice of Insured Status

The NCUA Board unanimously approved a final rule amending the requirements regarding advertising practices and the official sign and statement of the credit union's insured status. The purpose of the rule is to address the growing use of the Internet and the use of trade names. The rule incorporates several interpretations that have been issued in the past by NCUA's Office of General Counsel.

The final rule clarifies that the use of trade, or second names, of the credit union are permitted, except that they may not be used in legal documents. With regard to the Internet, the final rule only requires a credit union to display the official sign stating that funds are insured by NCUA up to \$100,000 on its Internet page, "where it accepts deposits or opens accounts."

The final rule adds a provision permitting

credit unions to use alternative font sizes in the official sign displayed on their Internet websites to ensure the text is legible.

The final rule eliminates the color requirement for the official sign displayed both on credit union websites and in their lobbies. The rule requires the use of the official advertising statement, "This credit union is federally insured by the National Credit Union Administration" or shorter optional version along with the official sign, on its main Internet page. The rule also subjects electronic advertisements to the current requirements regarding accuracy in advertising. The rule adds share certificates to the list of official or legal documents in which credit unions must identify themselves with their official charter name.

Tax Exemption Letter

NCUA has revised its Tax Exemption Letter for federal credit union employees to use when traveling on business. NCUA says the need for the new letter stems from consultations with the Department of Justice following complaints by several state tax authorities, who have primarily taken issue with the previous exemption letter in connection with employee travel. The states are ruling that a credit union employee is not exempt from sales and/or use tax if he pays for travel lodging directly, even though the employee is on official business and will be receiving reimbursement. NCUA provided an explanation that explains that the revised Tax Exemption Letter can only be used when a federal credit union is making payment by direct billing, or payment is made via a credit card issued in the credit union's name. The federal credit union must make direct payment to receive the exemption. Several states and cities have specifically exempted federal employees from paying a hotel occupancy tax. These specific exemptions usually apply regardless of the payment method. Thus, employees should continue to inquire whether they are entitled to a tax exemption when paying for lodging. NCUA's revised letter more accurately parallels the

application of hotel taxes to federal credit union employees and federal government employees traveling on official business.

New PATRIOT Act money launderer guidance issued

Federal financial regulators, including NCUA, issued compliance guidelines Monday for two USA PATRIOT Act regulations relating to sharing information about potential money launderers as well as on correspondent accounts.

The first section, dealing with correspondent accounts for foreign shell banks, does not apply to credit unions.

The information sharing regulation establishes requirements for sharing information with the federal government and with other financial institutions about potential money launderers that law enforcement officials identify.

This regulation's goal is to allow financial institutions to share information in the hope that they could help identify terrorists or money laundering targets. The financial institutions would be shielded from lawsuits from members or customers if they meet certain requirements.

Congratulations to Susan Huckabay of State Farm Florida FCU!!!

She was the winner of the first of four Compliance InfoSight *Online* contests, receiving an Olympus digital camera.

The second postcard (shown below) has been sent out. Read the question, find the answer on the compliance site (www.fcu.org), and send it in an email to billb@fcu.org. You could be the next winner!



Looking at performance



Cassandra Grayson

This is a first in a series of articles on performance and how training functions within performance improvement. This month we will look at a broad overview of what performance improvement means.

What is Human Performance Improvement (HPI)?

HPI is a systematic process used to address poor performance in an organizational setting. *Models for Human Performance Improvement*, a publication of the American Society for Training and Development, describes HPI as: The systematic process of discovering and analyzing important human performance gaps, planning for future improvements in human performance, designing and developing cost effective and ethically justifiable interventions to close performance gaps, implementing the interventions, and evaluating the financial and non-financial results.

Let's take a closer look at HPI by breaking down this definition into its component parts:

Systematic Process: Rather than simply prescribing training as a solution to poor workplace performance, the HPI practitioner, or performance consultant, approaches performance gaps in an organized, rather than incidental way. HPI views organizations as systems and examines environmental **inputs** such as people factors (teller, loan officers, HR manager), raw materials (work environment, technology), capital, and information (member satisfaction data, loan sales volume) that contribute to that system in order to produce **outputs** such as finished goods (loans) or customer services (teller services, loan counseling).

