



Florida Credit Union News

A publication of the Florida Credit Union League

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FCUL Legislative Summit, March 9-10

The first and most important step in becoming politically involved is to build relationships with the legislators that represent you and your members. To help with that task, the League will be opening the Legislative Summit activities on Tuesday, March 9, with a reception you won't want to miss. All Florida legislators will be invited allowing you the perfect opportunity to discuss credit union issues with your legislators.

In order to better utilize your time in Tallahassee, Wednesday's (March 10) activities have been altered from years past. The agenda is shorter and meatier to allow you more time to meet with as many of your legislators as possible. The day will begin at the DoubleTree Hotel with a continental breakfast, a League welcome and a Hike the Hill briefing. Our special guest will be Lucy Morgan, the Pulitzer Prize winning Capital Bureau Chief of the *St. Petersburg Times*. The remaining part of the day will be time for you to meet with legislators.

Something new: This year we are inviting your legislators to lunch (Wednesday) back at the DoubleTree Hotel.

Each year we have strong representation from several credit unions around the state. This year, with the potential negative activity by the bankers, it will be important for more credit union leaders to attend. If you've never been or it's been a while, please join us. If you come every year, bring a board member or a credit union colleague.

For more information, call the League GA Department at 800.342.1266, ext. 1010.

FCUL'S CUPAC enjoys record setting year of fundraising

The Florida Credit Union League's Credit Union Political Action Committee (CUPAC) has smashed all previous records for fundraising and nearly doubled the goal it had set for itself for the year 2003. When all the money had been counted and checks received, CUPAC tallied up \$472,466.14, a total that surpassed the 2003 goal of \$250,000 by \$222,466.14.

CUPAC is the political arm of FCUL and contributes funds to candidates that the CUPAC trustees determines are supportive of credit union issues and philosophy. FCUL's Executive Vice President, Aletta Shutes, says that CUPAC has come a long way in the past ten years.

"When I came to the League and became involved with CUPAC the most that had been raised was \$22,000," said Shutes.

FCUL President/CEO Guy Hood remembered even further back to put this year's record breaking effort in perspective.

"When I became President of the Florida Credit Union League in 1988," said Hood, "we were raising something on the order of \$6,000 annually. Credit unions have come a long way since those days and we are now considered major players in Florida politics."

Florida CUPAC used a variety of means to help achieve its success. Campaigns were initiated to allow credit unions to give their "fair share," a number that was determined to be ten cents for every credit union's members.

"This allowed very small credit unions to participate and feel comfortable that they were giving what they could to the effort," said Shutes.

The activity of the Florida bankers was also a powerful incentive to credit unions to help finance the activities of CUPAC. Early in 2003, the Florida Bankers Association began distributing a study they financed from Florida TaxWatch that attacked the credit union tax exemption.

What makes the 2003 effort so remarkable is that it took place in a non-election year. Historically, CUPAC's major fundraising successes have taken place in even numbered years, when large number of candidates are seeking election to both the Legislature and to Congress.

"Political fundraising seems to be a constant now," said Shutes. "Candidates have us on their phone lists and invite us to their campaign events on a regular basis."

Congratulations to Darlene Montgomery of Eckerd CU!!!

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

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



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Political doubleheader

The new year will bring a new set of challenges and priorities for all of us in the credit union movement. Bankers have already stepped up their rhetoric, and it is an election year. Which means, of course, that this will be a very busy year for the League, CUNA and Florida's credit unions.

Two events are on the immediate schedule that will help frame the year and lay out the challenges we face in the political arena. The first is the Annual Governmental Affairs Conference in Washington, D.C., February 22-25. Sponsored by CUNA, this year's agenda promises to be one of the best ever presented. Headline speakers include MSNBC's Chris Matthews, U.S. Treasury Secretary John Snow, each of the Board members of NCUA, Senate Banking Committee Chairman Senator Richard Shelby (R-Alabama) and House Financial Institutions Subcommittee Chairman Spencer Bachus. But, the highlight of the conference may be a scheduled debate between the Chairman of the American Bankers Association, Ken Fergeson, and Jim Blaine, CEO of State Employees Credit Union of Raleigh, North Carolina.

In addition to those fine speakers, there will be sessions on bankers' attacks and what to expect this year and many more educational and informative sessions.

Then, a scant two weeks later, the Florida Credit Union League's Annual Legislative

Summit will crank up on March 9th and 10th in Tallahassee. One of our featured speakers will be *St. Petersburg Times* Capital Bureau

Chief and Pulitzer Prize winner Lucy Morgan. Ms. Morgan is a long-time veteran of the State Capitol and she will be able to fill us in on the environment and what to expect from the Legislature during 2004.

The Legislative Summit is an excellent means to get to meet and talk with your state legislative representatives and senators in a less formal atmosphere. A popular

and very well attended event on March 9 is the Legislative Reception. Here we invite every member of the state House and Senate to come by for a quick refreshment. During the past two years the number of legislators that actually make an appearance has been extremely impressive. No one who has attended this event has been disappointed by the turnout of lawmakers.

As our banker friends turn up the volume on their campaign to eliminate the credit union tax exemption, it is very important that all credit union professionals and volunteers try to schedule one or both of these events. Hiking the Hill, whether in Washington or Tallahassee, is more than an option these days, it is critical.

I hope to see you in Washington in late February and in Tallahassee in early March. Our future depends on it.



Guy M. Hood
President/CEO

Equipment available – First come, first serve.

Suncoast FCU has the following equipment for any credit union that might want it:

- 16 time lapse VCR's
- 8 black and white monitors
- 3 cameras
- various associated cords and wires

If interested, contact James Gukeisen, Suncoast FCU ATM Operations Coordinator, at 813.621.7511 ext. 88283.

Looking beneath the surface

Commentary by Mark Ivester



Mark Ivester

As a more than 30-year observer of political activities and shenanigans the latest diatribes coming from the Florida Bankers Association and its CEO Alex Sanchez do not surprise me. It has been my experience that when the opposing side gets so shrill and so devoid of common sense and logic, you know you are winning. In this case, the truth is the first casualty in Mr. Sanchez' war of words.

You know the bankers are getting ridiculous when they compare us to the New York Yankees! Sanchez equates his group's "struggle" to the recently completed World Series where the Florida Marlins defeated the Yankees. Of course, Sanchez fails to point out that the Yankees outspent the Marlins by more than three to one in payroll. That is hardly a realistic comparison. Besides, the Yankees are equated with winning, which isn't a bad comparison now that I think about it.

It is common practice in political campaigns that when you see your campaign is losing you must do something to "demonize" the opposing side. An example of this occurs when the trailing candidate starts running ads that have a small grain of truth in them and purport to expose a seeming character flaw in the front-runner. We see this today as candidates who are trailing former Vermont Governor Howard Dean begin to dissect his past record and make raucous charges against him, all in an effort to dissuade voters in upcoming primaries.

