

contact

1st quarter 2012 | volume 60 | contact.mcul.org

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How Durbin impacts business strategies

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Adults with Disabilities** pg. 20

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Marketing 101 pg. 23

AND: HR Corner – Who's on
your bench? pg. 29

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From The Desk Of...

MCUL & Affiliates CEO David Adams



Increased Media Coverage Heightens Awareness of CUs

As we begin 2012, it continues to be the best of times and the worst of times for credit unions. Yes, economic conditions remain brutal, especially for lending. But what a whirlwind of positive news stories we have seen lately of people switching to credit unions.

For instance, The Detroit News' Finance Editor Brian O'Connor wrote about the issue on the front page in a piece titled, "Fed-up Bank Patrons Flee to Credit Unions." The MCUL was a significant contributor to the story as we pointed out that Michigan credit union members save more than \$200 million every year in better rates and lower fees.

We also prepared the local media with an MCUL press release that touted how more people are turning to credit unions as a result of higher bank fees. CUNA estimated that in October 2011 alone, 214,000 people nationwide made the switch. A virtual avalanche of media coverage followed, including stories in The Detroit Free Press, Grand Rapids Press, Lansing State Journal, Fox2 News and WLNS-TV6. We hope to see more great news coverage of how incredible credit unions' services are for consumers and small businesses. So, despite the tough economic times, credit unions have tremendous opportunities to pick up more business and to serve more people than ever.

In this edition of Contact, we highlight pricing strategies for credit unions in the wake of Dodd-Frank and the Durbin amendment, with the goal of helping raise awareness of the many opportunities to navigate tough economic times and still be the best deal on Main Street. We also take a look at what the banks are doing and how we can best respond in a way that will attract the most members.

You'll also find updates regarding how the MCUL Credit Union Difference campaign will be expanded and enhanced to help our industry promote the credit union message even more in 2012. We will be providing more details on how we plan to enhance the campaign so that the messages are more product-focused, better directed toward a younger demographic by making use of social media and more compatible with individual credit union marketing efforts.

The MCUL and CUcorp will invest more than ever in cooperative advertising in 2012. Rather than reduce MCUL dues even further, we will take 15 percent of

MCUL dues and direct the dollars toward this expanded campaign. In some regions of the state, we will ask credit unions to contribute slightly more, but more importantly, we will be creating more value and incentives for all credit unions to participate. With higher participation levels, we can run more ads and generate more business for credit unions. Also new in 2012 will be a sweepstakes feature that will further incentivize consumers to switch their business to credit unions.

So, the MCUL remains more focused and more enthused than ever in promoting the Credit Union Difference statewide. We appreciate your credit union's support for cooperative advertising and the Credit Union Difference Campaign in 2012 and we thank you for all that you do to make the credit union story so compelling.

A handwritten signature in black ink, appearing to be 'DA', written in a cursive style.

contact features

JANUARY

**Game On
Special Report**
This era of changing regulations
gives credit unions challenges
for unprecedented growth opportunities.

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A Bay City credit union is working on a unique program to help adults with barriers to employment.



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CU leaders need to develop a succession plan for when the CEO inevitably leaves.

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At one time, the MCUL owned an airplane to ferry executives around the state. We reconnect with the plane's pilot, who went on to have a long and successful career with the league.

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Credit Union Time Capsule

It's hard to comprehend these days, but there was a time when travel across Michigan was far more complicated than jumping in the car and taking the freeway to your destination.

Cross-state travel was difficult before the days of wide ribbons of asphalt connecting Metro Detroit with the rest of the state. It was also an age before commercial airline service extended to some of Michigan's more remote places.

So MCUL Managing Director Al Marble decided the best way for executives to get around would be an airplane owned and operated by the league. In 1958, the league bought a Beechcraft Bonanza, a single-engine plane that could transport a pilot and three passengers, and hired a young man named Ron Hale to fly it.

"Travel was not easy in those days," Hale said in a recent visit to the MCUL offices. "It was before expressways were completed."

But Hale could see that the league would not always need his services as a pilot. Expressway construction would eventually mean that executives would be able to drive wherever they needed to go and commercial air service was expanding as well. So, instead of killing time in his hotel room while the league executives met with the credit unions, he decided to sit in on their meetings, giving him a front-row education about the business.

After the league sold its second plane, a twin-engine Cessna 310 that sat five people, in the early '70s, Hale stayed at MCUL in a variety of roles including league representative, managing the league stabilization fund and heading research and information in a career that spanned 40 years. He worked with every MCUL managing director except the first one. Toward the end of his tenure at the league, he also served as chairman of the Magic Line ATM network.

WINGED SERVICE

Pictured on this page is the League's newest means of streamlining service for member credit unions. An H-Model Beechcraft Bonanza, it has a cruising speed of 190 miles per hour. Two-toned (green and white), it seats three passengers and the pilot, is air-conditioned and equipped with radio.

Purchased by the League Board of Directors at the end of June, the plane has already flown 12,410 passenger miles in 56½ flying hours. In a total of thirteen flights, League officers and staff members have been transported on credit union business to all parts of the state. Its flights include trips to Sault Ste. Marie, Escanaba, Marquette, Mackinaw, Kalamazoo and Grand Rapids. The plane has also been used on trips to New York, Omaha, Madison and Minneapolis.

League secretary Don Murray and managing director Albert W. Marble are shown in the pictures with Ron Hale at Detroit City Airport about to take off for Grand Rapids—a 45-minute hop!

Hale, administrative assistant-pilot, is a native Michigander—he went to school at Michigan State Normal. He is married and an enthusiastic airman. "I learned to fly before I could drive a car," he says.



Clockwise from top: The September 1958 issue of *Contact* showed off the MCUL's first plane, a single-engine Beechcraft Bonanza. After several years with the Beechcraft, the league traded up to a twin-engine Cessna 310.

CREDIT UNION TIME CAPSULE The Michigan Credit Union League has nearly 60 years worth of photographs that provide intriguing glimpses into Michigan credit union history. In this and future issues of *Contact*, MCUL will feature a photograph discovered in the archives with a description based on the information we have available. If you have something to share regarding the people or events in any of these photographs, write to *Contact* Editor-in-Chief Bryan Lavolette at bryan.lavolette@mcul.org. Your contribution will appear in the next issue.

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From *The Editor*

Bryan Laviolette

Maybe you've seen the strange little squares that look like jumbled barcodes on fliers, magazines and even billboards and websites. They're called QR codes – short for quick-read – and they're designed to allow users to easily pull up a website, email or video with a couple of clicks on their smartphone.

Many marketers think QR codes are the answer to their quest to easily tie a print product such as an advertisement or article to a website. Others think the industry has a long way to go before it finds a truly useful purpose for the codes. Some designers think they're ugly and wonder if providing a simple URL – that's uniform resource locator or webpage address – would be a better use for the valuable and limited space in print publications.

At Contact, we're exploring how to use this tool, which seems to be exploding across all sorts of marketing mediums. When placed in magazine print ads or on the back of a product, allowing users to easily access information on their device, they make sense. But there are also some strange applications, such as on billboards (do you want to see the driver in the next lane fumbling with his phone to snap a QR code?) or at the top of a webpage (couldn't I just mouse-click a link?).

Anyway, you can click this QR code below to send me an email so we can hear your thoughts about Contact. But please don't do it while driving.



Scan this QR code to send me an email so we can hear your thoughts about Contact.

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Outlook

Upton Explains How He Wants to Energize Country's Economy

By Jordan Kingdon

When people ask U.S. Rep. Fred Upton what he thinks about credit unions, he often points out that he's been a member of one for more than three decades.

"As a credit union member for more than 30 years, I can say my CU has always treated me well," Upton told those attending a Southwest Chapter legislative breakfast in August.

Upton, a Republican serving his 12th term, was recently tapped to serve on the powerful Joint Select Committee on Deficit Reduction, also known as the "Supercommittee," which was established to find ways to bring down the country's burgeoning budget deficit. Upton served on the committee along with Rep. David Camp, making Michigan the only state with two members. Upton is also chairman of the House Energy and Commerce Committee.

Helping the private sector is his top priority in his service on the Energy and Commerce Committee, Upton told MCUL & Affiliates.

"My number one focus as chairman of the Energy and Commerce Committee is jobs, and there is a lot we can do – and are doing – to support job creation," the St. Joseph resident said.

He said that he is working to reduce the burden of environmental regulations on businesses.

"The Environmental Protection Agency's current regulatory agenda will impose harsh burdens on American businesses and job creators at a time when they can least afford it," Upton said.

He said that his goal is to simply strengthen the country by removing politics from the conversation, something

that is always hard to do in Washington.

"We are putting jobs ahead of politics, and pursuing a more commonsense approach to regulations that protect both our environment and our economy," Upton said.

The country needs measures to help get people back to work. He pointed out that Michigan's unemployment rate is above 10 percent.

"We are also working to expand American energy production, strengthen healthcare, promote innovation through wireless broadband expansion, and a whole host of other areas to help Americans get back to work," Upton said.

Upton said his Supercommittee work is critical to the country's future.

The American people recognize that the status quo is simply unacceptable and that our soaring deficits cannot be sustained," Upton said. "I am constantly hearing from people who want us to succeed. I am focused on finding a solution."

Upton said he was honored to have been selected for the Supercommittee, as it was a critical step in identifying the necessary reforms for our country's future.

