



Florida Credit Union News

A publication of the Florida Credit Union League

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FCUL rebuts banker anti-credit union commentary in South Florida newspaper

"Guess who's not paying taxes" was the headline that greeted readers of *The Miami Herald* on Saturday, April 10. It was an op-ed piece authored by Alex Sanchez, CEO of the Florida Bankers Association. In the column, Sanchez takes credit unions to task for not being taxpayers. Sanchez' column was written with an eye towards April 15, the date tax returns are due to be filed with the Internal Revenue Service.

"You may not be aware," wrote Sanchez, "that there is a group of billion-dollar financial institutions in Florida, and throughout the nation, that are shirking their responsibility by not paying a single dime in corporate income taxes. They are billion-dollar banks masquerading as credit unions."

Sanchez' latest diatribes against credit unions were quickly answered by FCUL President/CEO Guy M. Hood. In the April 23 issue of *The Herald*, Hood called this latest attack from Sanchez "pitiful," and

suggested that Sanchez "should review what his banking buddies are doing before he attacks credit unions."

Hood points out in his response that Wachovia Bank reported a profit in 2002 of \$4 billion. This mammoth banking conglomerate, according to PBS' *Frontline* program, paid zero taxes on this profit. Around 25 percent of Sanchez' Florida banks are exempt from corporate income taxes, both state and Federal, due to their being a Subchapter S corporation. "So, before Sanchez complains about the credit union taxation," said Hood, "I would suggest he review his own house first."

Hood said that Vermont bankers were even trying to persuade that state's legislature to ban credit unions issuing credit cards to members if a bank in the community was already offering credit cards. "Free choice and consumer choice apparently can't be found in bankers' dictionaries," said Hood.

June 2004

Thursday

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2004 FCUL
CONVENTION &
EXPOSITION++

Friday

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THE WYNDHAM PALACE
RESORT & SPA

Saturday

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JUNE 17-19, 2004
ORLANDO

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Congratulations to Charlotte Roark of Holmes-Washington Teachers CU!!

She was the winner of the fourth and final Compliance InfoSight Online contests, receiving an Olympus digital camera.

Register for the 2004 FCUL Convention online. Goto www.fcul.org and click on the [Online Registration for Convention link](#).

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The credit union charter

More and more we are beginning to hear discussions on the value of the credit union charter. This discussion has been gaining as an aside to events surrounding the number of credit unions that are contemplating or have already decided to convert their charter to a mutual bank charter. A consultant, Alan Theriault, as noted in the story of Columbia Credit Union in this issue, makes a point to travel the country explaining to those who will listen why it is better for credit union boards and management to consider abandoning the credit union charter. Essentially, what those behind some of these conversions are saying to their members is that they believe the future would be brighter and more valuable if their credit union would convert.

As the trade association representing you it is our opinion, of course, that we want credit unions to *remain credit unions* simply because we think they provide the best economic future form of legal structure. As credit union member-owners, people who "bank" at their local credit union enjoy great rates, security and benefits not found elsewhere.

It is clear, however, that the time has come to improve the charter and approach the policymakers in Washington with our case that improvements need to happen now. Fortunately, before Congress at this moment, is just such a vehicle. Known as CURIA, which stands for the Credit Union Regulatory Improvements Act, the bill proposes a collection of changes to the Federal Credit Union Act that will correct some real inequities currently in existence. One of those is the raising of the limitation currently imposed on credit unions for member business loans. When the Credit Union Membership Access Act was passed in 1998, included in that law was the imposition of limits on credit union business lending for the first time. There are some

credit unions that are rapidly approaching this limit and feel constrained.

Another real problem facing credit unions is the Prompt Corrective Action provisions, also passed in 1998. Because of PCA, it is the opinion of CURIA's advocates that rules induce credit unions to maintain capital levels higher than those necessary to protect the share insurance fund. Credit union response to these pressures is to limit growth, which requires limiting service to members. This reduces the amount of funds that credit unions can devote to member loans that support the economy.

Reforming PCA through a risk-based asset approach not only will preserve the requirement that regulators must take prompt and forceful supervisory actions whenever a credit union becomes seriously undercapitalized, but also will permit credit unions to provide more of the loan and savings services that benefit members without weakening safety and soundness or protection of the share insurance fund.

These changes will without doubt increase the value of the credit union charter and will be an effective response to those few who suggest that the credit union charter is losing its value. Credit unions, like any other facet of society, must adapt to the times or face the prospect of becoming irrelevant. The members who join credit unions certainly recognize the value of being part of a credit union. Many of them are heard in survey after survey ranking credit unions ahead of other financial institutions. They know what they have.

It is up to us now to preserve the credit union they have come to love.



Guy M. Hood
President/CEO

Columbia CU: the little conversion that wasn't

By Mark Ivester, FCUL Vice President, Communications & Affiliate Relations



Mark Ivester

It started out simple enough. In April, 2003, the Board of Directors of Columbia Credit Union of Vancouver, Washington, met and voted to recommend to the membership that the \$620 million credit union be converted to a mutual savings bank. Since 1998, when the law governing credit union conversions was changed, 18 credit unions had successfully been approved to convert to a mutual savings bank.

Not one had been turned down by the National Credit Union Administration. At least not until the application of Columbia Credit Union was received. For on January 29, 2004, the NCUA turned down the conversion request of Columbia Credit Union, a decision that sent tremors that were felt throughout the country.

This is the story of a simple conversion that has become the focal point of the debate on credit union conversions. It involves a credit union that felt it needed to convert in order to continue to serve its members. It involves a group of dissident members that felt conversion was not in the best interest of the members. And, it involves a consultant who has been involved in nearly every successful credit union conversion.