Discovering and Analyzing: The performance consultant identifies and examines present and possible future barriers that prevent an organization, process or an individual from achieving desired results. As part of this process, priorities are established in the search for improvement opportunities. Priorities may

be influenced by quantity, quality, cost, time, moral or ethical values, or some combination of these elements. For instance, two credit unions may both have the need to increase loan sales. One credit union may prioritize the amount of time it takes achieve a significant increase while the other may place more priority on the volume of the desired increase in loan sales.

Human Performance: What an individual actually does on the job and the outcomes of that work are described as human performance. Gaps are the differences between actual and desired results in the past, present, or future (how many loans Jane IS processing vs. how many loans Jane SHOULD be processing).

Planning for Future Improvements: The performance consultant works with an organization to not only solve past or present problems, but to also focus on averting future problems or realizing improvement opportunities (i.e., taking into consideration such factors as internet banking technologies and the impact of generation y members).

Designing and Developing Cost-Effective and Ethically Justifiable Interventions: The performance consultant strives to find and formulate optimal or desirable ways of solving past or present human performance problems or planning for future HPI opportunities. Performance improvement interventions are long-term, evolutionary and progressive change efforts that maintain sensitivity to bottom-line improvements as well as sensitivity to ethical and moral viewpoints.

Implementing the Interventions and Evaluating the Results: Performance improvement projects aim for the optimal—most cost efficient and cost effective—way to plan for HPI while focusing on accountability. Those who do HPI work must always remain keenly aware of the need to gather persuasive evidence of the economic and non-economic value of their efforts.

Next month we will discuss the differences between training and performance.

STAR, VAP and MERIT Certificates

Congratulations to the following individuals who have earned certification levels in the Staff Training and Recognition (STAR), Volunteer Achievement (VAP), Volunteer Leadership (VLP) and Mid-Manager's Enrichment Training (MERIT) Programs. Additionally, we salute these credit unions who have recognized the importance of investing in their most important assets... their staff and volunteers.

VAP CERTIFICATES:

- Bay Gulf CU:** Robert Krasnicki
- Flag CU:** Sue Massa
- Florida Commerce CU:** Rivers Buford
- Gulf States CU:** King Halikman
- Harvesters FCU:** Joseph Grizzaffi
- McCoy FCU:** Thomas Farnsworth, Robinette McLeroy
- Metro North FCU:** James Carter
- Pan Am Horizons FCU:** Raymond Monti
- Tallahassee FCU:** Fran Fletcher, David Mandell, Bryce Thornton, Eugene Van Ormer, Truman Vause
- USF FCU:** Richard Fentriss

VLP CERTIFICATES:

- Indian River FCU:** Haynes McDaniel

STAR CERTIFICATES:

- 1st CU of Gainesville:** Diane DeMarco
- Campus USA CU:** Tina Gehringer Minor, Rachael Smith
- Central Florida Educators FCU:** Nan Fogle, Carol Whitfield
- Central Florida HealthCare FCU:** Shawna Gore, Petra Miskova, Onassis Nyariri
- Community Educators CU:** Gwen Severson
- Duval FCU:** Felicia Colley, Amanda Wilson
- Escambia County ECU:** Simone Bartnikowski, Cynthia Hutchens
- Fairwinds CU:** Angela Milano, Lourdes Morales
- Flag CU:** Steven Dempsey, Tanya Joyner
- Florida Central CU:** Julie Flatt, Cheryl

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Small credit union discount for 2004 GAC



Connie Stoutamire

Once again, credit unions with assets of less than \$15 million can take advantage of a special discount rate to attend the CUNA Governmental Affairs Conference. The conference will take place February 23-26, 2004, at the Washington Hilton, near the U.S. Capitol in Washington, D.C. The early-bird rate is \$340 (a \$339 savings) and, after Jan. 16, \$390 (also a \$339 savings).