Mr. Sanchez' latest words, appearing in his association's monthly publication, fall in the same category. The banking association knows that the public, in overwhelming numbers, support credit unions and see no need to lift the federal tax exemption. They also see no need to give bankers an even bigger edge in the competitive market place. Sanchez thus turns his rhetoric into a scathing accusation of the credit union movement, calling them unpatriotic for their "unwillingness" to pay their fair share of taxes. After all, Sanchez argues, monies are needed to educate our children and to fight the war on terrorism.

Credit unions could respond in kind by reminding the public and policy makers of banks being involved in the drug trade in

South Florida, thus undermining society as a whole, and the billions the savings and loan associations cost taxpayers by their greed scheming and conniving. But, no, we will not mention these and other sins that bankers have committed in the name of corporate profits. Instead, we will focus on the truth.

Mr. Sanchez rails on about "billion dollar conglomerate credit unions" that pay no state or federal corporate taxes. He states that "large billion dollar credit unions like Eastern..., Suncoast Credit Union in Tampa...and the GTE Credit Union...are tax-exempt banks masquerading as credit unions."

Mr. Sanchez, these "conglomerates" are not masquerading as credit unions, they operate on the same exact principles as the two small credit unions you hold up as examples of what credit unions "were meant to be." They are not-for-profit, democratically controlled, non-capital secured financial cooperatives—the same principles that guide every credit union, large or small. You can call them whatever you want, but they are credit unions through and through.

In the meantime, Mr. Sanchez, while you are whining about credit unions avoiding federal and state corporate taxes, you might want to also discuss the 60 banks in Florida that enjoy an exemption from corporate taxes. Those banks have combined total assets of nearly \$12 billion, about two-thirds of the combined total assets of Florida's credit unions. Are they unpatriotic as well?

The sad truth is that as long as Alex Sanchez and his ilk continue to parade a list of horrors that are devoid of the truth then we in the credit union movement must strike back with a steady and consistent message. Credit unions, no matter what their size is or what services they offer are still credit unions. Congress recognized this in 1998 and that is why your League lobbyists continue to hammer this point home to policymakers at every opportunity.

The fight will go on and we will not waiver in our efforts no matter how many dirty names Alex Sanchez and the bankers wish to call us.

Mark Ivester is the Vice President of Communications & Affiliate Relations for the Florida Credit Union League.

Mortgage rates rise, applications decline, CU opportunity still there

Florida credit unions have enjoyed an unprecedented opportunity to make low rate mortgages available to the membership during the past two years. Interest rates have remained at 30-40 year lows and made possible the refinancing of current mortgage obligations and the purchase of homes by thousands of credit union members statewide.

Steve Browne, Eastern Regional Manager of CU Members Mortgage says, "Although rates have risen slightly since the lows of June 2003 they are still extremely affordable with 30 year rates in the 5.75-6.00 percent range and 15 year rates in the 4.75-5.25 range." Browne states that many credit unions have been able to make a full menu of mortgage products available to their members regardless of their ability or willingness to put any mortgage loans on their books through their utilization of mortgage partnerships with companies like CU Members Mortgage. He recommends that credit unions should look for assistance in providing conduits to secondary market mortgage programs like those available through Fannie Mae, Freddie Mac, FHA and VA, regardless of their ability or willingness to hold any mortgages in their portfolio. Any credit union can provide these products to their membership with virtually no ALM risk if they will investigate the mortgage service providers specializing in credit unions."

For more information about providing mortgage products for your members, contact Steve Browne at stevebr@homeloancu.com.

 **CU MEMBERS MORTGAGE**
A DIVISION OF COLONIAL SAVINGS, F.A.

Credit Union Political Action

Ready for the New Year



Aletta Shutes,
Executive VP,
FCUL

The first day back from the holidays was spent in Panama City at a lunch with area credit union leaders and the House Speaker Designate Allan Bense, and we haven't slowed down since. The calendar for the GA staff is already jam-packed for the New Year.

I've already made two trips to South Florida; one to work with the Palm Beach Chapter to form a Chapter Governmental Affairs Committee and another for a fundraiser for Sen. Debbie Wasserman Schultz (D-34) who is running for Congress. At which Rep. Stacy Ritter (D-96) was also in attendance.

Mark Landreth is on the Hill for back-to-back House and Senate committee weeks, Grace Potter Freni is attending legislative events and planning our events for the CUNA GAC, Becky Sammons is taking care of the arrangements for the Legislative Summit—I could go on and on.

The point is: we're working hard to make Florida's credit unions visible to our state and national legislative representatives. I have called on many of you to help with this mission, and I thank those who have answered the call. I hope you all will be responsive when you're invited to participate. I also hope you will let us know when you hear about opportunities to get involved on the local level. This being an election year increases our need to get involved in campaigns and fundraising. Please consider how you can get involved.

FCUL presents contribution to CULAC

At the Governmental Affairs Committee meeting at the end of 2003, Aletta Shutes, FCUL Executive Vice President, proudly presented Richard Gose, CUNA's Vice President of Political Action, a check that represented 130 percent of Florida's goal for the credit union national PAC—CUNA's Credit Union Legislative Action Committee (CULAC). Only personal contributions may be sent to CULAC, and those funds are distributed to national candidates. This accomplishment was made possible because of all the generous personal contributions from credit union professionals and volunteers. Thank you!



Aletta Shutes, FCUL Executive Vice President, proudly presenting check to Richard Gose, CUNA's Vice President of Political Action.

VyStar Credit Union contributes \$50,000 to CUPAC

CUPAC passed the \$400,000 mark early in December when VyStar Credit Union contributed \$50,000 to the League's political action committee. Aletta Shutes, FCUL Executive Vice President, was *almost* speechless when she collected what is now the largest corporate contribution ever given to CUPAC. It was also quite a boost for the Northeast Florida Chapter in its effort to win the CUPAC Chapter competition.



Aletta Shutes and Terry West, President/CEO of VyStar Credit Union

FCUL participates in fundraising luncheon

League EVP Aletta Shutes hosted a fundraising luncheon in Ft. Lauderdale in January. The luncheon, on behalf of State Senator Debbie Wasserman Schulz's congressional campaign and Rep. Stacy Ritter's campaign, was attended by an excellent cross section of credit union volunteers, CEO's and staff. Attending were Kent Herbert, Eastern Financial

Florida CU; Bill Marquardt, City County CU, who also brought three of his board members; Jim Wagy, Tropical Financial Florida CU; and Brian Warfel, Power 1 CU.

Also attending were League Lobbyist Jim Smith; Mark Landreth, CAE, Director of Legislative Development; and former State Representative Fred Lippman now with Nova Southeastern University.

Palm Beach Chapter GA Committee formed

Tom Shea, League Director and Board member for THE CU of Palm Beach County, invited League EVP Aletta Shutes to come and speak to their newly formed group. In January, a luncheon was held at Gold Coast FCU with representatives from Florida Aircraft FCU, PGA CU, THE CU of Palm Beach County, IBM Southeast Employees CU and Gold Coast. Shutes explained lobbying techniques to the group and gave examples of how to get active politically.

Shutes later said, "I am truly encouraged by their efforts and have been working with some of these credit unions for years on their own credit union GA efforts." It is great to see the Chapter form a governmental affairs committee and the cooperative and enthusiastic attitude of the credit unions involved. This is certainly a great step for the Chapter in dealing with legislative and regulatory interests that affect all credit unions.