The Credit Union

Columbia Credit Union began in 1952 as the SP&S Federal Credit Union. It began in the basement of the founder, Delbert Thompson. It was formed to serve the employees of SP&S Railroad. It changed its name to BN FCU in 1972 as a result of the merger of the SP&S and BN railroads. In 1976, the credit union converted to a state charter, and upon receiving approval to serve both railroad employees and community members, was renamed Columbia Credit Union.

Columbia Credit Union has been a rapidly growing financial institution. From its initial start in the founder's basement, Columbia has expanded to a full-service financial institution serving nearly 59,000

members through 11 branches. The field of membership includes the entire state of Washington and a portion of Northern Oregon. Although the primary bulk of membership is located in Clark County, Washington, the credit union's home base is in Northern Oregon.

As mentioned earlier, the credit union has total assets of \$620 million. Just eight years ago, the credit union's total asset number stood at \$272 million. On its website, Columbia Credit Union boasts that it was among the first credit unions to offer innovative banking conveniences like ATM's, online banking, business banking and financial advice through its Columbia Financial Network. The credit union suggests that it has expanded its online services and is investing in technology that provides fast, convenient transactions.

The Conversion Application

Columbia Credit Union's board of directors, consisting of eight volunteers from the credit union's membership, voted in early April, 2003 to ask the membership to approve the credit union's attempt to convert to a mutual savings bank. The board, acting on the recommendations of Columbia Credit Union's management team, felt the conversion was necessary for a number of reasons. First, the credit union expressed the opinion that limitations on commercial lending and lack of access to secondary capital would seriously hamper efforts by Columbia to provide value in the long term. Columbia also felt that increasing competitive pressure from large regional or national institutions, combined with the restrictions credit unions face, would not allow Columbia to meet those competitors in a manner that would benefit the membership of the credit union. Also, after meeting with state and national associations and regulators, Columbia felt that there was no regulatory relief on the near horizon that would help alleviate what it felt were restrictions on its ability to serve.

The credit union began mailing ballots to members of the credit union on August 5, asking them to decide the issue of

conversion. Included in that mail out were the stated reasons why Columbia was seeking the conversion. Members were asked to return their ballots no later than 10 a.m. on November 3, the time that had been set by the board of directors for the special membership meeting that would decide the issue.

So far, nothing indicated that this conversion would be any different than the other 18 that had preceded it. Nothing indicated that Columbia Credit Union would not be a full-fledged mutual savings bank by January, 2004.

The Vote

On November 3, 2003, the meeting to decide the conversion question was held and the ballots were counted. Columbia Credit Union's members approved the conversion. Of 50,800 eligible voters, only 9,228 voted. A total of 4,821 ballots favored the conversion and 4,407 opposed it. The margin of victory, 414 votes, is believed nationally to be the lowest ever for such a vote.

Under Washington state law, the credit union needed a two-thirds vote of the members present for the proposal to be approved. Failing that, the board invoked the Federal parity statute. Under Federal law, a credit union needs only a simple majority of the members present for approval.

The membership meeting, according to a news release issued by Columbia Credit Union, lasted approximately 2.5 hours. Board Chair Karen Martel summarized the successful conversion vote by saying, "Members will really see very little change. We'll have a slightly different logo and more capabilities to serve our community than ever before."

The Columbia Credit Union press release stated that "approximately 180 members attended the special meeting" that took place on a Monday morning at 10 a.m. When the meeting ended, a former CEO of Columbia Credit Union and a handful of

— continued on page 10

Credit Union Political Action

CUPAC report



Aletta Shutes,
Executive VP,
FCUL

Since candidates for elected offices must make quarterly reports, I thought I would update you all on our first quarter CUPAC fundraising totals for 2004. Through your corporate and personal contributions, we have raised \$92,941.37 for CUPAC as of March 31. Our efforts, however, must not diminish—we have three more quarters and \$282,058.63 to go to reach our goal of \$375,000!

With 2004 being an election year, CUPAC fundraising needs to be a top priority. The League has several fundraising suggestions for your credit unions including: Project Fair Share, the Deduct-A-Buck program and candy bar sales, just to mention a few. Be creative! Perhaps a car wash, bake sale, credit union-wide raffle or some other activity will help get your employees and members involved in the cause. Chapter fundraisers have also proven very successful in the past. For more information on how to get involved, feel free to contact me or one of the other League Governmental Affairs Department staff.

It's essential we remember the importance of personal contributions. A portion of the personal contributions is sent to CULAC, our national PAC, for distribution back to our federal candidates for U.S. Congress and U.S. Senate. Many of the fundraising ideas above are considered personal contributions but the best way to gather those contributions is to just ask your staff, board members or members to contribute. Let them know the future of a good credit union system depends a great deal on the relationships we build with candidates through not only personal contact, but also campaign contributions.

With your help, we can make this the most successful election year ever for Florida's credit union movement. Please consider stepping up your efforts to personally make a difference.

Miami CU leaders meet with U.S. Rep. Diaz-Balart

Several Miami area credit union leaders recently had the opportunity to sit down and discuss issues that concern credit unions and their members with U.S. Rep. Lincoln Diaz-Balart (R-21). Credit unions that had representatives at the breakfast meeting were: American Airlines FCU, JetStream FCU, Power 1 CU and Tropical Financial CU. Aletta Shutes and Grace Potter from the League were also on hand.