"The American people recognize that the status quo is simply unacceptable and that our soaring deficits cannot be sustained," Upton said. "I am constantly hearing from people who want Congress to find a solution. I continue to be focused on finding a solution to our nation's debt crisis."

Credit unions can also play a critical role in rebuilding the nation's economy. He said that expanding credit union member business lending would help.

"In these tough economic times I want



The Associated Press

U.S. Rep. Fred Upton, right, R-St. Joseph, addresses the Supercommittee in August. At the far left is Rep. David Camp, R-Midland, Michigan's other member of the Supercommittee.

to make sure that small businesses have access to capital," Upton said.

Upton pointed out that the Small Business Lending Enhancement Act of 2011, H.R. 1418, does that. As of press time, Upton was one of eight Michigan congressmen who have signed on as co-sponsors of the legislation. Both of Michigan's U.S. senators have also signed on as co-sponsors of a similar bill in the Senate.

"This legislation would help small businesses grow, create new jobs, provide needed community services and bolster the U.S. economy," he said.

"Businesses, especially small businesses, count on credit to finance their inventories, meet weekly payrolls and generally keep their operations going. While conditions in financial markets have improved, access to credit remains difficult for many small businesses and entrepreneurs that depend on financial institutions for such funding." □



Jordan Kingdon director of governmental affairs for MCUL & Affiliates.

Defensive Position Could Turn to Offense for CUs in 2012

By Marcia Hune

Much of 2010 and most of 2011 could be described as “The Years of Defense” for legislative advocacy on credit union issues. We found ourselves fighting against cramdown and interchange regulations at the federal level, as well as moratoriums on foreclosure and burdensome financial elder abuse legislation at the state level. And while in many cases our defensive approach allows us to suggest changes to the legislation or regulations in order to make the provisions better for credit unions, the fact remains that whenever possible, we want to turn our attention to advocating proactively for issues that will help our credit unions operate more effectively and efficiently.

Since the elections will dominate the spotlight once again in 2012, it was critical to step up in the latter half of 2011 to show our strength in Lansing and Washington, by focusing on our proactive priority strategies, so that the issues that matter most to credit unions don't get lost in the election shuffle.

Federal Issues

One of our proactive priorities in 2011 was advocating for the credit union member business lending bill. The bill, H.R. 1418, formally known as the Small Business Lending Enhancement Act, would increase the MBL cap to 27.5 percent of assets from the current 12.25 percent. As this issue goes to press, U.S. Rep. Sander Levin, D-Royal Oak, who is the ranking Democrat on the House Ways and Means Committee, became the eighth Michigan congressman to sign on as a co-

sponsor. It's noteworthy to mention that Levin signed on shortly after attending the Metro East Chapter's legislative breakfast where chapter leaders discussed how member business lending would improve the state's economy. It is impossible to overstate the value of credit union participation and face-to-face interaction when it comes to having our voices heard, especially on our proactive issues. Your legislators are listening and taking action.

Credit unions have a great story to tell when it comes to business lending, and given the potential economic benefits, it's crucial that lawmakers understand the importance of raising the cap.

State

On the state side, there were also a number of proactive issues we advocated for in order to help our credit unions become more effective and efficient in this state's economy. One way we've done that is by lobbying the state Legislature to raise Michigan's Small Claims Court threshold, which is currently limited to \$3,000. Credit unions benefit from the speed, efficiency and lower costs inherent with the small claims process.

We also placed a heavy emphasis on the issue of foreclosure reform as well. As you know, the state's 90-day pre-foreclosure workout law was passed in 2009 during a time that called for extreme measures. It was meant to be temporary, with an expiration date of July 5, 2011. Feeling the pressure of the looming sunset, the Legislature temporarily delayed it until January of

2012. Discussions on the issue ramped up in the fall and we made it clear to lawmakers that credit unions could not support merely extending the 90-day foreclosure workout period without reforms to the current process.

The focus of our advocacy of reforms to the 90-day foreclosure delay included more clear timelines as to which actions must occur at various points during the process for both lenders and borrowers, thereby allowing a lender to proceed immediately to foreclosure if a borrower is unresponsive to requests for certain documents; holding borrowers responsible for damaging the property during the redemption period, and reducing the redemption period for properties larger than three acres from 1 year to 6 months, if the property is not deemed to be for agricultural use. In addition, we made the case for a shortened redemption for portfolio loans, noting those lenders are already doing as much as possible on the front end of the process to avoid foreclosure. We made it clear to lawmakers that our goal was to help craft a new law that will return homes to the market faster, helping to stabilize real estate prices, while balancing the needs of consumers facing foreclosure. □



Marcia Hune is vice president of governmental affairs for MCUL & Affiliates.

Manage Risk, Don't Eliminate It

Regulators Realize Risk is Inherent, But Here Are Tips on Managing It

By Mike DeFors



“Risk is fundamental to the operation of a credit union.” This simple statement can be found in the opening pages of the NCUA Examiner’s Guide. But just as important is the sentence that follows it, which underlines the current approach to addressing credit union risk. It states, “Examiners, therefore, should not insist that the credit union eliminate risk, but, instead, should ensure credit unions identify and manage their risks.”

Even a casual observer might suggest, therefore, that the essential role of credit union management, in its simplest form, is to manage risk and the uncertainty that comes with it. Here is a refresher of the seven risk categories that examiners assess, borrowing freely from the guide. This assessment leads to an informed judgment of the magnitude of the risk profile, the potential effect on the earnings and capital of the credit union and eventually the CAMEL ratings assigned.

The guide, which is readily available on the NCUA website, www.ncua.gov, was

revised following the issuance in 2002 of NCUA’s Letter to Federal Credit Unions (No. 02-FCU-09), which introduced the concept of the Risk-Focused Examination Program. This new process was designed to be forward-looking, with increased focus on management’s ability to identify, monitor and control current and potential areas of risk.

As the RFE name suggests, examination resources will be allocated to credit unions and areas posing the highest risk as reflected in identifiable weaknesses or adverse trends. The directive introduced an important change requiring a new approach not based solely on assessing a credit union’s performance to date or focusing on areas of minimal risk, but rather on evaluating both credit union inherent risk profile and management’s ability to identify, measure, monitor and control that risk.

Thus, evaluating a credit union’s risk profile becomes the exam focus. It should be noted that “risk” is not viewed

as a negative term and NCUA policy does not seek to eliminate all risk. Rather the goal in the examination is to ensure risks are identified and managed at appropriate levels, given the structure and net worth of the institution.

So what “risks” are examiners charged with evaluating? Both the letter and the guide identify seven risk categories. Three of them are more objective in nature as they can be evaluated on objective financial data combined with management’s awareness and ability to control risk. They include, *credit, interest rate and liquidity risk*. The remaining four are more subjective and may be less measurable using historic financial data. These four are evaluated in terms of the credit union’s control structure and risk management systems. These risks include *transaction, compliance, strategic and reputation risk*.

Whether objective or subjective in nature, a number of standardized factors are assigned to each risk category, which examiners use in evaluating the level of risk. Risk levels are designated low, medium or high. For example, one of the factors under the *Interest Rate Risk* category is “Responsiveness to Market Conditions.” The guidance allows a low risk rating if the credit union ‘anticipates and responds well to changes,’ a medium risk rating if it ‘adequately responds to changes,’ and a high risk rating if it ‘does not anticipate or take timely and appropriate actions in response to changes.’ *The Interest Rate Risk* category alone includes 10 factors used in the overall risk evaluation.

Below is a description of each of the seven risk categories taken from the NCUA

letter. To help the examiner conduct the assessment, each category includes standard evaluation “factors.” It is important to note however, that one factor, the ability of the credit union to understand and properly manage each risk category, at both the board and operational levels, is a factor common to each risk area assessment. Depending on the level of inherent risk in each category, an assessment of weak risk management will normally trigger further discussion.

Credit Risk is the risk of default on expected repayments of loans or investments. Example: Though we commonly identify credit risk with the chance that a member will not fully repay a loan, this risk is also present in investments. If a credit union has uninsured, overnight funds invested in another financial institution or entity, the invested funds are at risk. If the financial institution holding the overnight funds fails or is taken into conservatorship, the credit union stands to lose its funds as well as any accrued interest. Performing due diligence on institutions where funds are invested is just as important as evaluating the credit history of a potential borrower.

Interest Rate Risk is the risk that changes in market rates will negatively impact the income statement and balance sheet. Example: If market rates increase, the credit union may find itself increasing dividend rates in order to stay competitive. If the credit union is holding a significant concentration of long-term investments and long-term loans, it may be unable to raise loan rates and make higher-yielding investments. Increasing expenses without being able to similarly increase income would seriously decrease net income.

Liquidity Risk is the risk of an inability to fund obligations as they come due. Example: If a credit union receives a large increase in share deposits and quickly loans it out or invests it, without considering the reasons for the increase and the likelihood

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The Meaning of CAMEL Ratings

By Veronica Madsen

MCUL Director of Compliance

As stated in NCUA Letter to Credit Unions 07-CU-12, the CAMEL rating system is “an internal rating system used for evaluating the soundness of credit unions on a uniform basis.” The CAMEL rating is based upon an evaluation of the following five critical elements of a credit union’s operations:

Capital Adequacy;
Asset Quality;
Management;
Earnings; and
Asset/**L**iability Management

Credit unions receive a numeric rating in each of these categories (known as component ratings) along with an overall (composite) rating. Credit unions are rated based upon a risk-focused examination, which “evaluates management’s ability to recognize and adapt to changing economic conditions, competitive environments and risk profiles” (for a discussion of the risk profiles, see “Assessing the Risk in Credit Unions” on page 10).