Congressman Mica joins Insight Financial Execs at Charity Event

Insight Financial was proud to sponsor the Seminole County Lake Mary Regional Chamber of Commerce's 13th Annual "Fantasy Night," a silent and live auction that benefits the Make-A-Wish Foundation of Central and North Florida. Congressman John Mica and his wife, Patricia, dined with Mr. Lynn Owen, President/CEO of Insight and Chairman of the Chamber's Board of Directors. The Congressman and his wife also danced the night away with Insight's Business Development team. "Fantasy Night" more than \$50,000 in charitable donations and was an unforgettable evening of entertainment and dancing.

Mica is currently serving his sixth term in Congress representing Florida's 7th

Congressional District which stretches across six counties from the suburban areas north of Orlando to the Jacksonville city limits.



Lynn Owen (l), President/CEO of Insight Financial with Congressman Mica at "Fantasy Night."

Bense, Panama City area credit unions talk CU philosophy

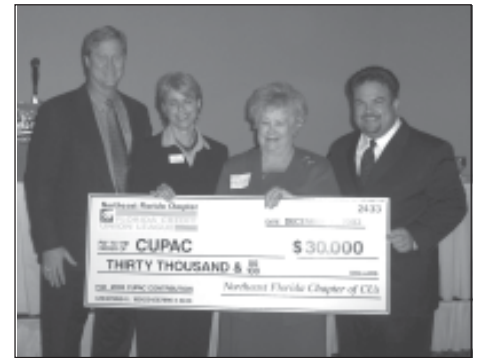
League representatives and credit union leaders from the Panama City area met with 2005 House Speaker Designate Allen Bense (R-6) to share the credit union philosophy and present him with a \$25,000 CUPAC leadership check for the Republican Party. Pictured left to right are: Jim Sowell, Tyndall FCU Board Member; Rock Wester, NCSC FCU; Bill Medlock, Bay CU; Rep. Allen Bense; Jennifer Hall, Panhandle Educators FCU; Wesley Atkins, Bay CU and FCUL Board Member; and Greg Frith, Panhandle Educators FCU and Gulf Coast Chapter President.

Also on hand but not pictured were FCUL representatives Guy Hood, Aletta Shutes, Grace Potter Freni, Mark Landreth and Jim Smith.



Northeast Florida Chapter presents CUPAC contribution

Aletta Shutes, FCUL Executive Vice President, attended the December Northeast Florida Chapter meeting in Jacksonville to accept a check for the Chapter's proceeds from its CUPAC golf tournament held in October 2003. The check was for \$30,000—the most ever given to CUPAC from a Chapter fundraiser. Pictured below, right to left, are Jay Hogan, Duval FCU; Kathy Harrison, (Chapter President) Florida Telco CU; Shutes; and Bill Dagnall, Navy FCU. This group is responsible for the event and makes quite a phenomenal fundraising team!



Politically active...



Kim Davis, CEO of the Florida DOT District 3 CU, recently attended a fundraiser for Rep. Don Brown (R-5). She presented Rep. Brown with several personal checks for the legislator's re-election campaign.

More GA on next page...

Rep. Mealor makes campaign stop at Insight Financial

Florida State Representative David Mealor made a campaign stop at **Insight Financial** in January. Insight Financial presented Mealor with a \$250 contribution and they also presented a check for \$250 on behalf of the Credit Union Political Action Committee (CUPAC) to support Mealor's re-election campaign. Mealor represents District 34, which is comprised of areas in west Seminole County, in the Florida House of Representatives. He is credit union friendly and an avid supporter of growth in Seminole County.



(L to R) Representative David Mealor with Lynn W. Owen III, President/CEO, presenting check.

CUNA introduces regulatory improvement legislation

As a result of several issues and timing, CUNA recently introduced H.R. 3579, the Credit Union Regulatory Improvement Act. Several provisions in H.R. 3579 have been parts of other legislation over the years and CUNA felt it time for "stand alone" credit union legislation

Two major provisions of interest are: an increase in the cap on member business loans from 12.25 percent to 20 percent; and a change in how a CU's financial health is measured so it is risk-based rather than percentage-based.

The bill does not address a change in

private share insurance or FHLB issues, though those issues may be addressed during the amendatory process.

CUNA noted they intend to seek as co-sponsors "a majority of the majority," or 118 Republican congressmen, plus any interested democrats. Reportedly, the Financial Services Committee is pleased about the introduction of this bill and CUNA expects a hearing in the Spring.

CUNA feels this legislation provides a great opportunity to talk to members of Congress about credit union issues in general, and these issues in particular.

Bankruptcy legislation expected to be heard in '04

The U.S. House of Representatives passed Bankruptcy Reform in March 2003. Two minor amendments were passed. One, the Toomey Amendment, would give NCUA the same authority as the Federal Reserve concerning bilateral netting.

In April, eleven Senate Democrats signed a letter to Senate Majority Leader Frist "urging that the Senate take up a bankruptcy reform bill modeled after last year's conference report as soon as possible."

In May, Judiciary Chairman Orrin Hatch (R-UT) indicated his intention to bypass his committee and go directly to the Senate floor with the bankruptcy reform bill. As the Chairman put it, he does not want to spend weeks of committee time on the bill. CUNA has met with the Senate leadership staff of Majority Leader Bill Frist (R-TN) and Minority Leader Tom Daschle (D-SD) urging the legislation be taken up on the floor.

In September, in response to recent questions from news reporters concerning pending legislation this fall, Senate Finance Committee Chairman Charles Grassley (R-IA) said the Senate must "get its act together" on bankruptcy reform legislation, according to *National Journal's Congress Daily*.

Continuing its usual glacial pace, Senate Finance Committee Chairman Chuck Grassley and others reported it will be early in 2004 before the Senate will consider the bankruptcy bill.

You're invited...



**Fifty stars.
One future.**

*FCUL's Florida Dinner at GAC**

Sponsored by: the Florida Credit Union League

When: Monday, Feb. 23, 2004, 6:30 p.m.

Where: Washington Hilton & Towers

*Special Guest Speaker: Mel Martinez, Former
Housing & Urban Development Secretary*

**Florida attendees of CUNA's GAC will receive invitations to this event and are encouraged to RSVP as soon as possible, as seating is limited.*

Regulatory Update



B

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.

Plastic card safeguards detailed at Discovery Conference

Online plastic card authentication programs help protect cardholders against fraud and save card issuers from loss exposures created by charge-back rule changes, said CUNA Mutual Group plastic card expert Ann Davidson at the 2002 CUNA Mutual Discovery Conference.

Verified by Visa and MasterCard SecureCode are online Internet security tools available to protect card issuers and cardholders against fraud in card-not-present situations. Combined with address verification services and signature panel validation digits, these programs make it more difficult for criminals to get away with fraudulent use of a card on the Web, by mail or over the phone.

Loss-control measures should be viewed as building blocks that can be added to traditional "card-present" tools such as name matching, expiration date mismatch and card activation.

Visa and MasterCard introduced their authentication programs to protect cardholders and build consumer confidence in buying online. However, these programs do include charge-back rules that significantly affect card issuers, particularly if they and/or their cardholders choose not to participate.