This premier event gives all credit unions the opportunity to visit with the people who make a difference for all credit unions. Great speakers, such as Treasury Secretary John W. Snow, inform conference goers of all the events that affect the credit union system. Time is set aside for personal visits with individual congressional offices to allow credit union staff and volunteers to be able to let their lawmakers know what issues and events concern them. The Florida Credit Union League is also on hand to help set up your visits and direct you to the important meetings and events that you won't want to miss.

For more information on how your credit union can take advantage of this special rate, contact the League's Government Affairs Department for more details. See you in Washington!!

See page 10 for another article regarding small credit unions.



STAR, VAP and MERIT Certificates

Lay, Shirley Littleton, Julie Moyers
Florida State University CU: Rita Bennett Daugherty, Melanie Purvis

GTE FCU: Kimberly Ballansaw, Shannon Barnett, Thomas Cordero, Holly Coe, Erin Dennis, Karen Donovan, Christina Givens, Sam Goodyear, Kim Hatfield, Bonnie Henry, Karen Hernandez, Holly Hindman, Kathy Knapp, Susan Lowrance, Deborah McCoy, Kathy McIntyre, Cynthia Mills, Karen Morelli, Cheryl Patton, Carolyn Randall, Kelli Sabourin, Meta Signorelli, Vivian Simmons, Kathleen Simon, Sonya Sullivan, Dawn Suni, Reno Suwarno, Tammy Taylor, Vicki Thomas

Harvesters FCU: Angela Gaddis

Health Services CU: Lisa Coyle

Indian River FCU: Stacy Wingate

Insight Financial CU: Donnie Adamczyk, Sally Bowen, Mary Brewbaker, Jamie Bush, Susan Cauley, Corey Hodgerson, Amber Krieger, John Kelly, Torrie Leitner, Sharalyn Lopez, Deanna Mancil, Cindi Milburn, Oswaldo Nieves, Nancy Ortiz, Patricia Ruiz, Brandalin Smith, Jennyffer Santoya, Lydia Tikasingh, Alice Vorachek, Carri Worley

MacDill FCU: Kathy Mayes

Pen Air FCU: Nancy Fogel, Willie Esther Scott

Pinellas County Teachers CU: Cynthia Griffin, Patricia Leach, Matthew Presy

Railroad and Industrial FCU: Alice Correia, Deanna Lemelin

Seminole Schools FCU: Cindy Altdoerffer, Sally Pilch

Suncoast Schools FCU: Anitra Artz, Nichole Adamo, Mark Allen, Alejandra Alvarez, Laura Atkins, Deloris Blais, Kristen Bryant, Michael Berens, Laura Bowen, Amy Causey, Karen Campbell, Melanie Craig, Erika Christensen, Karen Cogswell, Linda Calafiore, Adrienne Dalby, Elvia Easley, Elaine Farmer, Diana Forero, Christine Gregory, Vickie Gregory, Stephanie Gullede, Anna Givens, CCUE, David Gonzalez, Cheryl Hay, Maureen Hibbard, Heidi Litz, Erbira Maldonado, Karen Marcellin, Rose Moore, Tonya Morrison, Alisha Pellegrini, Jennifer Peterson, Brenda Rivera, Joshua Spencer, Cody Sherika, Jennifer Stillson, Sharon

Sullivan, Heather Trachsel, Angie Topper, Christi Wadsworth

Sunshine State CU: Lisa Crum, Wendy Gomez

Tallahassee-Leon FCU: Marilyn Sellars

Tyndall FCU: Shanon Brown

VyStar CU: Alfred Aviles, Jan Blais, Kristin Blackmon, Lolly Bulacan, Ezekiel Baumgardner, April Bonacchi, Shannon Brown, Phyllis Cole, Rachael Collins, Jason Crane, Jill Cruz, Julie Dedmon, Stephanie Drummond, Bethany Eddie, Rachel Gonzalez, Danielle Grapevine, Odessa Grissett, Robin Jackett, Felicia Jacobs, Susan Leisher, Lyndsay Liwen, Marnita Lewis, Kathy Mayes, Nina McCray, Laura Moore, Melissa Mafla, Kristi Muir, Robin Nolan, Brianne Pauly, Rachel Penuel, Tracy Pistorio, Heather Reis, Richard Reis, Carol Roberts, Elizabeth Schamp, Robin Simcoke, John Silliman, Robin Thornton, Jade Watkins, Jennifer Worthington