The credit union leaders used the occasion to share with U.S. Rep. Diaz-Balart the benefits of credit union membership that they offer. The congressman heard that credit unions are not-for-profit financial cooperatives, which in most situations translates into lower

loan rates and higher rates of return on savings. He was also reminded that credit unions are member-owned and are governed by a volunteer board of directors, each of whom serve with no salary.

The credit union leaders asked U.S. Rep. Diaz-Balart to support a bill currently under consideration by Congress, which would bring some regulatory relief for credit unions.

While they were all together, the congressman was presented a CULAC and several personal checks for his re-election campaign. U.S. Rep. Diaz-Balart listened to all the discussion and thanked everyone for their input, suggestions and financial support.



(L to R) Mara Falero, JetStream FCU; FCUL Executive VP Aletta Shutes; Rep. Lincoln Diaz-Balart (R-21); Mike Raley, Power 1 CU; Vilma Gonzalez, American Airlines EFCU; and FCUL Chairman of the Board and President/CEO of Tropical Financial CU Greg Blount



Aletta Shutes and Greg Blount present check to Rep. Diaz-Balart (center).

Also in Miami ...

Grace Potter, FCUL's Director of Political Action, recently attended the Lincoln Day Dinner in Miami. Florida's Chief Financial Officer Tom Gallagher was one of the featured speakers and Karl Rove, one of President George W. Bush's closest political advisors, gave the keynote address. Rep. David Rivera (R-112) served as one of the event organizers and masters of ceremony.



(L to R) Potter, CFO Tom Gallagher, and Rep. David Rivera.

Fundraiser a success

Betty Castor, Democrat candidate for the U.S. Senate seat replacing Sen. Bob Graham, joined a group of 19 credit union representatives from Tampa late last month for a breakfast fundraiser.



Betty Castor shares her support of credit unions and her platform with leaders from several Tampa area credit unions.

Castor is a former state legislator, former Florida Commissioner of Education, and the former president of the University of South Florida.

Castor pledged her support for credit unions and shared with the group she has been a faithful member of a credit union for many years. Dr. Tom Ness, President of USF FCU, who was in attendance at the breakfast, happily verified that fact.

Castor was presented with a CULAC check, but more importantly with personal checks that totaled \$1,750! This is a wonderful showing of support from the local credit union leaders.



Pictured receiving campaign funds is Ms. Castor (center) and representatives from Bay Pines FCU, Florida Central CU, Florida West Coast CU, GTE FCU, MacDill FCU, Railroad & Industrial FCU, Pinellas County Teacher CU, San Antonio Citizens FCU, Suncoast Schools FCU, and USF FCU.

Mary and Art Wood, with Florida West Coast CU and Railroad & Industrial FCU, respectively, recently walked in the MLK



Parade in support of Rich Glorioso. Glorioso is running for House Seat (D-62).

CUNA Mutual

Risk-based pricing can give credit unions lending flexibility

A tidal wave of change has forced credit unions to rethink their approach to consumer lending. Competition, technology and regulation have opened new opportunities for the most adaptable lenders, and market consolidation has led to the demise of more sluggish competitors.

One strategy making inroads in the lending practices of credit unions is risk-based pricing. The trend to tiered pricing has been inexorable, but it is accompanied by considerable debate over whether it is in the best interests of credit unions and their members. Risk-based lending is not appropriate for every credit union.

Implementing a risk-based pricing program requires careful planning. A deliberate approach helps to assure a program that's a good fit for the credit union and contributes to the lending program's overall success.

Risk based pricing means setting a tiered pricing structure that assigns loan rates based on an individual's credit risk. Other terms include performance based pricing or a managed credit program. It means charging a different interest rate on the same type of loan, based on the member's credit performance. Risk based pricing takes the character portion of the three C's (character, capacity and collateral) and allows approval at an appropriate rate for the risk.

Why consider risk-based pricing?

There are several advantages to a risk-based lending approach.

- It gives the credit union the ability to be flexible in a competitive environment.
- It gives the credit union the ability to serve a larger portion of its membership
- It treats applicants consistently.
- It enhances management controls.
- Theoretically, it allows the credit union to make more loans to more members.
- It allows loans to be made to the most

creditworthy members at competitive rates, as well as to less creditworthy members.

- It can be used for various types of loans.
- It enhances the ability to offer individualized service and credit counseling.
- It gives marginal borrowers the opportunity to improve their creditworthiness.
- It increases the credit union's ability to cross-sell.
- It improves the overall image of the credit union.
- It promotes the management of risk versus the minimization of risk.

There are some possible disadvantages, too. Risk-based pricing requires that the credit union restructure its lending policies, and it requires training and education. It could result in a possible increase in delinquencies and loan losses; it demands close attention to compliance and regulatory guidelines; and it can result in uncontrolled loan growth.

Questions credit unions should ask

Here are some questions credit unions considering risk-based lending should ask:

- Is it consistent with our mission?
- Does it fit into the goals, objectives and strategic plans?
- Is capital adequate?
- What additional reserving needs may be required?
- Are planned delinquency levels and projected loan losses reasonable?
- Can risk-based lending generate enough income to cover the costs and increased loan losses?
- Does the credit union have adequate liquidity to increase lending?
- Does an adequate ALM program exist for monitoring?

For more information about risk-based lending seminars and white papers, go to www.cunamutual.com/education.



Bill Berg, CCUE, CUCE, Vice President 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.