Changes to Visa's charge-back rules, which were effective April 5, 2002, eliminated a card-issuing credit union's ability to charge back online fraudulent losses to the merchant, if fraud occurs and the merchant participates in Verified by Visa, but the credit union and its cardholders do not. Now, the loss stays with the card issuer—in this case the credit union.

Tips for credit union card issuers:

- Contact the card processor, and determine if and when it will support these new programs and what costs are involved. If the current card processor cannot contract the authentication software, credit unions

can work with a third-party authentication vendor or with Visa and MasterCard directly.

- Encourage member participation. Consider auto enrollment for cardholders to reduce the credit union's loss exposure from the charge-back liability shift for Verified by Visa. Mass enrollment will protect cardholders who shop online and those who do not.

Ask the card processor and/or Visa/MasterCard representative for materials to educate staff and cardholders on these new online security programs.

Overhead transfer rate (OTR) at 59.8 percent

The NCUA board unanimously approved a new method for annually calculating the OTR, which reduced the rate from 62 percent to 59.8 percent.

NCUA's OTR indicates the proportion of funding from the National CU Share Insurance Fund (NCUSIF) allocated to NCUA to defray the costs of operating the agency that are insurance related.

Adopting a more comprehensive, annual approach, the refined method of calculating the NCUSIF overhead transfer amount now takes into account:

- Improved time surveys submitted by NCUA examiners tracking actual time spent on insurance related activities;
- Value of insurance-related work performed by state supervisory authorities;
- Cost of NCUA resources and programs with different allocation factors from the examination and supervision program;
- Distribution of insured shares between federal and federally insured state-chartered credit unions; and
- Operational costs charged directly to the NCUSIF.

Currently, NCUA has a three-year cycle for applying the OTR. The rate in 2001 was 66.7 percent. The NCUA Board reconsidered that rate and dropped to it to

62 percent for the second and third years of the three-year cycle.

Operating fees cut by 6.81 percent for FCUs in 2004

Changes to the operating fee scale for natural person federal credit unions for the 2004 collection cycle were approved that parallel the agency's actions with regard to the budget and overhead transfer rate.

The NCUA Board revised the operating fee scale by: decreasing the operating fee scale by 6.81 percent; and increasing the asset dividing points by 10 percent, which is equal to the estimated asset growth.

Operating fees will be due to NCUA no later than April 16, 2004.

Loans may be secured by manufactured homes

NCUA said federal credit unions may make loans secured by manufactured homes for the longer maturities permissible for residential real estate loans if those loans meet NCUA's regulatory requirements for residential real estate loans. To qualify for the longer maturity, the manufactured home must qualify as real property by being titled as real property, as determined by the law of the state where it is located.

NCUA no longer equates mobile homes with manufactured homes for purposes of interpreting the agency's lending regulation. The agency believes that changes in the housing industry support distinguishing a manufactured home permanently affixed to the ground from a mobile home for purposes of the agency's lending regulations. Unlike a mobile home, which is also constructed in a factory, a manufactured home is not intended to be moved once it has reached its ultimate destination.

NCUA advises credit unions to carefully evaluate the additional risks and safety and soundness concerns longer maturities may

— continued on next page

present before implementing a manufactured home lending program.

NCUA expands business-lending options

The NCUA Board unanimously approved as a final rule a new member-business loan (MBL) regulation, expanding credit unions' investment options.

Among other things, the new MBL regulation:

- Amends construction and development loan equity requirements to require 25 percent (35 percent previously) borrower equity;
- Authorizes highly capitalized RegFlex-designated credit unions to establish individual policies regarding whether to require personal guarantees by principals and the amount of such guarantees;
- Authorizes well-capitalized credit unions to make unsecured MBLs within certain regulatory limits and restrictions;
- Provides that purchases of non-member loans and non-member participation interests do not count against a credit union's aggregate MBL limit. This is subject to an application and approval process that will include safety and soundness reviews;
- Allows 100 percent financing on certain business purpose loans secured by vehicles;
- Provides that loans directly to other credit unions and credit union service organizations (CUSOs) are not classified as MBLs;
- Clarifies and streamlines MBL documentation requirements;
- Amends the prompt corrective action (PCA) rule regarding the risk weighting of MBLs; and
- Authorizes federal credit union investment in CUSOs that originate business loans, subject to certain regulatory restrictions.

Board Vice Chair JoAnn Johnson noted, small business involves over half our work force and accounts for 50 percent of the nation's GDP. A well-made member business loan is a good credit union investment in our nation's economy and future.

NCUA Chairman Dennis Dollar said issuing the new MBL rule is "a timely and necessary update" that will result in more start-up entrepreneurial capital being available for small business and greater safety and soundness diversification in credit unions' lending portfolios. "This is a well balanced regulation which clearly

recognizes the statutory restrictions on member business lending by credit unions, but empowers financially strong credit unions with solid underwriting standards in place to reach out to more budding entrepreneurs in their fields of membership."

"As the President's plan for jobs and sustained economic growth will benefit small business owners across the country, this final member business lending rule will better position credit unions to serve their business members and play an important role in the President's strategy to strengthen small businesses," said NCUA Vice Chair JoAnn Johnson, who lead the agency's internal working group on member business lending.

Fed plans changes to five consumer disclosure regulations

The Federal Reserve Board published proposed rules on November 26, 2003 to establish more uniform standards for providing disclosures under five consumer protection regulations.

The rules would amend:

- Reg. B on equal credit opportunity laws;
- Reg. E on electronic fund transfers laws;
- Reg. M on consumer leasing laws;
- Reg. Z on truth in lending laws; and
- Reg. DD on truth in savings laws.

"We support the goal of ensuring that consumers have a better understanding of these disclosures, but will be reviewing them further and will work to ensure that the burden for credit unions is minimized," said CUNA Asst. General Counsel Jeff Bloch.

Establishing a more uniform standard and defining more specifically the standard for providing disclosures is intended to help ensure that consumers receive noticeable and understandable information that is required by law in connection with obtaining consumer financial products and services, the Fed related in a release last week.

In addition, the Fed said consistency among the regulations should facilitate compliance by institutions. Under most of the consumer financial services and fair lending laws administered by the Board, consumers must be provided with disclosures that are "clear and conspicuous." This standard is currently defined using

similar but not identical language in the various regulations. The proposed rules provide a more specific definition for "clear and conspicuous" and include examples of how to meet the standard.

Adverse action

If a denial occurs, someone has to provide the adverse action notice – the CU or the 3rd party on the CU's behalf. It just depends on the indirect lending arrangement, and whether or not the dealer accepts the responsibility for providing the notice. If it is the dealer's responsibility, the CU need not provide notice. See below from the Reg B commentary for Sec. 202.9(c)(3):

"Third-party notice. When a notice is to be provided through a third party, a creditor is not liable for an act or omission of the third party that constitutes a violation of the regulation if the creditor accurately and in a timely manner provided the third party with the information necessary for the notification and maintains reasonable procedures adapted to prevent such violations."