MERIT CERTIFICATES:

Educational Community CU: Christine Blackledge, Nancy Smith

Escambia County ECU: Jack Brock

Florida Central CU: Donna Haynes

Harvesters FCU: Lora Barbee, Sherri Rhodes

IBM Southeast EFCU: Rodney Feight

Pen Air FCU: Maritza Woodfaulk

Tyndall FCU: Karen Fischer

VyStar CU: Randy Flowers, Kimberly Manis, George Regan, Wendy Stevenson

The STAR, VAP, VLP and MERIT Programs are nationally recognized standards of professionalism for credit union staff and volunteers. These staff and volunteers have expanded their capabilities for the benefit of their credit union. For additional information on any of these programs, call the League Education Department at 800.-342.1266 or 850.576.8171.

Please direct all matters regarding education to Cassandra Grayson as Judy Melcher has left us to pursue other endeavors. She will be missed.



Send submissions for the "News From You" section to the League by the first of each month.

North Florida Federal Credit Union to join GTE Federal Credit Union

GTE Federal Credit Union is pleased to announce that North Florida Federal Credit Union members will become the newest members of the GTE FCU family on January 1, 2004.

North Florida Federal Credit Union serves more than 4,000 members in Columbia, Hamilton and Suwannee counties. The credit union was originally chartered in 1971 as Oxy Employees' Federal Credit Union.

As a GTE FCU member, North Florida Federal Credit Union members will have access to GTE FCU's extensive range of products and services and competitive rates.

Health Services CU hosts "Read To Succeed" Contest

Recently, Ms. Odom's Kindergarten class from *Windy Hill Elementary* was welcomed by **Health Services Credit Union** to their credit union for winning the "Read to Succeed" contest. The class won the field trip by reading the most books in the first two weeks of October. The visit included a tour of the credit union and a surprise pizza party.

Central Florida HealthCare Federal Credit Union granted TIP Charter

The National Credit Union Administration has just approved the conversion of **Central Florida Healthcare Federal Credit Union** to a Trade, Industry or Profession (TIP) common bond.

CFHCFCU is the first health care industry credit union in the nation to be granted a TIP charter. Employees or self employed persons who work in the medical profession in five central Florida counties—Orange, Osceola, Seminole, Volusia and Lake will now be eligible to join the credit union.

"This innovative approach by NCUA for providing financial services is the turning point for success in the future for credit unions like ours" says CFHCFCU's CEO, Trudy Prince. "This expansion of our field of membership opens up opportunities we were not seeing with SEG development. Our Board has remained committed to serving the needs of the medical community, and now we can do that on a much broader basis. This is a very exciting time for our credit union."

Pen Air FCU Contributes \$100,000 to Naval Flight Academy

Pen Air Federal Credit Union answered a call from the Naval Aviation Museum Foundation to assist with their plans of constructing a future Youth Flight Academy. Pen Air FCU has agreed to contribute \$100,000 over five years and be listed as a major contributor on all advertising for the Flight Academy. The Academy will cater to 4,000 students each year from across the country to help further their studies in math and sciences – and possible future careers with such agencies as NASA.



(Left to Right) John Ochs, Pen Air Exec. V.P.; Retired Admiral Jack Feddermann, Naval Aviation Museum Foundation Director; and John Davis, Pen Air FCU President/CEO.

ECCU sponsors 9th Annual Horizon Grants Awards Reception

Educational Community Credit Union, in conjunction with the St. Johns County Education Foundation, sponsored the 9th Annual Horizon Grants Awards Reception, recently. More than 40 teachers (mix of elementary, middle and high school) received grants totaling more than \$26,000 for upcoming classroom projects.

Horizon Grant Awards have experienced tremendous growth over the years. These grants fund creative and innovative classroom projects that supplement academic instruction and learning, and directly affect the day-to-day classroom experiences of students. A majority of classroom projects are designed to motivate

students, have academic merit or emphasize technology and community involvement.