Reg B modifications for loan co-signers add extra step

The Federal Reserve has approved a final rule on Regulation B requiring lenders to obtain evidence of a co-signers' intent to sign onto a loan at the time of application. CUNA Assistant General Counsel Jeff Bloch and others paid a visit to Fed staff to explain the extra burden it imposes on credit unions and seeking clarification on "the time of application." The signatures on a promissory note are no longer enough to prove intent to co-sign a loan. The Fed felt additional evidence was necessary to prevent abusive lenders from forcing consumers to co-sign a loan. The Fed has proposed that a check box or signature box be added to the application for the cosigner to demonstrate their intent, among other options. Practical concerns remain for telephone or Internet applications. Fed staff did clarify that "at the time of application" means "prior to the closing of the loan."

FACT Law

The Federal Reserve Board and Federal Trade Commission approved final rules to establish effective dates for all provisions of the Fair and Accurate Credit Transactions Act (FACT Act) that do not have a statutorily prescribed effective date.

The agencies adopted as final joint rules establishing March 31, 2004 as the effective date for the provisions of the FACT Act that do not require significant changes to business procedures.

The joint final rules make the provisions entailing significant changes to business procedures effective on Dec. 1, 2004, to allow industry a reasonable time to establish systems to comply with the statute.

Most of the provisions of the FACT Act that directly impact credit unions will require the financial institution regulators, including NCUA, and others to issue rules to implement these provisions, says CUNA Assistant General Counsel Jeff Bloch.

With final passage of the FACT Act by Congress and enactment by President Bush, the new policies governing credit reporting, identity theft and financial literacy will be

implemented through federal regulation. The effective dates of these provisions of the FACT Act will be determined by the new rules.

Bloch says CUNA's Consumer Protection Subcommittee will be taking an active role in developing responses to the proposed rules. Significant provisions of the FACT Act requiring new regulations:

- The placing of "fraud alerts" in credit reports;
- Standardized forms for consumers to use to report incidents of identity theft to creditors and law enforcement officials;
- Policies that credit unions and other furnishers of information to credit bureaus will need to follow to ensure the accuracy and integrity of information that is provided to credit bureaus;
- Procedures for when a consumer requests an additional credit card shortly after an address change;
- Establishment of policies and procedures to identify, or "red flag," possible instances of identity theft;
- Summary of rights to be provided to victims of identity theft;
- Enhancement of disclosures provided to consumers that inform them of how to "opt-out" of prescreened solicitations (These disclosures were required prior to enactment of the FACT Act. The new rules are designed to improve on the disclosures that are currently used;
- Notices that financial institutions must provide to consumers if the institution submits negative information to a credit bureau.);
- The ability of consumers to dispute the accuracy of information in a credit report directly with the furnisher of the information, as opposed to the credit bureau, and the furnisher's obligation to investigate the dispute;
- The notices provided to consumers if a risk-based lender offers credit on terms less favorable than what is provided to most other consumers;
- The proper disposal of documents containing consumer information that was derived from a consumer report (This will

be consistent with the rules that are already imposed on credit unions under the privacy provisions of the Gramm-Leach-Bliley Act.);

- The right of consumers to "opt out" of certain types of marketing solicitations that results from information sharing among affiliates; and
- The limitation of a creditor's use of medical information in connection with a consumer's eligibility for credit.

Reimbursements allowed for business related technology for directors

In an opinion letter the NCUA said federal credit union volunteers may use equipment and receive reimbursements from the credit union when "performing the duties or responsibilities of the board or committee position to which the person has been elected or appointed."

The opinion letter was in response to a query about credit union-owned computer equipment, cellular phones, and Internet access costs.

The NCUA said the credit union board must have written policies that address the parameters of any reimbursements to officials.

Home Mortgage Disclosure Act

The new 2004 Home Mortgage Disclosure Act (HMDA) reporting guide is now available. The Federal Financial Institutions Examinations Council (FFIEC) posted online [*A Guide to HMDA Reporting: Getting It Right!*](#). The guide, which took effect on Jan. 1, provides information for reporting HMDA data concerning who must report, data reporting in general, completing the "LAR" step-by-step, sources of geographic information, submitting the LAR, and disclosing the data. For data collected in 2003, credit unions with an office in a metropolitan statistical area are required to report if they had more than \$32 million in assets as of Dec. 31, 2002. Reports from credit unions are due to the federal government by March 1.

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 CU: Wanda Fischer

Gulf Shores CU: Linda Shannon

Indian River FCU: Paul Nied

McCoy FCU: Richard Albert, Fred Bierbaum

Miami Postal Service CU: Howard Wise

Pan Am Horizons FCU: Raymond Monti, Kathleen Van Fleet Bailey

Tallahassee FCU: William Meusch

USF FCU: Richard Fentriss

STAR CERTIFICATES:

1st Credit Union of Gainesville: Pamela LaSauce, June Terry

Bay Pines FCU: Robert Berryhill, Gwendolyn Pittman

Broward Schools CU: Elizabeth Sandoz

Central CU of Florida: Derek Hensel

Central Florida Educators FCU: Kevin Cunningham, Michael Langhorst

Central Florida HealthCare FCU: Shawna Gore, Yasmin Jones, Traci Kresl, Petra Miskova, Onassis Nyariri

Community Educators CU: Jennifer England

Duval FCU: Tammy Crenshaw, Elizabeth Mbomeh

Fairwinds CU: Amy Messer

First Choice CU: Natalie Pickrell

Flag CU: Jeanette Williams

Florida Central CU: Sabrina Drzal, Cheryl Lay, Shirley Littleton, Brian Robinson, Natalie Yoquelet

Florida Commerce CU: Mary Lunt

Florida Hospital CU: Susan Cornell, Shushilya Mohammed

Florida State University CU: Kimberly Caro, Rita Bennett Daugherty, Melanie Purvis