FCUs must comply with Texas collection law

Federal regulations do not preempt a Texas debt collection law and it could be applied to out-of-state federal credit unions with Texas residents as members, advised NCUA Associate General Counsel Sheila Albin in a legal opinion letter.

The letter responded to a New Mexico credit union inquiring about the law and NCUA's policy. NCUA's lending regulations state that it is not the intent of the NCUA Board to preempt state laws affecting aspects of credit transactions that are primarily governed by federal laws other than the Federal CU Act, including state laws concerning debt collection practices.

The regulations also provide that the relevant federal law's preemption standards determine whether a state law is preempted. The relevant federal law in this instance, the Fair Debt Collection Practices Act, provides that state efforts to regulate debt collection practices will not be considered inconsistent, for preemption purposes, if the differences in the state law provide relatively greater protection to the consumer.

Training vs. Performance: What are the differences?



Cassandra
Grayson

In December's issue of the *FCUL News*, I provided a broad overview of performance improvement, including a discussion of its components. This article will take a look at the characteristics that separate

the training function from performance improvement.

Focus

Traditional training focuses on what employees need to learn. Acquisition of skills and/or knowledge is the primary objective. Traditional trainers measure learning outcomes via quizzes or activities; whether or not new skills and knowledge are actually applied in a performance setting (i.e., on the job) is not usually measured.

Performance improvement specialists focus on what tasks employees need to perform. They see the acquisition of skills and knowledge as a means to an end. Performance outcomes, or how one's behavior on the job has been affected by an intervention, are the measure of interest to performance professionals. The knowledge and skills that are acquired in training are of little value unless they are applied on the job.

Orientation

Traditional training is event-oriented. Training may take place at the employee's work site, on the Internet or at a remote location. For example, a teller may attend a two day seminar on cross-selling at an out of town location. Once the training has been delivered and the teller returns to his or her work site, the training event is complete.

Performance improvement, on the other hand, is process-oriented. The performance improvement specialist examines an organization from a systems perspective and identifies interventions that will most likely close performance gaps and improve performance. When training interventions are prescribed as part of a performance improvement plan, part of the process is the actual application of newly acquired the

knowledge and skills on the job. The process does not end when the training event ends.

This requires a conscience effort by trainees to apply new skills in their work setting. Management is also involved in the process and is responsible for supporting employees and reinforcing work behaviors that changed as a result of training.

Bias

Traditional training favors instruction as a solution to a performance problem. Loan sales aren't as high as your goal? Your member service representatives must not have the necessary knowledge and skills related to cross-selling. Training them will solve this problem. Does that sound familiar?

The *performance* improvement focus views training as one potential solution to a performance problem. The performance improvement specialist is unbiased toward solutions. This approach relies on multiple solutions of which training is only one. Maybe your member service representatives would benefit from a new system for identifying potential loan purchasers; or maybe your loan sales would increase if more promotional marketing pieces were sent out to your members.

Front-End Assessment

In the *training* world, a front-end assessment of the work environment is viewed as optional. Training is seen as essential and is delivered under this assumption. Potential barriers to desired performance are rarely identified.

With a *performance* approach, the front-end assessment is considered mandatory. Performance consultants view organizations as systems and recognize that barriers to performance exist beyond the realm of training. Providing employees with the necessary knowledge and skills to do their jobs is not always enough.

Evaluation

Training programs are traditionally evaluated according to two measures: 1.) whether the participants liked the program; and 2.) whether the participants achieved

learning objectives of the program. Data related to the outcomes beyond these two measures is typically not collected.

Performance consultants measure success in terms of the contribution that an intervention has on performance change and operational impact. Performance focused projects look at whether business objectives were met and whether there was a financial return on investment.

Roles

People working in *traditional* training departments may take on the following roles: instructor, facilitator, materials developer, program designer or training administrator. The outputs from their work are identification of training needs, delivery of training and evaluation of training programs. This is another example of learning—not performance—as the desired result.

A *performance* consultant may need to adopt multiple roles as well. He or she may act as a client liaison, partnering with management for identifying and contracting for performance improvement initiatives that address business needs. The performance analyst role requires that they identify the ideal and actual performance required to meet business needs and determine causes for performance discrepancies. The consultant role guides management in taking actions that support performance. This requires working as a change agent. Lastly, acting as an impact evaluator who identifies and reports on the effect of an intervention on individual performance and organizational effectiveness is another role.

You're probably now wondering how potential performance improvement projects are identified and implemented. Join us next time when we will discuss examples of performance problems and potential training and non-training solutions.

STAR, VAP and MERIT

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:

Jax FCU: Patrick O'Neill

McCoy FCU: Richard Albert

Metro North FCU: Derrold Satterwhite

Orlando FCU: Debbie Owen

Pan Am Horizons FCU: Patrick Carnevale

USF FCU: Scott Besley, Richard Fentriss

STAR CERTIFICATES:

Broward Schools CU: Shirley Black, Deura Chacon

Central Florida HealthCare FCU: Heather Braswell-Smith, Traci Kresl, Petra Miskova, Onassis Nyariri, Selena Thomas

Community Educators CU: Nicole Carluccio

Duval FCU: Tammy Crenshaw, Wilchele Singleton, Qshawn Smith

Eckerd CU: Kristy Godfrey

Florida Central CU: Cheryl Lay, Shirley Littleton

Florida State University CU: Rita Bennett Daugherty

GTEFCU: Mindy Amoroso, Alicia Bolosh, Theresa Carter, Erin Dennis, Delphine Green, Jeffery Lilley, Kathy McIntyre, Terri Munsey, Sandra Ostrander, Cheryl Patton, Celeste Perkins, Tracy Petersen

Insight Financial CU: Kelly Clanton, John Kelly, Amber Krieger, Torrie Leitner, Nancy Ortiz, Brandalin Smith, Cindi Steffens, Carri Worley

Pen Air FCU: David Cox, Beverly Denham, Darren Duke, Julie Gainey, Robyn Tuck

Pinellas County Teachers CU: Elena Brisson, Joni Johnson, Jennifer Sgro

Seminole Schools FCU: Cindy Altdoerffer, Carey Lee, Vivian Mikler

Suncoast Schools FCU: Sylvia Alcaraz, Linda Calafiore, Erika Christensen, Melanie Craig, Deborah Gallagher, Julie Hunter, Courtney Todd, Betty Tom, Christopher Townsend

VyStar CU: La Ponda Addison, Maritess Andres, Christopher Berthold, Irene Burke,

Susan Chapman, Lashanda Cobb, Rachel Cottle, Hannah Cres, Leonila Dapar, Bethany Eddie, Marie Hemans, Tarra Johnson, Kerry King, Franchesca Martin, Kimberly Maurer, Sylvia Mitchem, Jitka Morales, Kim Nettles, John Silliman, Rosella Smith, Joshua Weintraub, Taylor Williams, Jennifer Worthington, Travis Young

MERIT CERTIFICATES:

Bay Pines FCU: Becky Harris

Central Florida HealthCare FCU: Yasmin Jones

Central Florida Educators FCU: Shirley Shoemaker

Eckerd CU: Michele Miller

Florida Central CU: Julie Moyers

Florida Telco CU: June S. Burnett

Harvesters FCU: Marilyn Clifton, Maria Morrison

VyStar CU: Leigh Bishop, April Bonacchi, April Boree, Jennifer Hardwick, George Regan

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.