Examiners rate a credit union’s performance individually, rather than against national peer averages or determined benchmarks. NCUA discloses CAMEL composite and component ratings only to the officials of the credit union being rated. For joint exams, NCUA will now release both the component and composite CAMEL ratings to federally insured state-chartered credit unions, pursuant to NCUA Letter to Credit Unions 11-CU-12. NCUA examiners will disclose these ratings using guidance published in Letter 07-CU-12, along with sufficient information supporting the basis for the assignment of individual

component and composite ratings.

The letter defines each of the five critical elements and explains the meaning given each composite rating as follows:

Rating 1: Credit unions in this group are sound in every respect and generally have components rated 1 and 2. Any weaknesses are minor and can be handled in a routine manner by the board of directors and management. These credit unions are the most capable of withstanding unpredictable business conditions and are resistant to outside influences such as economic instability in their trade area. These credit unions are in substantial compliance with laws and regulations. As a result, they exhibit sound performance and risk management practices relative to the credit union’s size, complexity and risk profile and give no cause for supervisory concern.

Rating 2: Credit unions in this group are fundamentally sound. For a credit union to receive this rating, generally no component rating should be more severe than a 3. Only moderate weaknesses are present and are well within the board of directors’ and management’s capabilities and willingness to correct. These credit unions are stable and are capable of withstanding business fluctuations. These credit unions are in substantial compliance with laws and regulations. Overall risk management practices are satisfactory relative to the credit union’s size, complexity, and risk profile. There are no material supervisory concerns and, as a result, the supervisory response is informal and limited.

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the funds could be withdrawn as quickly as they were deposited, the credit union could be forced to borrow or pay above market dividend rates to meet demands for subsequent withdrawals.

Transaction Risk is the risk of fraud or operational problems in transaction processing, which results in an inability to deliver products, remain competitive and manage information. Example: If one credit union staff member has responsibility for gathering information, completing and verifying the accuracy of the bank reconciliation, the risk that the information will be incorrect (due to error or intentional misstatement) is greater than if the duties for completing and validating are assigned to more than one individual.

Compliance Risk is the risk of violations and noncompliance with applicable laws and regulations resulting in fines, penalties, payment or damages. Example: If the credit union does not properly train staff regarding compliance with the Bank Secrecy Act, one result could be tellers failing to file required reports for large cash deposits. Failure to properly report could result in substantial penalties.

Strategic Risk is the risk of adverse business decisions through management's actions or inactions. Example: If management decides to add three new branches while emphasizing marketing of e-commerce services without a well-conceived business plan to demonstrate how these potentially conflicting initiatives can be accommodated, the membership could increase their use of electronic services rather than face-to-face transactions at the new branches. This has the potential, if not well planned, to result in the new branches being unprofitable.

Reputation Risk is the risk of negative public opinion or perception leading to a loss of confidence and/or severance of relationships. Example: If management implements a real estate lending program without setting appropriate individual and overall loan limits, the credit union might be able to fund only a limited number of large real estate loans before it runs out of available funds. The credit union might have to significantly scale back the program or even cease real estate lending for a temporary period. The members could perceive this temporary cessation as a sign the credit union is having financial problems, resulting in members leaving the credit union or requesting large share withdrawals.

Credit union officials are encouraged to become familiar with the risk categories and related factors for each and the emphasis placed on risk management activity. They are readily available to examiners and credit unions alike. Just as the operation, complexity, product mix and management skills vary among credit unions, so too the variety of risk profiles. Armed with the knowledge of these factors and a good self assessment, there should be few surprises when the examiners pay your credit union its next visit. □



Mike DeFors is vice president of regulatory affairs for MCUL & Affiliates.

Continued from page 11

Rating 3: Credit unions in this group exhibit some degree of supervisory concern in one or more of the component areas. These credit unions exhibit a combination of weaknesses that may range from moderate to severe; however, the magnitude of the deficiencies generally will not cause a component to be rated more severely than 4. Management may lack the ability or willingness to effectively address weaknesses within appropriate timeframes. Credit unions in this group generally are less capable of withstanding business fluctuations and are more vulnerable to outside influences than those rated a composite 1 or 2. Additionally, these credit unions may be in significant noncompliance with laws and regulations. Risk management practices may be less than satisfactory relative to the credit union's size, complexity and risk profile. These credit unions require more than normal supervision which may include enforcement actions. Failure appears unlikely, however, given overall strength and financial capacity of these credit unions.

Rating 4: Credit unions in this group generally exhibit unsafe and unsound practices or conditions. There are serious financial or managerial deficiencies that result in unsatisfactory performance. The problems range from severe to critically deficient. The weaknesses and problems are not being satisfactorily addressed or resolved by the board of directors and management. Credit unions in this group generally are not capable of withstanding business fluctuations. There may be significant noncompliance with laws and regulations. Risk management practices are generally unacceptable relative to the credit union's size, complexity and risk profile. Close supervisory attention is required, which means, in most cases, enforcement action is necessary to address the problems. Credit unions in the group pose a risk to the National Credit Union Share Insurance Fund. Failure is a distinct possibility if the problems and weaknesses are not satisfactorily resolved.

Rating 5: Credit unions in this group exhibit extremely unsafe and unsound practices and conditions; exhibit a critically deficient performance; often contain inadequate risk management practices relative to the credit union's size, complexity and risk profile and are of the greatest supervisory concern. The volume and severity of problems are beyond management's ability or willingness to control or correct. Immediate outside financial or other assistance is needed in order for the credit union to remain viable. Ongoing supervisory attention is necessary. Credit unions in this group pose a significant risk to the NCUSIF and failure is highly probable.



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Survey Results Show Consumers Understand the CU Difference

By Lee Ann Mares

The MCUL's 2011 awareness study to evaluate the effectiveness of our CU Difference campaign shows, once again, that consumers are aware of credit unions and that the content of our advertising is being noticed.

Moreover, a large proportion of consumers would be just as likely to consider a credit union as a bank for any new account, and most people – even nonmembers – have favorable perceptions of credit unions. Here are the highlights of the 2011 study:

Awareness - Nearly half – 44 percent – of all consumers recalled our advertising in the 6 months prior to September 2011. In 2009, for the same question, 26 percent of consumers recalled our advertising on an unaided basis. When we looked only at the nonmembers surveyed, 33 percent were aware of our advertising in 2011, and 25 percent in 2009, showing that nonmembers are seeing the ads as well as remembering them.

We wanted to know if they remembered any of the messages we have used. Most consumers – 79 percent – remembered at least one of our messages, with more than half recalling the “credit union difference” message and 43 percent remembering “everyone can join,” which we have used consistently in our advertising since 2005.

What this means is that the specific content of our ads has penetrated the minds of many consumers.

Consideration - One of the most striking results of the 2011 study is the fact that 76 percent of consumers – that's 7.5 million people – would consider a credit union for a new account. While banks also would be considered at about

the same proportion – 74 percent – it's the credit union consideration that has grown during the last two years. In 2009, consideration for a credit union deposit account stood at 64 percent. That 12-point increase is a significant change.

Among nonmembers, 53 percent would think of a credit union. As we target increased loan volumes in 2012, we look for some of that percentage finding their a credit union to join.

Perception - According to our results, credit unions do seem to be the darlings of the industry. Eighty-two percent of respondents have “very favorable” or “somewhat favorable” opinions of credit unions, with 60 percent of nonmembers also giving those ratings. Of those who report a bank as their primary financial institution, 73 percent rate credit unions favorably. This suggests that, even when consumers have not yet taken the step to join, they could be receptive to the ideas that we bring to TV and radio.

CU Difference - One of our main advertising messages is that credit unions do things a little differently than banks, so we asked, “Are credit unions different from banks?” The answer was significant: 86 percent said yes. Even 77 percent of nonmembers said yes. The major response to how credit unions are different, at 50 percent, was that our institutions are member-owned, signaling that many people are beginning to understand our ownership concept. Combine that with favorable opinions and strong consideration, it's no wonder that many consumers have begun switching to credit unions over the last few months.

By the Numbers

75

Percent of survey respondents who would consider a credit union

86

Percentage of people who believe credit unions do things differently than banks

Planning for 2012 - Based on the strides we have made in awareness, consideration and perception, we are looking ahead to an aggressive 2012 campaign that works to engage nonmembers.

Our plan includes:

- A longer media flight, May to September (depending on budget)
- New or revised TV and radio spots using the Own your Money theme
- A sweepstakes program to promote membership and expanded relationships
- A social media strategy to target 18- to 35-year-olds
- A public relations plan to discuss key consumer financial issues
- \$500,000 worth of marketing kits and incentives for credit unions to leverage the campaign

Credit unions are being asked to support this campaign through a contribution request in the annual MCUL affiliation package, which was mailed in December. For more information, contact your league representative. □



Lee Ann Mares is vice president of marketing and communications for MCUL & Affiliates.



Take Action

Contribute to the MCULAF

MCUL & Affiliates encourages all credit union employees to contribute by purchasing a 2012 MCULAF lapel pin. It's easy to do, just set up the automatic payroll deduction to spread your contribution over several months.

When you contribute to the MCUL's state Political Action Committee—the Michigan Credit Union League Action Fund (MCULAF)—you're showing support for the industry, preserving our tax-exempt status, and helping promote our legislative agenda.