GTE FCU: Mindy Amoroso, Jewel Black, Donna Choate, Erin Dennis, Chris Fredricks, Belinda Floyd, Lorena Flowers, Christina Givens, Megan Givens, Lisette Gonzalez, Maria Gonzalez, Delphine Green, Sara Harris, Shawn Houle, Janet Jacobs, Kathy Knapp, Anna Knowles, Sharyn Kunkel, Diana Lake, Deborah Larson, Deborah McCoy, Kathy McIntyre, Dorine Morgan, Sonja Newhart, Sandra Ostrander, Deborah Peetz, Tracy Petersen, Diana Ramos, Susan Pederson Rossi, Anette Shimasaki, Michele Stasko, Sonia Sullivan, Reno Suwarno, Vicki Thomas, Mitzi Toner, Kriste Torgeson, Ann Watson

Harvesters FCU: Aleta Emmons, Angela Gaddis

Health Services CU: Elizabeth Martinez

Insight Financial CU: Melinda Butler, Marjorie Campbell, Susan Cauley, Kelly Clanton, Melina Depredo-Otto, Christine Diaz, Deanna Mancil, Nancy Ortiz, Cindi Milburn, Nanette Milton, Maritza Montalvo, Jackie Orendorf, Meredith Patrick, Rosa Paulson, Cindi Steffens, Lydia Tikasingh, Kathy Willis

Lakeland Medical EFCU: Jamie Tenamore

MacDill FCU: Sherry Kashakitis, Kamini Khan, Kathleen McMin

NCSC FCU: Melissa Arrant, Kitrina Flaughner, Sine Hollenbeck, Crystal Laramore, Patsy Medlin

Pen Air FCU: Cabrini Bowe, Melinda Cannon, Beverly Denham, Darren Duke, Cindy Heal, Karen Kling, Bob Laverty, Irene Myers, Richard Smith

Pinellas County Teachers CU: Estella Baggett, Kathleen Chambron, Deborah French, Susan Janney, Joni Johnson, Patricia Leach, Jennifer Sgro, Angie Wilzinski

Railroad & Industrial FCU: Bridget Chaudoin, Alice Correia

Priority One CU: Jessica James

San Antonio Citizens FCU: Dawn Newsome, Mary Cay Sasser

Sarasota Coastal CU: Frank Wertz

State Farm Florida FCU: Cassandra Robinson

Suncoast Schools FCU: Lauren Allen, Alisa Ammerson, Ashley Berg, Cindy Brust, Debra Bryn, Amy Causey, Diana Chavez, Erika Christensen, Melanie Craig, Mona Cruz, Elvia Easley, Sherry Floyd, Tracy Furches, Deborah Gallagher, Peggy Gascot, Karen Haynes, Amy Heckert, Kathryn Herriman, Linda Huger, Jamie Humphrey, Julie Hunter, Belinda Johnson, Dianna Loudermilk, Irene Martinez, Dianne McDaniel, Janette McElwain, Karen Merrill, Winifred Muzzy, Jaime Patricella, Alisha Pellegrini, Bekki Rayner, Vanessa Rodriguez, Deborah Rosebrugh, Marlyn Sanders, Robert Smith, Marlyn Sanders, Judy Starkey, Diane Thompson, Sonja Thompson, Courtney Todd, Angie Topper, Christi Wadsworth, Darla White, Kimberly Wild

Tallahassee FCU: Fran Fletcher

Tyndall FCU: Judith Deese, Henry Hendrika, Brenda Hill

VyStar CU: Alfred Aviles, Brooke Bailey, Becky Benike, Christina Benton, Christopher Berthold, Ryan Burke, Letrice Clements, Vicenta Cole, Ashley Cook, Christina Crews, Bethany Eddie, Marin Edgardo, Jennifer Elliott, Lauren Fredrickson, Amy Free, Jason Gonzales, Kathy Goodwin, Mia Gundy, Rhonda Green, Linda Grubb, Tasha Johnson, Carolyn Jones, Robert Kennedy, Stephanie Kilgore, Katrina King, Thomas Kirby, Dean Kludy, Zoraida Lassalle, Meredith Lewis, Melissa MacEwen, Franchesca Martin, Marcus McGhee, Erica Menard, Daniel Murray, Danielle Parrott, Debra Pennington, Sandra Rak, Shana Ramponi, Ericka Richter, Brandon Rowe, George Regan, Wendy Russell, Angela Sager, Elizabeth Schamp, John Silliman, Barbara Taylor, Nancy Tin, Susan White, Jennifer Worthington

MERIT CERTIFICATES:

Educational Community CU: Melissa Meeks

Eckerd CU: Darlene Montgomery

Florida Central CU: Betty Martin, Julie Moyers

Insight Financial CU: Heike Collins, Alka Nayee, Lydia Tikasingh

NCSCFCU: Ruth Forst, DonnaLee Gibbens
Sarasota Coastal CU: Tammy Arena, Lisa Berube, Cheryl Hesser, Beth Knack, Jennifer Tuccillo

Suncoast Schools FCU: Kristy Broughton, Irene Martinez, Kristen Novakoski

Tyndall FCU: Emily Little

Vystar: Rachel Collins

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, ext. 1040.

Deposits in NCUF's new International Development Fund top \$3 million



Connie Stoutamire

The National Credit Union Foundation recently announced investments in its newly established International Development Fund (IDF) have reached \$3,315,000. The IDF is a donor-designated "sub-fund"

of the Foundation's Community Investment Fund (CIF), and supports international credit union development initiatives in partnership with the World Council of Credit Unions. Included in the list of investing credit unions is **Florida Central Credit Union, Tampa**. Florida Central Credit Union joins the NCUF's Chairman's Club with its investment of at least .25% of assets.