Note: Judy Melcher has retired from the League. Contact Tammy Shotwell for questions concerning these programs.

ICCUE awards scholarship, more available

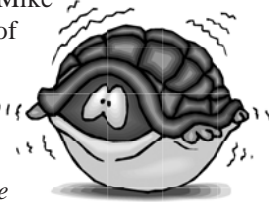
The Sunshine Chapter of the Institute of Certified Credit Union Executives (ICCUE) recently awarded a scholarship to the CEO of a Horizons credit union for the completion of an additional course in the CCUE program.

The Sunshine Chapter has several additional scholarships available for individuals who are interested in the CCUE program. For additional information, contact Bill Berg at 800.342.1266 ext. 1028, or download the application from www.fcui.org—click on *League Services*, click on *Education & Training*, and then *Certified Credit Union Executive Program*.

Got employees who fear selling?

"Fear of selling is one of the most over-rated excuses managers validate," states Mike Neill, president of Michael Neill & Associates.

"Most of the time when people say *I have a fear of selling*, it means *I haven't been doing it*." People tend to fear unfamiliar territory. Comfort is largely rooted in experience and past success.



Neill offers these tips for helping employees work through their fear of selling:

Identify the real cause. "There are two key reasons people aren't selling. It's either a willingness problem or an ability problem," Neill says. "Ability is fixed by training. Willingness is fixed by coaching." As manager, you have to determine if ability or willingness is the roadblock. You can usually make this determination by listening to the employee and observing his or her actions.

— continued on page 14



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

Suncoast for Kids Foundation raises \$\$\$ for children's charities

Suncoast Schools FCU golfers, sponsors, employees and members joined forces for a day of golf and fundraising at the 9th Annual Suncoast for Kids Foundation Golf Tournament held recently. The event raised more than \$100,000, all of which will be donated to children's charities through the Suncoast for Kids Foundation.



(L to R) Suncoast Schools FCU President/CEO Tom Dorety and Deluxe Financial Services President/COO Ron Eilers, Account Manager Linda Meyer and District Sales Manager Ron Ford.

Bernie Arvin



Arvin

Bernie Arvin, CCUE, former President/CEO of Gulf States CU in Maitland has passed away after a long battle with cancer. He will be greatly missed by all.

FCUL Service Group contributes \$100,000 to Foundation

Due to a highly successful year by the FCUL Service Group (FSG), FSG invested a portion of its earnings back into the credit union system, through the Florida Credit Union Foundation. FSG contributed \$100,000 to the Foundation in order to strengthen the program's continuous efforts to aid the credit union movement.

When asked about the donation, FSG spokesman Marvin Garland stated, "We've had a highly successful year thanks to our credit unions. Therefore, we are giving back to the system through the Foundation, a program that continually assists our credit unions by providing educational opportunities that they may not otherwise

be able to benefit from; in turn, this education supports them in better serving their members."

The Florida Credit Union Foundation is a non-profit corporation whose sole purpose is for the advancement of science, charity and education as they relate to the field of consumer credit with particular emphasis on credit unions and the credit union movement. The Foundation issues scholarships on an as need basis throughout the year to those individuals who best exemplify the credit union philosophy, and whose attendance at approved programs would aid in the perpetuation of credit union goals and ideas.

Envision Credit Union partners with City of Quincy

It all started with the vision of Earl Banks, Quincy's City Manager, to provide low interest loans for the purchase of a computer system and Internet service to those in the community who otherwise would be unable to purchase one due to financial constraints. The City Commission of Quincy approved an agreement to enter into the program with Envision Credit Union and to fully guarantee the loans made under the program.

The average loan will be approximately \$1,000 that will include the computer system and three years of Internet service. The City will coordinate the computer purchase and NetQuincy—the City's Internet service utility—will be the Internet Service Provider. The loans will be closed ended with up to 36 months for repayment at 6.5% APR...approximately \$31.00 per month.

The potential number of Gadsden County residents who may be eligible to participate, according to city officials, could be as high as 5,000.

Envision Credit Union, under the agreement as the exclusive provider for this

program, will be included in all marketing materials on their web sites, TV spots and written communications.

Envision Credit Union is pleased to be able to partner with the City of Quincy to help them accomplish their vision and mission.



(L to R) Willie Banks, City Manager, Quincy; Curtis Richardson, Fla. House of Representatives; Ray E. Cromer, Jr., President / CEO, ECU; Thais (Ti) Johnson, Assistant VP, Quincy Financial Center, ECU; Judge Steward Parsons, Gadsden County; Bruce Harter, Chair of the Board of Directors, ECU; Sherry Vanlandingham, Gadsden County Chamber of Commerce; Bill McGill, Chairman, Gadsden County Commission

More News for You on next page

GTE FCU employees recognize “what matters” with contribution to United Way

GTE Federal Credit Union employees looked into their hearts and dug into their pockets to raise \$79,846 as part of United Way’s 2003 “What Matters.®” campaign, demonstrating the credit union’s motto of “Together We’re Better.”

Donations were raised through individual employee contributions and fundraisers. Particularly successful was an “Ugly Shirt” auction at the credit union’s organizational day of employee development. The credit union’s 30 central Florida branches created ugly T-Shirts, which were auctioned off by GTE FCU President and CEO Wendell (Bucky) Sebastian. The highest bidder designated a co-worker to wear the shirt the following business day.

The recently formed GTE FCU Charitable Foundation added to this year’s success by matching employee contributions dollar-for-dollar.



(L to R) GTE FCU CEO “Bucky” Sebastian; Senior VP—Operations Suzanne Wilson; and Exec. VP/CFO Rich Helber show off their “ugly shirts” along with hats from previous fundraisers.

Gulf Winds FCU gives a one-time bonus dividend to members

One principle setting credit unions apart from banks is that of returning excess income to members in the forms of bonus dividends and low interest rates.

Gulf Winds FCU declared a one-time 5 percent APR bonus dividend for regular savings accounts and 1.25 percent APR bonus dividend for checking accounts for the month-end December 31, 2003, saying members’ share accounts were credited with the dividends on January 1, 2004. This is the third time in the last seven years that GWFCU has returned a bonus dividend payment to its members.

“Thanks to the loyalty of its members, Gulf Winds FCU has experienced an exceptional year. Our change in field of membership and name have been both exciting and rewarding for members and staff,” says Chris Rutledge, CEO and President.



Olsen

Lucile Olsen, a member of Coast to Coast Credit Union’s Board of Directors, retired from her position as of January 2004.

Lucile served 48 years of dedicated service on the Board.



Goins

Sharmon Goins, former Manager/CEO of Florida Customs Federal Credit Union in Tampa, has recently joined Bay Gulf Credit Union as Vice President of Project Management and Business Strategy.

Sharmon brings to Bay Gulf more than 18 years of credit union experience. Sharmon is also a member of the Supervisory Committee of Florida Central Credit Union and a Board Member of the Tampa Chapter of Credit Unions.