Lapel pin contribution levels:

| | | | | | |
|---|---|---|---|--|---|
|  |  |  |  |  |  |
| Michigan Club \$1,000.00 | Chairman's Club \$500.00 | Presidential Club \$250.00 | Senate Club \$100.00 | Congressional Club \$50.00 | Capitol Club \$25.00 |

Show your commitment to protecting and preserving the credit union philosophy by contributing today.

There are two ways to contribute and receive a 2012 MCULAF lapel pin:

- To contribute online, visit www.mcul.org, click on the Governmental Affairs tab, then MCUL PAC Fundraising, and then Make a Contribution Online.
- Contact MCUL & Affiliates Political Affairs Coordinator Jami Meyer at (800) 262-6285, ext. 353, or Jami.Meyer@mcul.org.

Game On

**Era of Changing Regulations
Gives CUs Unprecedented
Opportunities for Growth**



By Karen Myers



Customers Winning in Revolt Against Banks' Debit Card Fees," "Credit Union Has the Cure for F.E.E. Syndrome," "Debit Card Debacle Shows Consumer Power." The credit union industry has been celebrating these headlines as the message of better rates and lower fees is finally resonating loud and clear with the larger consumer audience.

Some big banks announced controversial debit card fees, then quickly rescinded them as criticism mounted; but consumers spoke and walked out of big banks anyway. CUNA reported that 214,000 consumers joined credit unions in October as a result of the consumer-organized bank transfer movement, turbocharging the nation's credit unions which only acquired 600,000 members in all of 2010. Another 40,000 joined on Bank Transfer Day, Nov. 5.

Proceed With Caution

Reactions to the Durbin amendment have been mixed. Some see it is a windfall for community banks and credit unions as the small-asset size clause exempts all issuers under \$10 billion in assets. Others say that the proposed two-tier system can't work and market pressures will cause unintended consequences for the small institutions the legislation attempted to protect. An early assessment by the Filene Research Institute forecasted a 50 percent reduction in debit interchange income in a moderate scenario. While more recent industry analysis favors smaller loss rates, it is still advisable to proceed with caution when budgeting interchange income.

The MCUL & Affiliates lobbied heavily against the Durbin amendment. However, in light of its passage the MCUL is now focused on helping credit unions take advantage of it. There are no certain predictions of the ultimate impact, but the MCUL does see tremendous opportunity for credit unions in the near term.

MCUL & Affiliates CEO David Adams offers this advice to credit unions examining their pricing strategies: "Bottom lines are improving but sluggish loan demand, falling interchange income and higher credit risks, along with slim interest margins are pushing financial institutions to consider more fee income opportunities," he said. "Unfortunately, that could be the same thing being discussed in a Bank of America executive meeting right before the bank made the fatally flawed decision to pilot a monthly debit card fee that has contributed to hundreds of thousands of people joining credit unions.

"But the credit union difference is that senseless consumer fees will only be imposed as an extreme last resort, if at all.

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ALM Trifecta Set Up to Help with Pricing Strategies

There is no question that credit unions' economic, legislative and competitive landscapes have all been in constant flux in recent years. Some changes have challenged the industry and some, like the recent legislative moves,

have given credit unions an advantage. But good, bad, or ugly, they've all created new pricing challenges for asset-liability management committees to resolve.

In the wake of record-setting membership growth, many credit unions may find that share-to-loan ratios are even less proportionate. Other credit unions may be unable to sustain the fire-sale pricing or incentives that were used to attract new members in the past. And it's likely that all credit unions want to secure a greater share of member loan balances.

Acknowledging the need for a new strategy is the easiest step. But tougher questions come into play as credit unions seek tools and resources to create a new plan. The MCUL and Affiliates believes that as a strategic advocate, it is responsible for providing better answers to those questions. The league is offering a new ALM service offering to fill this need.

The initial design is a three-point approach that will address three critical areas of need, information and education, pricing tools and consultancy. This trifecta of services will bolster credit union expertise in the pricing arena. While this service is in the development stage, firm objectives have been set and the groundwork has been laid to offer the following:

Information and Education: There are no shortage of articles, white papers and other media that discuss pricing strategies for financial institutions. However, it can be exhausting to find the diamonds in the rough that focus on relevant issues for Michigan credit unions. The first component of our ALM service trio is a centralized source of information and education resources that speak to the pricing challenges you face in the here and now.

Pricing Tools: Competitive analysis and consistent rate monitoring are imperative to retaining a consistently top-



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Continued from page 17

Credit unions have an unprecedented opportunity to leverage their not-for-profit, pro-consumer status. Now is the time to walk the talk by keeping fees low, by proudly promoting that difference and by serving the thousands of new credit union converts in the ways credit unions do so well.

Credit unions that take a proactive approach to pricing will be better positioned to remain strong and relevant in this whirlwind era of new regulations. Industry analysts are still polarized about the long-term impact of the Durbin amendment and the total scope of consumer protection legislation to come. However, they do share one resounding message – sound pricing and marketing strategies are key to weathering the challenges and benefitting from the opportunities.

There are many things to consider when developing or reevaluating your strategies, so consider the following: What are your strongest sources of noninterest income? What do you stand to lose in moderate to severe interchange loss scenarios? What tactics could you use to recover that lost income? And of course, what do your members value about your current pricing and product structure? Raddon Financial Group shared some insights at the September 2011 MCUL Executive Summit. Marcus Rothaar, senior research analyst for the Raddon Financial Group, advised that “not all consumers are rate sensitive. In fact, relatively few are.” Free checking, surcharge-free ATMs, and fair overdraft fees all scored higher on the priority list according to Raddon’s national consumer research.

In a recent ad-hoc pricing task force held by the MCUL, credit union leaders suggested some things to consider: place more emphasis on credit cards; increase debit card volume to offset the potential loss in interchange income; and, incenting debit card transactions to recover the income loss.

For example, Randolph Brooks FCU of Texas decided that if it could potentially lose interchange income per transaction, it would be willing to pay for more transactions to recover the difference. Every time a member performs a debit card transaction, RBFCU pays them 10 cents, and during promotional campaigns, it increases to 15 cents.

Practice Sustainable Pricing

However credit unions determine the best way to deal with the potential loss of income due to debit interchange, the key is a long-term sustainable pricing strategy that rewards relationships. There are many approaches to take, each of which should be considered based on your credit union’s profitability and financial needs. The following is intended to provide thought starters for your asset liability and marketing management teams:

Relationship Pricing: Are there alternative to a one-fee-fits-all structure? Relationship pricing rewards your best members with more favorable rates and fees. This can be as simple as a 0.5 basis point incentive in savings and loan rates or it can be as elaborate as a separate pricing schedule for all rates and fees. Perform an analysis of your fee and rate income before embarking on relationship pricing design. You will also have to

determine if you want to reward members for the value of their overall relationship or the frequency of profitable behaviors.

Activity-Based Rewards: Large-scale rewards programs, especially those tied to credit cards have gotten mixed reviews. Ben Rogers of Filene Research Institute weighed the pros and cons in a 2008 study saying “Rewards cards are a double-edged sword: While they encourage higher use, they often charge higher interest rates which (members) who carry a balance can ill afford” But, credit unions that shy from credit card programs shouldn’t dismiss the rewards concept completely.

So, what do industry experts advise? Flo Cobb, vice president of CUcorp Lending Solutions, encourages credit unions to reward the right members.

“Offer rewards that incent the member for multiple relationships such as checking and direct deposit or auto loan and credit card,” she said. “This is a great way to attract new members and encourage stronger relationships.”

A great example of this strategy in action is Co-op Services CU’s “Shred My Card” promotion. Co-op appealed to consumers with the promise of free checking and a \$105 incentive for making the switch; however, the incentive is predicated on the member signing up for direct deposit, e-statements and a debit card. These are some of the “sticky”

Credit unions have an unprecedented opportunity to leverage their not-for-profit, pro-consumer status.

Now is the time to walk the talk by keeping fees low, by proudly promoting that difference and by serving the thousands of new credit union converts **in the ways credit unions do so well.**

David Adams
CEO of MCUL & Affiliates

products that keep members engaged with your credit union.

If you are already offering a rewards program, CUcorp's Cobb recommends you evaluate it carefully, adding that "minor parameter changes can translate to big credit union savings."

Patronage Dividends: Member dividend-type rewards such as DFCU Financial's Special Patronage Dividend have been a hot topic of conversation among credit unions as the profit-sharing nature of the program exemplifies the benefit of being a credit union member/owner. While this is a proven tactic, there are large financial implications of providing this benefit. Senior management teams and board of directors must carefully consider the credit union's capital ratio, annual profit trends and whether or not it is truly sustainable.

Fee Rebates: Yet another way to repay your members is through a fee-rebate program. Rebates can repay members for non-credit union fees, such as ATM surcharges. A rebate program could also be devised to refund members for your own fees. For example, if a member pays an overdraft fee in January, but incurs no additional overdrafts that year, you could refund that initial fee. □



Scan here to review recent white papers and strategic pricing presentations.

Karen Myers is product manager for MCUL & Affiliates.

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notch pricing schedule. A number of automated tools are available to provide these services for a subscription cost. The second component of our ALM service trio is a partnership with an established pricing tool provider. Leveraging a cooperative pricing model, participating credit unions will benefit from a discounted rate structure and league support.

Consultancy: Tools and information are an important start, but no service offering would be complete without a human component. A live expert can help you make the best of these resources and provide guidance tailored to a credit union's needs. The third component of our ALM service trio is an ALM consultancy service to provide that human touch.