The newly established fund is a unique investment option for those interested in supporting international credit union development. As with all CIF investments, interest generated by the IDF will be split between the investing credit union, NCUF and the credit union foundation or league in the state of investment origin; NCUF's portion of the return will be directed into

the IDF for use by World Council of Credit Unions. Many states are also using their own returns from the CIF to support international credit union partnerships.

Funds raised by the IDF will help educate credit union employees and volunteers; conduct internship programs and exchange visits of international credit union leaders; build international credit union partnerships and provide public education initiatives related to consumer finance. Funding also will assist with IRnet (International Remittance Network) installations of member credit unions outside of the United States.

"The initial response to the Foundation's new International Development Funds is quite exciting," said Gary Officer, NCUF Executive Director. "These investing credit unions obviously see the importance of establishing and maintaining credit union development initiatives across the world. Their support of the work of the Foundation and World Council of Credit Unions will go a long way in helping fund projects that will bring financial literacy and security

across the world."

Credit unions that wish to participate in this donor-designated fund within the Community Investment Fund should contact their corporate credit union to invest in CIF. Credit unions then must contact Kris Hoffman, NCUF manager of donor relations, to designate their investment in the IDF. For more information on the Community Investment Fund or International Development Fund, log on to www.ncuf.coop. Or, contact Connie Stoutamire at 800.342.1266 ext. 1052 or connie.stoutamire@fcu.org.

Florida has five credit unions that have invested in the Community Investment Fund (CIF) for a total of \$17,140,000.

The credit unions are:

Suncoast Schools FCU - \$11 million

GTE FCU - \$5 million

Fairwinds CU - \$1 million

Gold Coast FCU - \$100,000

The CU of Palm Beach County - \$40,000

Human Resources

Linking employee satisfaction to business goals

By Anita Stoumbelis, FCUL Vice President, Human Resources

Last month we discussed some of the important outcomes from the Gallup survey as it relates to retention of employees and reducing "bad" turnover in an organization. The Gallup research, as reported in the Marcus Buckingham and Curt Coffman book, *First, Break All the Rules*, analyzed the results of interviews with more than a million employees from a broad range of companies and industries over a period of 25 years. What is special about the results is that Gallup was able to link the degree of employee satisfaction in key areas to the degree of success in four desired business outcomes: Overall productivity of the employees; Profitability of the business; Retention rates for staff; and Superior customer service.

I think most credit unions would agree that these four elements are excellent business goals to aspire to in any

organization, but how do you get there? How does the satisfaction of your employees make a difference?

In the Gallup project, the following 12 questions surfaced as the most powerful indicators of the link between employee satisfaction and the four business goals.

1. Do I know what is expected of me at work?
2. Do I have the materials and equipment I need to do my work right?
3. At work, do I have the opportunity to do what I do best every day?
4. In the last seven days, have I received recognition or praise for doing good work?
5. Does my supervisor, or someone at work, seem to care about me as a person?
6. Is there someone at work who encourages my development?
7. At work, do my opinions seem to count?
8. Does the mission/purpose of my

company make me feel my job is important?

9. Are my co-workers committed to doing quality work?

10. Do I have a best friend at work?

11. In the last six months, has someone at work talked to me about my progress?

12. This last year, have I had opportunities at work to learn and grow?

Simply stated, the satisfaction scores in these 12 areas relate directly to a credit union's financial stability, the productivity of its employees, the turnover rate of its workforce and, most importantly, the satisfaction level of its members with the service they receive at your credit union.

So, what can you do to raise the response scores to these questions? Next month, we will begin to explore how a manager can use the "12" to achieve higher levels of productivity, profitability, retention and customer service.



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

TMH FCU relocates main office

TMH FCU's main office, formerly located across from Tallahassee Memorial Healthcare, has relocated. A ribbon cutting ceremony was held in March to mark the official opening of the new office. Those present at the ceremony were Mark O'Bryant, CEO, Tallahassee Memorial Healthcare, M.T. Mustian, former CEO, TMH, Trudy Vernot, Chairperson, TMH FCU Board of Directors, Marion McCaskey, President, TMH FCU, TMH FCU Board Members and numerous area credit union professionals. Also present were FCUL Executive VP Aletta Shutes and Communications Coordinator Amy Jowers.



(L to R) Mark O'Bryant, CEO, Tallahassee Memorial Healthcare, Marion McCaskey, President, TMH FCU, M.T. Mustian, former CEO

Insight Financial is pleased to announce Ann Marie Robbins has been promoted to Branch Manager for the Clermont Branch. Robbins has more than 12 years of credit union experience

Central Florida Educators' Federal Credit Union recently named Melinda Wehbi as the Assistant Vice President/Branch Manager of the South Orlanod branch. Wehbi has been with the credit union since 1989.

Two honored for CU marketing, business development

Two outstanding professionals from Florida have been honored for their marketing and business development achievements in the credit union industry.

The honors were bestowed at the recent 2004 CUNA Marketing & Business Development Council Conference in Miami Beach.

Traci Germain, senior vice president of GTE FCU in Tampa was presented the Marketing Professional of the Year award.

Cathy Long, business development manager at GTE FCU, received the Business Development Professional of the Year award.

Congratulations, Traci and Cathy!

Chapter announces new board members

The Northeast Florida Chapter, FCUL is pleased to announce the election of three new board members. Jay Hogan, Duval Federal CU, Gerri Session, Jax Federal CU, and Howard Winesett, Educational Community CU were elected at the Chapter's annual meeting in February.