(Left to Right) Dr. Joseph Joyner, Superintendent of Schools for St. Johns County School District; Linda Murrow, ECCU Vice President of Member and Community Relations; Keith Couchman, ECCU St. Augustine Branch Manager.

Small business services ideal for CU

Small-business services offer significant growth potential, and given credit unions' strengths building member relationships, credit unions here are in an ideal position to enter this new frontier. Research by the Tower Group indicates that small firms typically cite "personal relationship" as the single most important factor influencing their choice of a financial institution. Currently, there are more than 10 million small businesses across the country, and two-thirds of them still receive their financial services from a commercial bank. Yet, when surveyed, nearly half the respondents said they value a personal relationship more than a business relationship. And we know credit unions excel in the relationship department—a fact revealed year after year in the American Bankers Association's survey. The

opportunity to capture a much larger percentage of this market clearly is out there.

A couple of reasons why credit unions should consider adding services for businesses include: business share draft accounts are generally non-interest bearing and have higher average balances than consumer share draft accounts; and offering business services will help you attract new members and better serve existing members.

Southeast Corporate's new CUSO—Member Business Solutions, LLC.—will offer your credit union a business-ready, start-up package that allows credit unions to focus on sales and member service. For more information on how Southeast Corporate's Member Business Solutions can assist your credit union, call Jim Gallagher at 800-342-0203, ext. 261.

Meet & Greet pictures

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Rep. Nan Rich (D-97) and Henry Prior, Power 1 CU



Trudy Prince, CCUE, CEO Central Florida HealthCare FCU and Rep. Fred Brummer (R-38)

CFA report

continued from front page

focused principles. More importantly, he concludes, "from a societal point of view, credit unions provide an important institutional alternative for consumers. Not only do they deliver benefits to their members, but also their competitive activities discipline the behavior of banks." Cooper suggests that altering the tax treatment of credit unions would change the fundamental nature of the institution. "Bankers are well aware that elimination of the tax exemption would severely reduce the ability of credit unions to raise capital and undermine their ability to compete."

Florida Credit Union League President/CEO Guy Hood said he welcomed this report. "Rather than simply dismiss the TaxWatch report, FCUL asked Dr. Cooper to examine it and compare it to a study he had done in 1999 for the California Credit Union League. We feel his examination of this issue has been thorough and gives policy makers a more balanced view as they consider any legislation that may affect credit unions and their members."

Florida CU's earn nat'l honors

continued from front page

Their entry in last year's competition was recognized as an Honorable Mention award winner.

Insight Financial CU Orlando was the winner in the \$200-\$500 million asset class. Insight Financial's selection as the top entry in this category is their first national Dora Maxwell award.

Gold Coast FCU, West Palm Beach, becomes the first Florida winner of a Louise Herring Award in more than ten years. Gold Coast FCU was the winner in the less than \$100 million asset category.

All of the national award winners were initially selected as state winners in their asset class and recognized at the FCUL Annual Convention back in May, 2003.

According to CUNA, more than 180 credit unions, all of which were selected as state winners, were submitted for consideration in the national competition. CUNA said that the number of entries was the highest number in years. According to the judges, the competition was close, in many instances winners were selected by mere tenths of a point. CUNA said that for three winners to be selected from one state was "awesome," particularly in light of the fact that there are only seven winners total.

The three Florida award winners will be recognized at the 2004 CUNA Government Affairs Conference, which will be held in Washington, D.C. in February, 2004. The three will receive their awards at a special recognition event.

Congratulations are in order for all of Florida's winners and to those credit unions that participated in this year's competition. Details for entering next year's competition will be sent out to all credit unions early next year.

UBIT Q&A

— continued from page 3

Q: It appears that our credit union does have UBIT items. Therefore, as estimatable contingent liabilities, shouldn't we be accruing for them regardless of audits being remote?