The MCUL and Affiliates exists to help credit unions grow and thrive. This asset liability management trio is a great addition to a line of strategic services that already includes marketing, human resources, compliance and information technology. Stay tuned for future announcements regarding the development of this new service.



Please support the Michigan Credit Union Foundation.

Your donation helps provide grants and scholarships to credit unions for community outreach and employee educational development.

www.mcuf.mcul.org

Bay City CU Working on Unique Program to Serve Adults with Barriers to Employment



**By Bryan Laviolette
Contact Editor**

By developing a credit union branch inside a thrift store that is operated by people with disabilities, FinancialEdge Community CU is hoping to better reach the low-income people who live in the Bay City area.

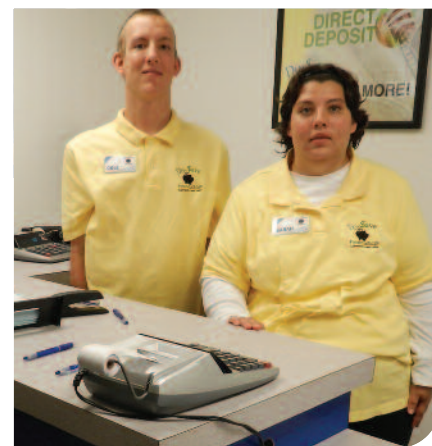
In July, FinancialEdge opened a branch inside the main facility of Do-All Inc., a Bay City company that helps people with disabilities and other barriers to employment. While this branch, known as Do-\$ave, is just for Do-All trainees, for the second phase of the project, FinancialEdge is partnering with Do-All to open a branch inside one of its retail thrift stores that will be staffed by Do-All trainees.

The credit union project is supported by a \$5,000 grant from the Michigan Credit Union Foundation as well as a \$10,000 grant from the National Credit Union Foundation.

In its NCUF grant application, FinancialEdge said that 12 percent of Bay County's population lives in poverty and 18 percent – including half of all school-

Above: Jeremy Coberley, president/CEO of FinancialEdge Community CU, left, and Chris Girard, president/CEO of Do-All Inc., cut the ribbon officially opening the FinancialEdge branch inside Do-All's main facility in Bay City. For phase II of the project, FinancialEdge plans to open a branch inside one of Do-All's retail stores. It will be staffed by Do-All trainees.

Right: Do-\$ave trainees Cole Clinkston and Sarah Lienczewski have been trained to perform basic credit union functions for their jobs at the new credit union branch inside Do-All Inc.'s main facility.



age children – qualify for food stamps or free and reduced lunches.

“By developing a credit union branch designed to serve these households, the credit union can better serve a segment of the population with low access to financial services in a location they already frequent,” the credit union said in its grant application.

Do-All operates three thrift stores known as The Cat's Meow in the Bay City area. The FinancialEdge branch would be located in the company's largest store in the neighboring town of Essexville.

The inspirations for the program were two example projects operated between Good Will Enterprises and Prospera CU in Wisconsin and San Antonio Employees CU in Texas.

“However, (FinancialEdge's program)

takes the project further by providing employment and education opportunities for adults with disabilities by using a student credit union model,” according to the grant application.

“There are no similar programs within Michigan, and to the knowledge of FinancialEdge, it is one of the first partnerships of its kind nationwide,” the grant application said. “It is the intent of FinancialEdge management and board to share the program as a replicable model for other credit unions.”

FinancialEdge hopes that the project will be self-sustaining within 3 to 5 years.

Anyone interested in learning more about the program may contact Pam Swope, FinancialEdge marketing manager at Pam.Swope@FinancialEdgeCCU.org or (989) 460-6225. □

Jeremy Coberley

Jeremy Coberley feels strongly about all of the members of FinancialEdge Community CU, where he is the CEO, but he has a special place in his heart for a growing partnership at Do-All Inc.

Do-All is a Bay City agency that helps people with disabilities and other barriers to employment. FinancialEdge opened a branch inside Do-All's main facility that is staffed by trainees from the program in July 2011. Recently, Do-All obtained a National Credit Union Foundation grant for phase II of the project. FinancialEdge will use the money to open a regular credit union branch in the community that is staffed by Do-All trainees.

"Do-All works with individuals who are mentally and physically disabled and I am especially satisfied with this partnership as my 7-year-old son Ethan has Down syndrome and is disabled himself," Coberley said. "Being able to partner with our member SEG for the benefit of both our organizations and at the same time support an organization that helps individuals with disabilities is very rewarding to me."

The partnership with Do-All is just one example of how credit unions help people, which is a major reason why Coberley has chosen to work at credit unions since he was in college.

Coberley started his credit union career as a college co-op for Dow Chemical Employees' CU in Midland in April 1996 and eventually took a permanent part-time position. When he graduated college, he accepted a full-time position. In 2002, he moved to FinancialEdge, which at the time was known as Bay Governmental CU. After a promotion to vice president of operations in 2003, he accepted the president/CEO position in September 2008.

"Credit unions are here to help people when they need the help the most," Coberley said. "I feel that credit unions are not cut-throat, out looking for profits and that they look out for the little guy."

He added that even though FinancialEdge is relatively small with \$75 million in assets, it still has the resources to help members achieve their goals.

"At FinancialEdge, our structure is built like a larger institution and we think like a larger institution than we really are," Coberley said. "But at the end of the day, we still operate and serve members like the mom-and-pop small credit union of our days past."

CEOBio

Jeremy Coberley 2008
Name CEO Since

FinancialEdge CU
Credit Union

\$76 million 9,100
Assets Members

1996
First Employed in CU Movement



As a young credit union CEO, Coberley said FinancialEdge needs to do more to introduce the type of technology that will attract younger members.

"It seems we have been playing 'catch up' in the technology aspect of certain products that might appeal to younger members and we continue to implement strategies that benefit members," Coberley said. "Our management team overall understands the issues surrounding growth in membership of all members and the benefits that different members bring to the success of the credit union.

Coberley said his overall goal is to provide the best service possible to the existing members. He likes to see steady membership growth and consistency in deposit and loan growth.

"Our goal is to continue to serve our members in a manner that will lead to more opportunities for the membership," Coberley said. "We tend to focus on building member relationships and building products and services that we feel will benefit different member segment groups."

Away from the credit union, Coberley said he is completely focused on raising his family with his wife Jennifer. Along with Ethan, they have two daughters, Kelsey, 14, and Skylar, 10.

He said that he's entering his sixth season as a volunteer travel softball coach for his daughters' teams and plans to assist the high school softball team as time allows in the spring.

"We are pressed to the max with many activities and it gets difficult at times," Coberley said. "There is never a dull moment and we are constantly on the go." □

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A Successful Facebook Campaign Starts with a Strategy

By Jonathan Fuhrman

By now, everyone realizes the importance of including Facebook as part of their online marketing efforts. It can no longer be called a fad, unlike teased hair, mullets and acid wash jeans. Fashions may come and go, but social media has forever changed the way organizations interact with consumers.

Credit unions across the country are faced with determining how to effectively use a channel such as Facebook to meet marketing objectives that include deepening relationships with existing members, or attracting new ones. While setting up a page is simple, many are unclear about how to develop and leverage this presence. The key to a successful Facebook campaign is to create a strategy behind it. While this sounds simple, it is something many organizations struggle with. However, spending a little time figuring out a road map to where you're headed is far better than stopping and asking for directions at every turn.

So, what does a social media strategy involve? It really depends on your credit union and its goals. While strategies vary based on objectives, they should:

- 1) Set the Rules** A social media policy is essential.
- 2) Establish Goals** What are you trying to achieve?
- 3) Define Your Voice** Facebook provides an excellent means to break away from rigid corporate communication voices.



facebook by the Numbers

140⁺

Million

The number of users over the age of 18 in the United States.

88

Million

of them are in the Generation Y (18-34 year old) age bracket.

44%

The percentage of online sharing volume (i.e. blogs, videos, websites). Larger than any other service, including email.

7:43

The number of monthly hours out of an average of 30 the average Internet user spends online.

4) Allocate Budget and Time The account may be free, but it takes employee hours to make all of it happen.

5) Determine Update Topics By predetermining regular topics, you'll never be stuck coming up with a new post.

6) Establish a Process Who in your credit union is responsible for content, approval, etc.?

7) Measure and React Track your progress on a monthly basis and make adjustments as needed.

By creating a strategy, your credit union will have a solid foundation for interacting with your followers. Most importantly, such guidelines clearly define internal roles and processes, which is essential for social media management. Once the strategy is set, the rest of the campaign work will start to fall into place.

Unfortunately, organizations large and small struggle with creating these strategies. There often isn't time in the day or enough internal knowledge to put all the pieces of the puzzle together. That is why Marketing Solutions is committed to helping credit unions

achieve social media success. We understand not only the complexities of social media, but industry best practices that make campaigns successful. Our team of online marketing experts works with credit unions to develop a custom strategy that defines all of the previously mentioned steps, along with elements that are unique to you. From strategy development to ongoing consulting, Marketing Solutions serves as a single resource for all your social media needs. To discuss how we can develop your social media presence, give us a call at (800) 262-6285 or email to info@cusolutionsgroup.com.

A survey of credit unions conducted this year revealed that of the 66 percent who have a Facebook page, only 30 percent had a strategy in place prior to launch. If your credit union doesn't have a page or a strategy behind one, make it an objective for 2012. □



Jonathan Fuhrman is marketing consultant for CU Solutions Group.