Officers for 2004 and other board members are: President, Kathy Harrison, Florida Telco CU; Vice-President, Kaye Stephens, First Florida CU; Secretary, Sheree Eddie, Jax Metro CU; Treasurer, Rich Alfievic, Vystar CU; Rose Gunter, Health Services CU and Jim Ryan, JM Associates FCU.

Shirlee Bowne', former NCUA Board Member and current Board Member of Florida Central Credit Union in Tampa, has been appointed to the Board of Goodwill Industries of the Big Bend. Ms. Bowne', who resides in Tallahassee, joins FCUL Executive Vice President Aletta Shutes on the Board of Goodwill.

Filene names Floridians to select group

The Filene Research Institute and Center for Credit Union Innovation have chosen Laida Garcia of Florida Central Credit Union and Bob Silverstein of Tropical Financial Credit Union to serve as inaugural members of i³, a group dedicated to stimulating the development of new ideas and innovations for credit unions via the "next generation" credit union leaders. Garcia and Silverstein will participate in deliberations with 25 other innovators from across the country.

To qualify, members of i³ obtained commitment and support from their credit union and it's CEO. Each member will serve a three-year term and participate in semi-annual meetings arranged by Filene.

Garcia is Executive Vice President of Florida Central Credit Union. She is currently a member of the Board of Directors of the Credit Union National Association. Garcia is a former member of the Florida Credit Union League Board of Directors, having served as Chairman from 2001-2003.

Mr. Silverstein is the Marketing Director of Tropical Financial Credit Union.

HCA FCU celebrates 30 years of service

HCA Federal Credit Union in Gainesville proudly celebrates 30 years of service to its membership.

The credit union was established in 1974 to fill the financial services needs of it members in the healthcare field. After 30 years, it is still running strong. In fact, HCA FCU is rated 5-stars by Bauerfinancial, Inc., the nation's premier independent credit union rating service.

Columbia CU

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other credit union members formed a group that was determined to derail the process.

The Protest

Steve Straub, Columbia's former CEO, who had left the credit union in 1992, sat in the audience on November 3. Straub, who now runs a small software development company but still is a member of Columbia, said he was aghast at how the board treated those members who questioned the conversion. Straub said that the board and management avoided answering questions on several occasions. Straub and several of those in attendance reacted negatively to the proposal that their credit union should be converted to a mutual savings bank. As more members learned of the conversion effort, more and more of them began talking with each other, leading to the formation of a group called Save Columbia Credit Union (SCCU).

SCCU developed a website to inform the membership of what had happened and sought more members to join their cause. Eventually, more than 250 Columbia Credit Union members indicated their support of SCCU.

SCCU immediately began to question the motivation behind the attempt to convert. Recent experiences with other Washington credit unions led many in the group to wonder if the board and management had the best interest of all the members at heart when arriving at the decision.

Suspiciously, when questioned by the local newspaper, Columbia Credit Union CEO David Doss declined to discuss the motive behind the decision.

The Reaction

SCCU filed complaints with the Washington Division of Financial Institutions (DFI) and the National Credit Union Administration (NCUA) claiming that the credit union ran a one-sided campaign to persuade members to approve the conversion and also violated member rights during the effort. In a separate action, SCCU circulated a petition to try to force a special shareholder meeting to vote out the

credit union's board of directors and halt the conversion.

Both NCUA and DFI began investigations. NCUA refused to accept the results of the membership vote until it had a chance to investigate the complaints raised by SCCU. DFI deferred to NCUA.

Shortly after the beginning of the new year, SCCU began running a newspaper ad in the local paper seeking support for its petition drive among Columbia Credit Union members. Columbia countered with its own ad, suggesting that recalling the board would cost the community jobs.

On January 14, 2004, SCCU announced it had secured more than 3,700 signatures seeking the special shareholder meeting.

On the eve of the meeting to decide whether to grant the request stated in the SCCU petition, the Columbia Credit Union board voted to expand itself and added President David Doss to the Board, a move that appeared to violate the credit union's own bylaws. According to Article V, Section 1 of the bylaws of the \$619 million dollar credit union, "No current employees of the credit union or members who have been employed by the credit union or any subsidiary within the last two (2) years may serve on the credit union's board of directors."

Washington's credit union act states: "A director must meet any qualification requirements set forth in the credit union's bylaws. If a director fails to meet these requirements, the director shall no longer serve as a director."

On January 26, 2004, Columbia Credit Union's board of directors denied the member petition for a special meeting at which members would have had a chance to rescind the conversion vote and recall the board. The January 14 petition also called for a vote at the special meeting to elect an interim board. The petition, however, did not specify who would be on the interim board. The credit union said was a disservice to the membership and was one of the reasons for shooting down the special meeting petition.

SCCU called the credit union board's

decision to deny the petitions of its own members "bizarre" and said that the move only provided more evidence that the board simply intended to defy its own membership. "We're dealing with people who don't play by the rules...except those they make up as they go," says Straub.

The Regulators Step In

Two days later, on January 28, 2004, after meeting with the state attorney general, the Division of Financial Institutions ordered Columbia Credit Union to hold the special meeting that SCCU had sought, essentially agreeing with the request by the dissident members. DFI ordered both sides to sit down and negotiate the terms and conditions as to what could or would take place at the meeting. "The Department views this as an important opportunity for the board and petitioning members to reach an amicable solution," DFI wrote.

The final blow by Federal regulators settled the whole matter of conversion for the time being.