Business shirts go to charities

After Gulf Winds FCU in Pensacola changed its name from Monsanto Employees Credit Union in September, employees donated nearly 1,000 shirts and sweatshirts with the old MECU logo: 500 shirts to the Red Bird Mission in the Appalachian area of Frakes, Ky., and the remaining 500 shirts to the Catholic Charities Mission in Chimbote, Peru.

Pen Air FCU contributes \$1,000 to Toys For Tots Foundation

Marine Corps representatives from NAS Pensacola graciously accepted a \$1,000 contribution on behalf of the Toys For Tots Foundation from Pen Air Federal Credit Union. The Marine Corps has spent many man hours setting up drop box locations, conducting fund raisers and getting the word out about Toys For Tots Foundation and the many underprivileged children it helps during the holidays.

The credit union served as a drop box location and supported their benefit golf tournament with a team prize of four putters.

“We always try to find ways to give back to the community that has continued to show its support for credit unions,” John A. Davis, Pen Air FCU President/CEO

stated. “We are proud to be able to help further the Toys For Tots efforts taken up by our Marines. They’ve been knocking on a lot of doors and making many phone calls – we were glad to have been able to answer.”



John Davis, Pen Air FCU President/CEO, presents Marine Corps with a \$1,000 check to benefit the Toys

Central Florida Postal CU supporting educational programs "to deliver dreams"

Within the next three to five years nearly one third of the nation's credit union's CEO's and 25 percent of their senior management are scheduled to retire. William K. Kennedy, President and CEO of the **Central Florida Postal Credit Union**, has provided a unique learning opportunity for potential future candidates for these positions. This partnership with the University of Central Florida's MBA program will provide internship opportunities for business students interested in pursuing careers within the financial services field.

Mr. Robin W. Roberts, PhD., CPA and Interim Associate Dean of Graduate and External Programs College of Business Administration at University of Central Florida Orlando, recently commented "The UCF College of Business depends upon organizations such as the Central Florida Postal Credit Union to help us bring real-world experiences to our graduate programs. Working with Mr. Kennedy, our college has been able to provide four MBA students with invaluable lessons concerning the inner workings of financial institutions and concerning everyday life in the business world."

Measuring turnover

By Anita Stoumbelis, FCUL Vice President, Human Resources

As credit unions go about reviewing the past year and planning for 2004, it is likely they are calculating a "turnover rate" to measure the percentage of staff that has left the organization during the year. A common formula used is:

of Employees Terminating Employment
divided by
Total # of Employees at Beginning of Year

In 2002, the finance industry experienced a turnover rate around the 20 percent mark. This percentage rate has remained fairly consistent over the past few years—and there aren't any major differences expected for 2003.

Now you ask: How does your turnover rate compare and what does it mean? Is it a valid benchmark by which to grade how well your organization is managing its employees?

The answers will vary from credit union to credit union. However, the percentage alone does not tell the whole story. To uncover how your turnover stacks up against the average, you'll have to answer more questions, such as:

- Why did the employees who left you this past year leave? Was it normal turnover, i.e., spouse transferred to another city, retirement or change in family circumstances?
- Did you lose "A" players or "C" players?
- Did you lose long-term, experienced employees or less-tenured staff?

- Did you introduce new initiatives at the credit union this year? Did you lose staff that was resistant to changing with the organization's new direction?

- Did you terminate many employees for not meeting performance standards?

The answers to these questions will better tell the story of turnover. If your turnover rate is high and you are: losing employees who are "A" players, losing long-term employees or losing employees repeatedly for reasons other than normal turnover, then turnover is a problem that may need attention.

On the other hand, not all turnover is bad. If you have been practicing proactive performance management and have terminated employees that weren't performing well; or if long-term staff that resisted change decided to leave, then turnover may not be a problem — in fact, you may be experiencing "good" turnover.

"Bad" turnover is costly to an organization. Human resource studies indicate that turnover costs an organization anywhere between 15 and 25 percent of the annual salary of the staff that is to be replaced. This includes hard costs such as newspaper advertising, background check fees and other recruiting costs. It also includes staff time to recruit, interview, orient and train the new employees.

Next month we will explore some reasons for "bad" turnover and how you can identify the problems and look for solutions.

ECCU celebrates opening of new branch

Educational Community Credit Union recently celebrated the official opening of its fourteenth branch with a ribbon cutting ceremony. The new branch is a spacious state-of-the-art, full-service banking facility complete with four drive thru lanes, a drive-up ATM and numerous technology upgrades that save time and add convenience.



Pictured front center from left to right are: Howard Winesett, ECCU Board of Directors Chairman; John Hirabayashi, ECCU President and CEO; Brenda Simmons, ECCU Board of Directors Secretary; and Dianne Dewees, Lem Turner Branch Manager.

CUs should be aware of fiduciary liability risks

Assets in the U.S. retirement market stood at \$10.2 trillion at the end of 2002, according to the Investment Company Institute. In the wake of the recent Enron debacle, more credit unions are asking questions about their responsibilities in regard to sponsoring group employee benefit plans.

With respect to an employee benefit plan, a fiduciary is someone who has discretionary responsibility in the administration of the plan, renders investment advice for a fee or exercises control about the management of such a plan or its assets.

Taking on the role of fiduciary can be demanding and should be approached in a serious manner. ERISA (the Employee Retirement Income Security Act) establishes mandatory performance standards for plan fiduciaries that include undivided loyalty in handling plan affairs, prudence, investment diversification and due diligence.

Fiduciary liability refers to the risk involved when those standards are violated. Fiduciary liability insurance provides coverage for breaches of fiduciary duty by ERISA plan fiduciaries, including protection of personal assets to plan fiduciaries.

Rules for FCUs and other CUs

NCUA Regulation 701.19(e) requires a federal credit union to have fiduciary liability insurance if it is a fiduciary under

an ERISA-covered employee benefit plan. Regulations for state chartered CUs may vary.

But because the assets of a CU and the personal assets of its directors, volunteers and employees are at risk, it's prudent for state and federal credit unions to have this protection. ERISA fiduciary liability and other liability from performance standards for a fiduciary apply to both state and federal credit unions.

ERISA rules and regulations are complex

"The complexity of the rules and regulations under ERISA and the Internal Revenue Code can cause problems for employers if they're not aware of them," says Dave Fowler, CUNA Mutual Associate General Counsel.

For example, a new employee in a credit union benefits department may not have full knowledge of ERISA rules or how the credit union's employee benefits plans are administered.

"It's critical to get the new employee up to speed in terms of how the 401(k) plan operates," says Fowler.

Late 401(k) plan deposits

One common problem is the failure to deposit 401(k) contributions within the time limit mandated by the Labor Department. Contributions should be deposited into the trust as soon as possible after they are

deducted from employee paychecks. While regulations allow a delay to the 15th day of the next month, Fowler says the Labor Department is looking for much quicker deposits – usually within a few days after the payroll date.

Employers that accumulate payroll deductions and deposit them monthly or quarterly are waiting too long. As a result, they will be violating their fiduciary duties under ERISA. This type of problem can be corrected through the Labor Department's voluntary compliance program, but it is possible that the plan's trustees could be sued by participants in egregious situations, or that the Labor Department could impose penalties.