A: The standard for imposing UBIT on income from a trade or business (operating income) is whether the income is “substantially related” to the exempt purposes of the tax-exempt organization (credit unions in this case). Our broad policy argument is that for a regulated industry like credit unions, which are not-for-profit counterparts to other retail financial institutions—such as banks—any income-producing activity operates for the benefit of their members. In other words, approved powers equals exempt purpose. This may well be too broad for the IRS to accept.* Pending a national ruling, however, we encourage credit unions to take an expansive view of their exempt purposes but to consult carefully with their legal and tax advisers regarding any particular activity, especially those that are not intrinsic to serving the financial needs of their members (such as deposits, share drafts, credit, retirement security, and ATM networks). If your credit union has been directly involved in IRS audits, whether to accrue reserves or otherwise how to treat potential UBIT liability on your financial statements is a decision for you to make in consultation with your auditor. We cannot provide individual tax advice or counsel to credit unions. Consult with your league for advice and assistance regarding the UBIT issue in general, how other credit unions in your state are responding, and for possible referrals to professional legal and accounting resources.

*Note, too, that in 26 USC 512 and 514 (UBIT code provisions) Congress has already declared debt-financed income to normally be unrelated business income, unless the debt-financed property directly and substantially supports an exempt purpose. In this case, an argument that all credit union income should be exempt because it supports the credit union's membership in general will not suffice.

Q: Is pass-through income from ownership interest in a mortgage CUSO that also generates income from non-member loans subject to UBIT? If yes, would the income be allocated between member and nonmember sources?

A: The IRS is especially interested in income from nonmember sources, but there are no hard and fast rules, particularly when the nonmember income is closely associated with, or directly related to, member income. If a credit union UBIT legal standard were to be developed that clearly identified some UBIT components (such as nonmember source income) of otherwise exempt activity, then yes, the nonmember source income only would be subject to UBIT.

Q: How far back is the IRS assessing taxes?

A: In the current audit activity, the IRS has not assessed any taxes. In its examinations, the furthest back it is looking is to year 1999 in Alabama and 2000 in Connecticut and Colorado.

Q: Have any credit unions been levied a tax assessment?

A: Not in the current round of IRS audit activity that has affected credit unions in Alabama, Connecticut and Colorado. In the past, however, some credit unions have been required to pay UBIT, perhaps most notably the New Jersey credit union in 1995 whose assessment for credit insurance income launched the current effort to correct an overly narrow, mistaken view by the IRS of what income is properly related to the exempt purposes of credit unions.

Q: What tax filing strategy do you recommend for CUs not now filing a Form 990-T?

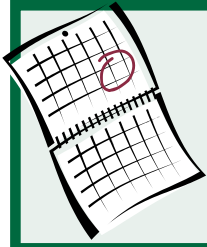
A: We are not permitted to provide individual credit union tax advice or counsel. However, our policy has been to encourage credit unions to take an expansive view of what is “substantially related” to their exempt purposes and to assume that income generated in the ordinary course of functioning as a typical retail financial

institution in today's economy is not unrelated business income. If your credit union has been directly involved in IRS audits, whether to accrue reserves or otherwise how to treat potential UBIT liability on your financial statements is a decision for you to make in consultation with your auditor. We also recommend that credit unions coordinate a united policy through their leagues. The position credit unions should take on UBIT for income from a trade or business (operating income) should become more clear as the IRS stance on credit union UBIT begins to take shape.

Q: Is there a statute of limitations related to how many tax years could the IRS go back and audit?

A: Yes. The statute of limitations is three years from the date a tax return is filed. Of course, most credit unions have not filed Form 990-T's, so the statute of limitations is not running; however, the IRS has typically not gone back more than three years in its credit union audits.

If you have any questions regarding this or other compliance issues, contact Bill Berg at the League. He can be reached by phone, 800.342.1266, ext. 1028, or email, billb@fcul.org.



FCUL Calendar of Events

December 2003

Date	Event
25-26	FCUL will be closed for the holidays.

January 2004

Date	Event
1	New Year's Day League will be closed.

Happy Holidays!

CHAPTER MEETINGS

For further information, please refer to the League website
www.fcul.org

Central Florida Chapter
January 8, 2004

Escambia Chapter
January 15, 2004

Tampa Chapter
January 13, 2004

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President: Guy M. Hood
VP of Communications: Mark Ivester
Managing Editor: Amy Jowers



Florida Credit Union League
P.O. Box 3108
Tallahassee, Florida 32315-3108

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