On January 30, 2004, the NCUA ruled that Columbia Credit Union denied thousands of its members the right to vote on its bid to become a bank the previous fall and mishandled the election process. Melinda Love, regional director for the federal agency, concluded in her report that Columbia's "membership vote was not conducted in a fair and legal manner and that the member disclosures were misleading."

The main findings:

- Columbia violated the voting rights of 7,099 members by not recognizing co-owners of joint accounts as members and repeatedly sending ballots to invalid addresses despite having updated information.
- A special meeting on November 3 was purposefully held at an inconvenient time to discourage participation, rendering the process "unfair and illegal."
- Improper ballot tabulation methods that included failing to have at least two people

— continued on next page

observe the ballot count and allowing Chief Operating Officer Paul Hodge to open 500 ballots while he was alone in his office.

- Doss and Hodge had access to a database that tabulated ballot results, including how Columbia employees voted. Investigators discovered some branch managers had lists of how employees voted.

- A disclosure to members indicated neither Columbia management nor the board made a decision about raising capital through a holding company. But investigators found evidence that Doss intended to support the conversion of a mutual savings back to a stock institution and discussed the purchase of another stock-owned bank in Vancouver.

The Consultant

There is one name that keeps appearing when the issue of credit unions converting to banks is discussed. That name is Alan Theriault, CEO of CU Financial Services, a consulting firm which specializes in credit union to bank conversion. Nearly every credit union that has contemplated or successfully sought to convert to a mutual savings institution has secured the services of Theriault and his firm.

Theriault has been seen at many credit union trade shows extolling the virtues of credit union conversion. His website even lists the numerous reasons why credit unions should consider switching charters. Theriault enticed wavering credit union boards with this statement: "The ownership vests over a five-year period. For example, assume a credit union with \$50 million in capital converts to a stock bank with an IPO amount of \$100 million; directors would share a \$2 million grant of stock, and management would receive an equal grant. Each member of a five-director board would get \$400,000 in stock, vested over five years, at the IPO value."

Theriault removed this language from his website after media attention was directed towards him as a result of his involvement in the Columbia Credit Union conversion. Theriault called the NCUA decision to disallow the original membership vote "political."

John Siefken, former President/CEO of Citizens Equity FCU of Peoria, Illinois resents this type of approach to entice a credit union to convert. He said he received no fewer than five offers to convert charters in a four year period, including a five-page proposal from a large Washington, D.C. law firm. At the time, Siefken said, CEFCU had \$75 million in reserves. Siefken said that if his credit union converted, he was told by the law firm that he, Siefken, would have personally received more than \$1 million. Siefken said he resented it because, as he put it, "this is out and out stealing from my members."

Theriault, according to sources, has been involved with the conversion attempt by Sunshine State Credit Union of Tallahassee. He continues to travel the country, holding seminars and conferences on how to convert the credit union charter.

The Aftermath

Eventually, as a result of the NCUA action, the Board of Columbia Credit Union decided not to pursue the conversion issue any further. But, there still was the issue of the request by SCCU to have a vote to recall the Board.

According to Straub, the former CEO who was actively involved with SCCU, it was time to take back the credit union for the membership. Straub, interviewed by *Florida Credit Union News* for this story, said that the direction of the credit union had been altered. Straub said that consumer lending programs were being sold off to provide capital for the business lending. "These people are intent on turning Columbia into a commercial bank, which we feel is a detriment to the best interest of the members," he said. "Our intent is that we want to regain control of our credit union."

The special meeting was held on Sunday, March 28. After four hours of debate, catcalls and even a call to paramedics, the eight directors accepted congratulatory hugs and handshakes after narrowly retaining their positions. An independent voting company issued 69,000 ballots, 13,153 of which were returned. The directors won by

margins that ranged from a few hundred votes to almost 1,000. It was very close.

In his interview, Straub stated that the credit union had spent \$100,000 on ads to retain the board members. According to Straub, even a telephone bank company was hired to call every member of Columbia Credit Union to advocate a yes vote on behalf of all eight members.

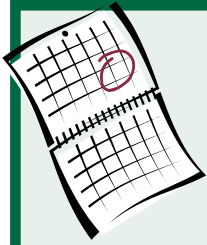
Straub and his group will continue the fight. They have filed a lawsuit in a local court asking that several members of the current board be removed because they are still serving in violation of a bylaw that says no board member can serve more than nine years in succession. The credit union has countered that the bylaw was adopted in 1999 and contemplated that the nine year countdown would start then, thus, each board member was grandfathered in at the time. As of this publication, no decision has been made.

NCUA, subsequent to the Columbia controversy, passed an updated rule to cover credit union conversions. The amended rule "requires a converting credit union to provide additional information in the notice to members to disclose any economic benefit a director or senior management official of a converting credit union may receive in connection with the conversion."

Conclusion

The lesson to be learned by everyone as a result of the Columbia Credit Union affair is that disclosure is paramount in the process. Kirk Cuevas, Chief of Staff to NCUA Chairman Dennis Dollar told the CUNA Government Affairs Conference on February 23: "Membership should not be deceived into voting for conversion. If the proposal is good enough to stand on its own merits, then it will pass."

Don Larsen, CEO of Community Credit Union of Tacoma, Washington, put it more succinctly: "It is the right of credit union members to make a choice," said Larsen. "It is also their right to make an informed decision."



FCUL Calendar of Events

May 2004

<i>Date</i>	<i>Event</i>
14	Deadline for Dora Maxwell and Louise Herring entries and Hall of Fame and Volunteer of the Year nominations.

CHAPTER MEETINGS

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

Broward Chapter
May 6

Escambia Chapter
May 20

Sara-Mana Chapter
May 13

Tampa Chapter
May 8
Golf Tournament

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