Fiduciary liability refers to the risk involved when mandatory performance standards [established by ERISA] are violated.

Finally, in the wake of the current mutual fund scandal, many retirement plans have dropped those mutual funds companies that have been implicated. Trustees of credit union retirement plans should also

regularly review the investments offered under their plans to make sure they are appropriate and that the mutual fund companies are operating the funds properly.

For more information about fiduciary liability with regard to employee benefit plans, visit www.cunamutual.com and type "fiduciary liability" in the search box.

Fear of selling

Define the benefits. Help employees see how selling benefits them, the branch and the member or customer. Frequent check writers, for example, save money if you offer them a debit card because it eliminates the need to purchase so many checks. The electronic transactions generated with a debit card are cheaper for your credit union to process than checks. Employees typically feel better about themselves when they help people. They also earn better performance reviews, salary increases, and incentives.

Start with making referrals. This gets employees used to making pitches. As their confidence and skills grow, graduate them to closing sales.

Set goals. Ask the employee, for example, to make four referrals a day. Start with small goals and then move up. Remember, however, goals have to be coupled with ongoing sales coaching.

Treat selling like any other performance expectation. "Managers often deal with selling so different than any other aspect of performance," observes Neill. "You don't ask whether employees are afraid to balance or dislike coming in to work on time." You and your staff need to view selling just like any other job requirement. It's a responsibility like being courteous, accurate, etc.

Don't talk about "fear." You'll only encourage the feeling. "If you don't expect

results, you won't get them," Neill says. "When you talk about the fears people have, you give them an excuse for not selling."

Michael Neill & Associates is a credit union consulting firm that works to improve the profitability of credit unions. To contact Neill, call 888.440.0552 or email mnai@att.net.

The above article is reprinted from "Branch Manager's Letter" (BML), a monthly newsletter for branch managers and employees. BML provides tips on sales, service, people management, security and business development. For a free issue, email lane@branchmanagersletter.com or call 304.343.0206.

— continued from page 10

Espionage and ID theft in business: How your credit union can fight back



As the fastest growing crime in America, identity theft will be the primary security issue for many businesses—large or small—in 2004. Since numerous state and federal laws have recently been enacted to protect confidential client information, businesses must develop a secure plan for managing this information or face lawsuits.

According to Beth Givens, founder and director of the *Privacy Rights Clearinghouse*, “The number of identity theft cases that have their roots inside business is rising.”

Another major concern for many businesses is the threat of espionage. According to Richard Power of the *Computer Security Institute*, “Corporate espionage is real. . . it’s as real as the profits from the most successful IPO imaginable and it can wipe out those kinds of profits just as easily.”

In an anonymous survey conducted by the FBI and CSI, more than 50 percent of information security professionals cited competitors as likely sources of cyber attack.

Clearly, these alarming statistics call for new processes and procedures to protect businesses from espionage, security breaches, identity theft lawsuits or other harmful forms of legal entanglement.

Here’s how your CU can fight back:

- Restrict personnel access to sensitive files
- Segregate confidential employee records such as personnel files, benefit enrollment forms, payroll records and tax records
- Put a records retention plan in place, including a schedule for records destruction

- Limit the number of visitors allowed into your offices
- Use privacy filters for computer screens, secure headsets and cable locks and encryption software to protect laptops in the office
- Always shred sensitive information before disposal

Credit unions need to be especially sensitive to these issues since they hold so much important member information. Special practices should be taken to always ensure the protection of member information and to keep it secure and safe at all times.

This article is brought to you by the Office Depot Business Service Division program. For more information on how to participate in this program contact Deirdre Osowski at 800.342.1266 ext. 1104 or email deirdre.osowski@fcu.com

New special finance customer

The economic turbulence of recent years has catalyzed tremendous growth in the special automotive finance marketplace. Credit-challenged borrowers form the fastest growing consumer segment of the \$500 billion auto lending industry. But the profit potential for credit unions lies not in the market’s mushrooming size. Today’s opportunities are rooted in the emergence of an entirely new category of special finance customers.

The increasing demand for special finance auto loans accompanies dramatic shifts in customer demographics. Industry analysts have identified a new consumer profile that burgeons with opportunity for lenders: formerly prime borrowers with middle incomes who are recovering from temporary financial destabilization.

The rise of this new customer category is easily traced to the staggering economy. Many Americans accrued sizable credit card and mortgage debt in the 1990s, only to be blind-sided by the ensuing economic slump. Corporate downsizing, cuts in pay and benefits, and a stagnant white-collar job market continue to thrust millions of mainstream, fiscally responsible families into unforeseen financial straits.

Changes in health or family status often

trigger financial hardship. Medical debt and loss of income deteriorate the economic health of even well-insured families. Soaring higher education costs hit many students and parents at the same time that their elderly loved ones require more extensive and expensive care. Along with its deep emotional toll, divorce almost always exacts financial costs and losses.

For backed-up bill payers, the burden of escalating debt is compounded by their newly lowered credit ratings. Perceived as problematic by traditional financial institutions, these borrowers are prime targets for unethical lenders. Yet few options remain. In the past three years, most reputable lenders, including the automakers’ captive finance companies, have scaled back their participation the special auto loan marketplace. Meanwhile, according to CNW Research, special finance loans now account for 31.5% of all auto loans, up from 17.8% in 1993.

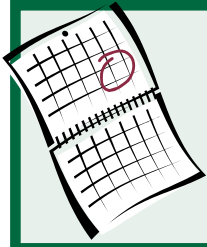
Robert E. Sutton, Chairman and CEO of CENTRIX Financial, proposes a new model for evaluating the immediate and long-term economic viability of this vast consumer group. Sutton’s approach defines the financial circumstances that place special auto finance consumers at various

points on a “Continuum of Credit Health.” His model further identifies those potential customers who are rebounding from temporary low points in their credit histories.

Sutton’s unique view of the special automotive finance marketplace powers the company’s core product: the CENTRIX Portfolio Management Program (PMP). Specifically targeting the new special finance customer, the CENTRIX PMP enables credit unions to safely and profitably serve credit-challenged members.

At the core of the company’s success is the understanding that auto loans move more than cars—they move people toward their goals. Sutton believes that the vast majority of new special finance customers are deeply committed to rebuilding their credit. Dedicated to keeping these borrowers in their cars, CENTRIX presents a special automotive lending vehicle that benefits and respects every participant in the transaction.

If you are interested in learning more about the CENTRIX PMP, contact the CENTRIX Sales and Marketing team at 877.500.4646 or at: pmp@centrixfinancial.com.



FCUL Calendar of Events

February 2004

Date	Event
22-25	CUNA GAC – Washington, D.C.

March 2004

Date	Event
8-9	Chapter Presidents/Leaders Conference – Tallahassee
9-10	FCUL Legislative Summit – Tallahassee
	SRCUS Advanced Lending School – Hilton Head Island, SC

CHAPTER MEETINGS

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

Central Florida Chapter
February 12

Escambia Chapter
February 19

Northeast Chapter
February 26

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