More Michiganders Make CUs their PFI

MCUL Economics and Research

For the year ended Sept. 30, Michigan credit unions experienced a solid increase in key areas that are indicative of more members making their credit union their primary financial institution. Perhaps propelled by current events, credit union members who have not traditionally used their credit union as their primary financial institution are finding more reasons to check in and see what their credit union has to offer. This is a great source of growth for credit unions as it is often said that credit unions need look no further than their existing base of membership for growth.

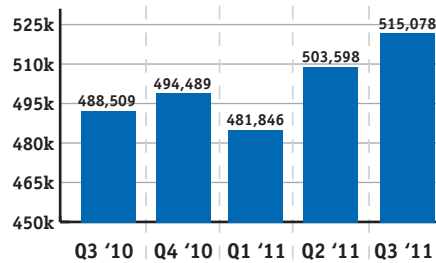
As of Sept. 30, Michigan credit unions had more than 73,000 new share draft accounts, an increase of more than 26,000 used auto loans, and nearly 41,000 new share certificate and money market accounts compared to a year earlier. This growth represents a percentage change of 3.4 percent, 5.4 percent, and 3.4 percent, respectively. This growth occurred even though credit unions did not see an uptick in new members over this period.

While some members are giving their credit union a fresh look for the first time in a while, others who had active accounts in both types of financial institutions may be consolidating altogether, in favor of their credit union.

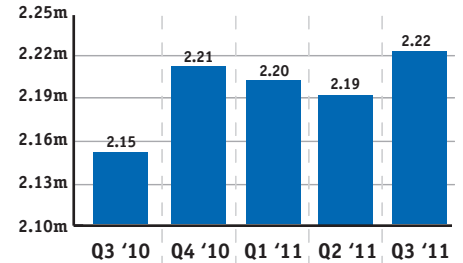
While a 3.4 percent increase in new share draft accounts is impressive; even more impressive is the 13 percent increase in share draft balances over the same period. The industry may see even better numbers for the fourth quarter, as many observers expect growth as a result of Bank Transfer Day and the negative press banks have received. □

Michigan CU Data as of Third Quarter 2011

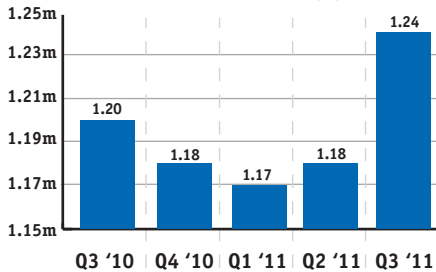
Used Auto Loans (#)



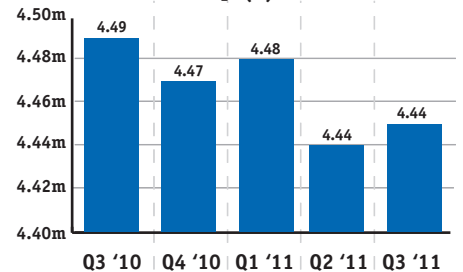
Share Draft Accounts (#)



Money Market and Share Certificate Accounts (#)



Total Membership (#)



Data provided by Callahan & Associates, NCUA

By the Numbers as of Third Quarter 2011

Source FDIC

6.4%

Increase in used auto loan balances at Michigan credit unions since Q3 2010

12.9%

Increase in share draft balances at Michigan credit unions since Q3 2010

2.3%

Increase in money market & share certificate balances at Michigan credit unions since Q3 2010

Key Performance Measures (%)

| | Q3 '10 | Q4 '10 | Q1 '11 | Q2 '11 | Q3 '11 |
|-------------------------------------|--------|--------|--------|--------|--------|
| Capital Adequacy | | | | | |
| Net Worth | 10.78 | 10.73 | 10.56 | 10.71 | 10.82 |
| Earnings | | | | | |
| Return on Average Assets* | 0.32 | 0.34 | 0.71 | 0.74 | 0.66 |
| Fee & Other Op. Income/Avg. Assets* | 1.38 | 1.41 | 1.36 | 1.38 | 1.41 |
| Other Ratios | | | | | |
| Membership Growth | 0.80 | -0.40 | 0.10 | -0.80 | 0.20 |
| Total Loan Growth | 1.10 | -0.50 | -1.50 | 0.40 | 0.60 |
| Total Shares & Deposit Growth | -0.30 | 1.60 | 3.90 | 0.00 | 0.00 |
| Loans/Shares | 68.60 | 67.26 | 63.78 | 64.03 | 64.37 |
| Asset Quality | | | | | |
| Delinquent Loans/Total Loans | 1.83 | 1.79 | 1.63 | 1.53 | 1.48 |
| Net Charge-offs/Average Loans* | 1.17 | 1.19 | 0.92 | 0.99 | 0.96 |

* Annualized

Source NCUA

Board Members Must Be Prepared to Fulfill Their Roles to Make Their CU Successful

By Mike Moyes

Boards must operate at peak performance in order to position their credit unions for success and to fulfill their fiduciary duties. That's especially true in today's operating environment marked by complex technologies, increasing regulatory burdens and earning pressure. Directors can delegate many duties to the CEO, but boards must maintain their oversight responsibilities.

The role of the credit union board member is changing. New regulations require board members to have a more sophisticated understanding of the credit unions that they oversee.

Here are the top governance strategies to focus on in 2012:

Regulatory Compliance

Congress has continued to be busy drafting new laws aimed at the banking industry that unfortunately affect credit unions and their members. Boards will need to be vigilant and draft policies to keep up with these new compliance requirements.

For example, in February, the NCUA issued Regulation 701.4 that address board financial literacy requirements for all credit union board of directors. The regulation requires the credit union to continue to provide financial literacy training for directors. Key requirements of the regulation require understanding of the following topics:

- The duty of the board of directors

- An understanding of the balance sheet and income statement
- Knowledge of basic accounting and finance principles
- Important financial ratios to watch in today's economy
- Return on assets and spread analysis
 - How credit unions earn income
- Managing and mitigating risk – seven major risks every credit union faces

And don't expect the stream of new requirements to stop or even slow down. Compliance experts are forecasting possible new regulations in the areas of interest rate risk, concentration investment risk, loan participations, CUSOs and member business loans.

Boards of nonprofit organizations have been busy drafting accountability policies and adding liability insurance during the past several years, according to the BoardSource 2010 Nonprofit Governance Index. Boards with written conflict-of-interest statements jumped from 88 percent in 2007 to 95 percent in 2010. And 73 percent now have a written statement of ethics, up from 69 percent in 2007. Ninety-five percent of boards of nonprofit organizations now carry directors-and-officers liability insurance (up from 81 percent in 1999).

Board Governance

Board Governance will continue to be a hot topic. In a recent Filene Research

Institute survey, it was determined that the top five most important skills for effective credit union board members include:

- Understanding member needs
- Financial literacy
- Being Independent-minded
- Governance expertise
- Risk management expertise

Setting CEO Performance expectations and conducting the annual review

We've all heard the popular saying that "you can't manage what you don't measure." I'm still amazed, as I provide strategic planning, board governance, training, speaking or income improvement consulting services, how often I hear "I haven't had an annual review for more than two years." It's important for boards to set annual performance goals with their CEO and then to review them in a timely manner each year. Even though the economy is still struggling, top credit union talent is still in demand.

Famed management consultant Peter Drucker once said: "The biggest organizational challenge of the 21st century will be to change fast enough." As we fulfill our board and management responsibilities, let's remember that positive change will continue to allow us to serve our members and to continue to achieve great success at our credit unions. □

It's important for boards to **set annual performance goals** with their CEO **and then to review them** in a timely manner each year.



Mike Moyes is vice president of strategic services for CUcorp.

EducationCalendar

january

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Employee Headaches? Pain Relief for Supervisors

Audio Session

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Essential Rules for a Credit Union Web Presence that Wins

Audio Session

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Member Investment and Insurance Solutions

Webinar

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The How and Wow of Customer Service

Audio Session

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Preparing Frontline Staff for Robbery Response

Webinar

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Concentrating on Concentration Risks

Webinar

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Top 12 Collections Tips

Audio Session

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Can They REALLY Garnish my Social Security?

Webinar

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CUES Economic Summit

Marriott, Ypsilanti

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Changing Demographics & How This Affects Your Credit Union

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february

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Audio Session

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Tips to Managing Interest Rate Risk

Webinar

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Strategies to Increase Non-Interest Income

Webinar

14-15

2012 Lending & Marketing Conference

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Introduction to Lender Flood Compliance

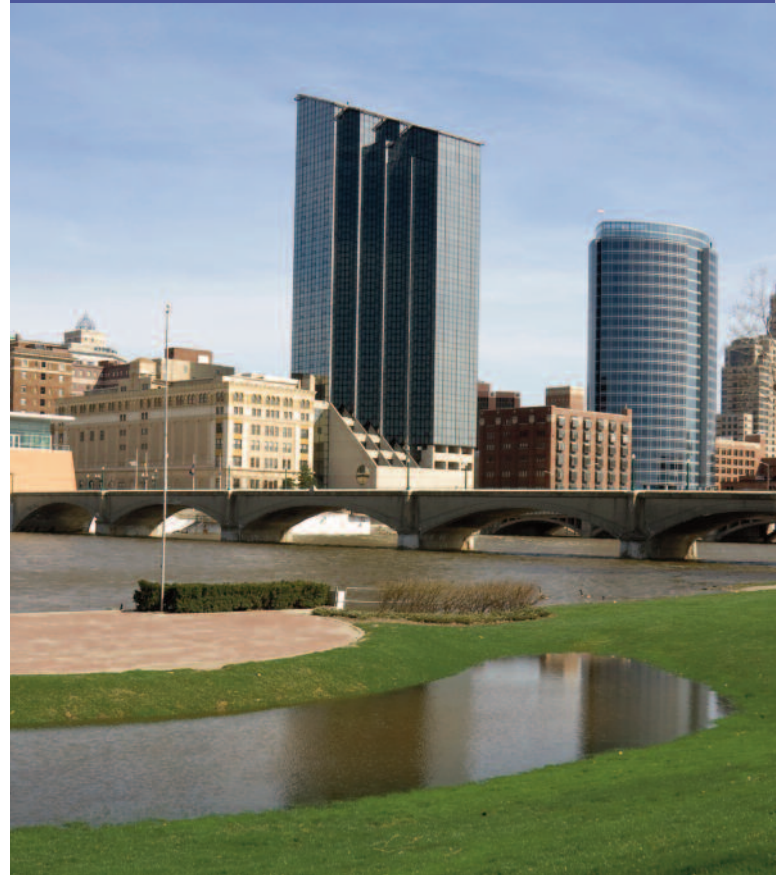
Audio Session

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2012 Compliance for Executives Getting Serious About Remote Deposit

Webinar

Lending & Marketing Conference: Two Great Events, One Outstanding Location



When credit union lending and marketing professionals arrive in Grand Rapids in February for the MCUL & Affiliates 2012 Lending & Marketing Conference, they are going to be greeted with a high-energy, idea-packed agenda full of great ideas, popular speakers and insightful concepts.

Located at the Amway Grand Plaza Hotel, the two-day event features two keynote presentations, three general sessions, including remarks from MCUL & Affiliates CEO David Adams, and a great selection of breakout sessions.

Special guest Tim McIntyre, vice president of communications at Domino's Pizza, will present a keynote address to marketing professionals on the "Domino's Turnaround Story." Lending professionals will be equally pleased to hear a keynote address from well-known industry expert Brett Christensen, who will speak on "Consistently Growing Loans in a Bad Economy."

The Lending & Marketing Conference is Feb. 14 and 15 and will offer a great lineup of topics geared specifically to help credit union lending professionals and marketers become more effective and innovative in serving their members. The event also includes a vendor showcase and plenty of peer-networking time.

More details will be available online at www.mcul.org and mailed to credit unions prior to the conference.

Building a Successful CU Conference:

A Sneak Peek Inside Spring Leadership Development Conference

By Bryan Laviolette
Contact Editor

'Twenty-five Brand New Ideas in Credit Unions for 2012' is just one of the session topics that CU Journal Editor Frank Diekmann will present when he speaks at the Spring Leadership Development Conference for Board Members and CEOs next March.

"Frank received rave reviews when he presented 25 other 'new' ideas at the 2011 Annual Convention and Exposition," said Renee Werth, vice president of education and events for MCUL & Affiliates, "which is just one of the many reasons why we are having him back to also present the Spring Leadership Development Conference keynote address titled: 'What Front Porches, Long Drives in Texas and Australian Regrets Mean to the Future of Credit Unions.' "

Werth and her team in the education department work year-round developing timely training agendas, selecting knowledgeable industry experts and negotiating the best rates possible at various facilities throughout the state, all in an effort to bring credit union professionals the best information, value and experience possible when they choose MCUL & Affiliates for their training needs.

"When we add a topic or speaker to our schedule, it is after careful research and consideration," Werth said. "We look at industry trends, surveys from potential attendees and input from those who have attended past events. We also talk to league staff, consult CUNA's annual Environmental Scan Report for national issues and network with other credit union leaders and leagues across the country."

MCUL & Affiliates prides itself on offering a wide range of training topics,

geared for professionals with varying levels of experience and background. For instance, the lineup for the Spring Leadership Development Conference, in part, will feature a mix of compliance-related sessions, as well as topics including mobile banking and growth strategy sessions.

Taking place March 9-11 at Soaring Eagle Casino & Resort in Mount Pleasant, the annual event drew nearly 350 participants in 2011, each who were able to customize their learning experience by choosing from various breakout sessions based on their interests and previous knowledge.

At the 2012 conference, Werth said that several compliance-related topics will be included on the agenda, including sessions on enterprise risk management, asset liability management, the new Consumer Financial Protection Bureau and the Bank Secrecy Act and CAMEL ratings.

Also planned are sessions on CEO compensation and performance, cloud computing and financial literacy. The financial literacy session will be geared toward volunteers who are new to understanding financial reports or those who would simply like a review.

The Spring Leadership Development Conference will also include three CUNA Volunteer Achievement Program modules for those interested in obtaining certificates, including:

- CEO Performance Appraisal & Goal Setting (VAP V417), Facilitated by Steve Cobb
- Speaking Out: The Director as Credit Union Advocate (VAP V431), Facilitated by Vance Vargo
- Credit Union Growth Strategies: Pathways to Success (VAP V420), Facilitated by Robin Wybenga

"When we add a topic or speaker to our schedule, it is **after careful research and consideration.**"

Renee Werth

Werth regularly interacts with Michigan credit union professionals and meets with the league education task force, so she is acutely aware of challenges being faced in the industry such as the need to help credit unions improve their bottom lines. "Some credit unions continue to struggle with growth," Werth said. "We respond to these needs with sessions such as the 'Credit Union Growth Strategies' VAP module that will be presented at this conference. It will outline the director's role in planning and monitoring growth and provide examples of how credit unions are successfully growing assets, attracting new members and increasing their loan volume, as well as explain the director's role in evaluating growth strategies."

Beyond training, the league also builds important peer networking opportunities into events such as the Spring Leadership Development Conference, which in 2012 will include the always-popular Saturday evening banquet offering a "garden party" theme and outstanding entertainment.

Credit union leaders are encouraged to mark their calendars and watch for more details about the Spring Leadership Development Conference, which will be available online and sent out through the mail. □

Catholic FCU's SEO Audit Brings in More Users

By Amy Neale

While your credit union's website may be the best-looking, gadget-packed site around, if it's not getting the traffic you want none of that really matters. Search engine optimization – or SEO – can help your website get the traffic it deserves.

SEO is an Internet marketing strategy that uses onsite, offsite and off-line tactics to help drive visitors to your credit union's website. The better the SEO, the higher your site will rank when a potential member goes surfing online for a new financial institution or specific product or service. Here's an example of how one credit union improved its SEO ranking.

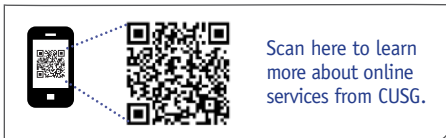
The Situation

Saginaw-based Catholic FCU recently worked with CU Solutions Group to redesign its website (www.cathfcu.com). Happy with the results, the credit union soon decided to focus on search engine optimization to help positively impact its website traffic.

The credit union had several goals for undergoing an SEO audit by CUSG in May 2011. The main goals were to increase website visitors and the time those visitors spent on the site. Another goal was to have CFCU become a high-ranking destination for surfers looking for loans or other financial products.

The Solution

Diane Knudson, CUSG's director of marketing consulting and SEO specialist, worked with CFCU on its SEO audit. The



Catholic Federal Credit Union SEO Audit Results

| | July 2011 | September 2011 | Increase |
|--|-----------|----------------|----------|
| Measurement | | | |
| Time on Site | 0:43 | 1:23 | :40 |
| Time on Page | 3:58 | 5:16 | 1:18 |
| Average Pageviews | 1.29 | 1.37 | .08 |
| % of Traffic from Auto Loans Page | 11.6% | 225.3% | 213.7% |
| % of Traffic from Visa Page | 6.5% | 60.5% | 54.0% |

audit included a complete analysis of the credit union's website and recommendations on how to improve the content to boost its SEO.

Thanks to CUSG's recommendations, Catholic soon discovered that SEO isn't only about the quantity of traffic, but the quality of traffic as well. Some of the content changes it made, many of which were to the back end of the website, focused on keywords, metadata, and link structure.

Other content improvements included:

- Adding calls to action on many of its Web pages
- Replacing graphic page titles with text and keywords
- Turning PDF links into Web pages with unique content and high-ranking keywords
- Creating a monthly website content calendar to keep content fresh

The Results

The most impressive indication that the SEO audit was a success is that Catholic moved up to the first position when Internet users used Google to search for the term "loans credit union Saginaw." Previously, CFCU had ranked several pages

further into the search results.

Overall, CFCU saw a 62.7 percent increase in visitors to the website between June and September. And those visitors seemed to be interacting more with the website during their visit, with analytics showing they viewed more pages and spent more time on the website. Pages on the CFCU website that saw the greatest improvement were the Auto Loan page which increased visitors by 108.8 percent and the Join and Direct Deposit pages which increased by an impressive 305.5 percent. To keep these numbers on the rise, CFCU works with CUSG and Knudson on a monthly basis to monitor SEO.

"We are very happy with the results of the SEO project," Bethany Dutcher, Catholic FCU's vice president of marketing said. "I would definitely recommend SEO audits to other credit unions. It was wonderful to have Diane's expertise on the technical end of the site." □



Amy Neale is staff writer for CU Solutions Group.

Who's on Your Bench?

A Step-by-Step Guide to Strategic Succession Planning

By Olivia Hensley

Most credit union executives are consumed with the day-to-day demands of managing their business. The most strategic executives have an eye on the future and are building a foundation of future leaders.

Everyone is doing it – or are they?

The average age of a credit union CEO is 53. According to the 2010 Complete Credit Union Staff Salary Survey, there is an even split between giving internal applicants preference and posting externally at the same time. Although the 2010 CUNA and Affiliates Salary Survey Report shows the same results, respondents also indicated that only a third actually found their next CEO from within the credit union. One-third of new CEOs were hired from other credit unions and the remainder was recruited from other organizations. If half of the respondents prefer to name a successor CEO from within their own ranks, why do only one-third actually hire from within?

What are the elements of effective succession plans?

First, securing support for the initiative from leadership is critical. If top leadership does not see a business need for strategic succession planning, it will fail. Second, remember that “planning” begins with a plan. This is a process to identify talent and develop individuals to transition into key positions. Finally, compensation and future promotion should be directly tied to leadership development.



Scan here to learn more about succession planning from HRN.

What steps need to be taken in creating and implementing a succession plan?

Here are some tips for creating your succession plan:

- 1. Determine future position requirements and competencies.** Accurate job descriptions are the first step to identifying critical competencies for effective performance.
- 2. Meet with leadership to select positions.** Conduct interviews with your executive team to narrow down positions targeted for development.
- 3. Develop a process to identify, nominate and select successors.** Find a central location to store all potential candidate data, including: performance appraisals; knowledge, skills and abilities inventories; education; and personal career goals.
- 4. Expand the performance appraisal and evaluation system.** Incorporate objective ratings from supervisors, subordinates and colleagues to assess readiness and potential. Include assessments regarding the job-related competencies already identified.
- 5. Incorporate elements of a learning management system.** Determine the training, development and experience needs of potential successors. Monitor candidates' progress and identify gaps.
- 6. Conduct (at minimum) annual development reviews.** Ongoing development of potential successors must be maintained to ensure they are ready when the time comes.
- 7. Incorporate other policies into the**

succession program. Consider adding a diversity element to the program that encourages the development and promotion of women and minorities.

8. Don't forget a feedback component.

The cycle of succession planning should include a method to identify strengths and weaknesses of the plan to allow for modifications and changes.

9. Reassess staffing/replacement needs when an individual advances.

If you are promoting from within with an identified successor, the vacancy moves down the hierarchy.

10. Create a timeline for succession.

This timeline should be based on information you have, such as knowing the CEO is planning to retire next year as well as when the successor will be ready.

Effective businesses are run by talented individuals who possess the necessary skills to make it successful. And to continue in this success, it is critical to have a foundation of future leaders. Consider this: within the next 20 to 25 years, most of the 78 million Baby Boomers will retire. This creates a precarious situation for credit unions that do not have a succession plan to develop talent and ensure employee retention. Take the time to evaluate your succession planning and have the right talent on the bench ready to step up when the opportunity arises. □



Olivia Hensley, PHR, is eHR product and content specialist for HRN Performance Solutions.

CU&People

Access First FCU created its own makeshift “shoe store” in the local township hall offices to hand out more than 300 pairs of new shoes and boots to more than 100 families. At the same time, Mattawan Community Food Bank, which the credit union helped organize, was on hand to provide bags of groceries to 68 local families. On the same day, local Girl Scout troops took part in the United Way’s Stuff the Bus campaign, cramming a school bus full of food for the food bank. “Our credit union has been heavily involved in these events but the great thing is it has grown to the point that now the whole community is involved in serving struggling families,” said Access First’s Mike Hartwigsen. “We have large and small companies, churches, the local school system and many other local business and civic organizations joining in.”



Access First FCU set up a makeshift “shoe store” inside the local township hall and also handed out bags of food to area families in a partnership with the Mattawan Community Food Bank. At the same time, local Girl Scout Troops gathered food for the United Way’s Stuff the Bus campaign.

Saginaw Medical FCU has supported the Yellow Ribbon Guard, which provides mailings for deployed soldiers and reaches out to children of fallen soldiers, wounded soldiers, military families and other veterans. ‘Send Santa to the Troops’ is a care package drive, run by the Yellow Ribbon Guard, to collect items and donations to send holiday care packages to deployed military personnel. Saginaw Medical’s involvement began in the fall of 2010, when a couple of credit union staff got wind of a local “Send Santa to the Troops” Stuff a Bus event. In less than a week, the staff of Saginaw Medical FCU

collected more than 110 pounds of goodies to donate. Having had such good response from staff last year, the credit union decided to increase its support of the ‘Send Santa to the Troops’ for 2011. Volunteers hosted a “Stuff a Bus” event at the branch location on Veterans Day. The event received an overwhelming response from not only members but also from the community. The group ended the successful day by filling three buses and collecting \$1,600 in cash donations.

Recently, **Michigan Catholic CU** staff and their family members participated in “Trunk or Treat,” a free family-friendly program that promotes non-violence in the community, sponsored by Turning Point, a domestic violence shelter. For the Halloween-themed event, MCCU attendees dressed up as characters from the Wizard of Oz and handed out candy to more than 1,200 trick-or-treaters. Beverly Fox, branch manager of the Sterling Heights office, said: “My staff and I had so much fun putting smiles on the faces of all the children that attended the event. It was really great being a part of the safe haven that Turning Point created for the children in our community. The staff of Turning Point was great to work with and we look forward to participating again next year.”

The **Oakland County Chapter** raised money for Lighthouse of Oakland County at a golf outing at Links of Novi in June. Jim Dickinson from LOC FCU was instrumental in organizing the event and rallying the troops to go above and beyond to help raise a record \$10,000 from the event. The funds provided to Lighthouse of Oakland County will be used to turn the heat back on for a family facing a shut off notice, provide assistance when a neighbor is facing foreclosure, fill a lifesaving prescription for a fixed-income senior, offer direction and shelter to homeless women and children and more.

For the second year in a row, Russ Dickens, accounting specialist at **Team One CU**, participated in Bike MS to raise funds for the National Multiple Sclerosis Society. This year, Dickens pedaled 126 miles during the weekend event, raising \$433 for MS. “The MS Bike event was a great experience,” Dickens said, “and I’m thankful for all the people who sponsored my ride. It’s so inspiring to see how all the cyclists, volunteers and everyone that pledged a donation are working together to help find a cure for MS.” Raising funds for Multiple Sclerosis is a Team One CU team effort. Employees have raised over \$11,000 through various MS fundraisers including Walk MS in Frankenmuth.

For the second year in a row **OUR CU’s** Cancer Warriors have been honored by the American Cancer Society for raising more than \$10,000. OUR staff, family and friends participated in the American Cancer Society’s 2011 Relay for Life at Royal Oak Middle School in May. Determined to beat last year’s total of \$10,083 raised, team Captain Stephani Clancy, along with staff assistance, voluntarily organized numerous fundraising events, such as the ‘Guest Griller Night’ at bd’s Mongolian Grill, staff dress-down days and bake sales. In total, OUR raised \$10,122.48. “The credit union Cancer Warriors are true warriors in the fight against cancer,” said Sally Walker, ACS representative and relay coordinator. “They have raised over \$35,000 since 2007 for the Relay for Life of Royal Oak.” In 2010, the team received the relay’s Purple Award and for 2011 the team was honored with the Jade Award. These honors go to teams that raise \$10,000 or more in a relay season. Because cancer never sleeps, Relay for Life’s 24-hour event gives participants the opportunity to celebrate the lives of people who have battled cancer, remember loved ones lost, and fight back against the disease. □

Save the Date!



2012 CUNA Governmental Affairs Conference

Sunday, March 18 – Thursday, March 22

Washington Convention Center, Washington, D.C.



CUNA GOVERNMENTAL
AFFAIRS CONFERENCE
MARCH 18-22 • WASHINGTON, D.C.

Recognized as the key conference for political impact, credit union networking, and industry updates, the CUNA GAC offers a wide array of educational breakout sessions, the industry's largest exhibitor showcase, and entertainment. Learn to effectively deliver the credit union message, make the most of your Capitol Hill visits, and communicate with the media. In this critical election year, you will also learn about developments in political fundraising and campaign involvement.

Speakers: Former Secretary of State Condoleezza Rice and journalists Bob Woodward and Carl Bernstein of Watergate fame.

More to be announced.

To register: www.mcul.org/registergac

For information on the event schedule, scholarship information, and hotel accommodations: www.mcul.org/cunagac

Housing questions: Melissa Osborn at 800-262-6285 ext. 578 or Melissa.Osborn@mcul.org

Other questions: Jordan Kingdon at ext. 475 or Jordan.Kingdon@mcul.org



To see a video recap from the 2011 CUNA GAC visit: www.mcul.org/cunagac2011 or **scan this QR code.**



2012 MCUL & Affiliates Governmental Affairs Conference

Tuesday, April 17 & Wednesday, April 18

Radisson, 111 North Grand Avenue, Lansing

Michigan credit unions need to maintain a high profile in Michigan's economic recovery, and need to be heard in Lansing. The MCUL GAC creates an opportunity for credit unions to address important state public policy issues, gather with credit union peers, and highlight the Credit Union Difference with lawmakers.

For information: www.mcul.org/mculgac

Questions: Jordan Kingdon at ext. 475 or Jordan.Kingdon@mcul.org



To see a video recap from the 2011 MCUL GAC visit: www.mcul.org/mculgac2011 or **scan this QR code.**

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