



GAZETTE

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Reminder

SAS Credit Unions are encouraged to fill out the 2008 CRI Survey which will be available online on Oct. 1.



President's Message: Not Big or Small, but Right

Welcome to the 3rd quarter SAS Gazette, the publication for Michigan's small asset size credit unions. I hope you'll find it full of useful information for your credit union and your members. This issue takes an SAS perspective on subjects such as identity theft regulation, share insurance and political advocacy. It also mentions ways to save on educational sessions and highlights the community work of GraCo FCU.

Credit unions statewide embrace the philosophy of "people helping people," but I often feel that SAS credit unions, because of their unique memberships, serve as some of the best realizations of this vision. One of the best parts of my job is to have the opportunity to talk with others who are part of the movement and work every day to exemplify our values.

I recently sat down with John Rupert of Muskegon Co-op FCU for a video podcast, asking him about life as a small credit union CEO. His response: He is not just the CEO, but HR manager, strategic planner, facilities manager, member satisfaction coordinator and occasional snow shoveler. Why did he choose to work for a smaller institution rather than the large credit unions he'd worked for earlier in his career? He says the variety of work made the job right for him.

Not everyone is cut out to run a small credit union. As I learned from John's answers, running one successfully is about leveraging the benefits of being small with the resources of being big to find the right balance:

How does Muskegon Co-op FCU manage a full-service financial institution with a staff of 20?
By hiring the right people.

How do they manage risks, especially in mortgage lending? By making the right loans.

How do they encourage growth and stay within their budget? By marketing to the right audience.

Of course, making the right decision is never easy, so John emphasized finding the right partners for resources and advice – for Muskegon Co-op FCU, that means other small credit unions, CUSOs and the MCUL – to meet the needs of staff and members.

Everyone wants the choices and services of a large institution, but they also want individualized service and flexibility. With the right partnerships, SAS credit unions have a unique opportunity to offer their members the best of both worlds.

Identity Theft Red Flags: Bringing Preventative Programs Up to Speed

by **Veronica Madsen**
MCUL Staff Counsel

Small credit unions are included in the Identity Theft Red Flag regulation, with mandatory compliance beginning November 1, 2008. The new rules require identity theft prevention programs that are appropriate to a credit union's size and complexity, as well as the nature and scope of its activities. Although smaller credit unions may not have as many member accounts to monitor and may not offer as many products and services as larger institutions, the risk of identity theft is the same.

The regulation, part of the Fair and Accurate Credit Transactions Act (FACT Act), requires financial institutions offering "covered accounts" (i.e., any consumer account or other account for which there is a reasonably foreseeable risk of identity theft) to develop and maintain a written identity theft prevention program. In an effort to assist credit unions, the final rule also contains guidelines for developing and implementing a program, including a list of identity theft "red flags."

Need Compliance Assistance?

The MCUL offers a variety of compliance products and services to assist you in dealing with your compliance needs. From simple questions to customized consulting, see the choices below and turn to MCUL first. Regulatory Affairs Staff can be reached at (800) 262-6285.

Compliance Helpline

The Compliance Helpline (formerly Research and Information) is a long standing service, offered free of charge to all member credit unions and is designed to address non-complex questions of a regulatory and operational nature. The helpline is not permitted by law to offer legal advice, but staff make every effort to address all questions and provide supplementary information. Stephon Johnson is the Helpline Consultant at Ext 486.

Regulatory Affairs Web Page and League InfoSight

The Regulatory Affairs web page contains a substantial amount of compliance news, products and services, one of which is InfoSight. This resource is an online compliance manual at your fingertips, containing federal and Michigan-specific regulatory content organized to serve a busy CEO or a compliance officer needing more detailed information. Included is CUNA's on-line compliance resource, "E-Guide."

Links to InfoSight can be found on the opening page of the MCUL Web site or through the Regulatory Affairs home page. If you don't have a password, contact the helpline.

Compliance Consulting

CUcorp recently hired two seasoned consultants to serve credit union Compliance needs through its HRValue Group franchise. Using our shared staffing model, these professionals are expert in the discipline of operational compliance and audit, and are available to contract with credit unions for the amount of time they are needed.

Shared staffing works by hiring experienced professionals who work with several credit unions. Because their time is shared, you only pay for the portion of time that you need. Please contact your League Representative or Managing Consultant Jessica Strasser at (800) 262-6285 ext. 489 for further details.

MCUL Regulatory Affairs Staff

Michael DeFors - Director of Regulatory Affairs, ext. 464

Stephon Johnson – Compliance Helpline Consultant, ext. 486

Veronica Madsen – Staff Counsel, ext. 461

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The required program must include reasonable policies and procedures for detecting, preventing, and mitigating identity theft and enable a financial institution or creditor to:

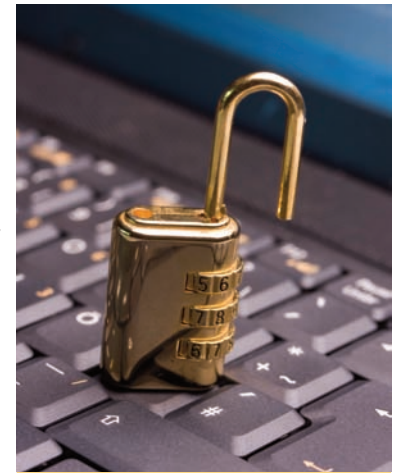
1. Identify relevant patterns, practices, and specific forms of activity that may signal possible identity theft
2. Detect red flags
3. Respond appropriately to any red flags that are detected
4. Ensure the program is updated regularly to reflect changes in risks from identity theft

In order to effectively combat identity theft, small credit unions should ensure that their programs' policies and procedures cover Bank Secrecy Act compliance, vendor due diligence, staff training, member education, IT security, disaster recovery, incident response, and effective oversight by management and the board of directors. Credit unions that already have policies and procedures in place with regard to these additional issues will find compliance with the Identity Theft Red Flags rules to be much less daunting than credit unions that don't.

Examples in the Appendices of categories of Red Flags to be incorporated as appropriate include:

- Alerts, notifications and warnings received from consumer reporting agencies or service providers
- Presentation of suspicious documents
- The presentation of suspicious personal identifying information such as an address change, suspicious activity related to a specific account or notice from members, victims of identity theft or law enforcement

To learn more about identity theft, or any of the additional issues discussed in the article, visit the Security Channel of InfoSight today at http://mi.leagueinfosight.com/Identity_Theft_1315.html. InfoSight is password protected, but MCUL members can register at the login page.



An identity is stolen every four seconds in the U.S. Make sure your credit union is compliant with new Red Flag regulations.

Backpack Drive Puts GraCo FCU At the Head of its Class

by Luke Capizzo

MCUL Communications Specialist



Future credit union members Lani Bloom and Taylor Grube with backpacks donated to local schools.

With its roots as a school employees' credit union, it made perfect sense when GraCo FCU started its first backpack drive in 2006. The program, which provides backpacks and school supplies to underprivileged Gratiot County students, earned the first place Dora Maxwell Social Responsibility Award from the MCUL in 2006

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and 2007 for the \$5-\$20 million asset category, and in 2007 went on to win the national award from CUNA.

A small credit union in a region hit hard by Michigan's economic woes, GraCo FCU Manager Stacy Grube wanted to find a way to give back to the community while increasing public exposure.

"We're in a very small community with two credit unions and half a dozen banks, and GraCo is the smallest," says Grube. "We struggle to compete, even when advertising and offering our best programs. More than any advertising dollars that we can spend, this gets us positive publicity and does good in a community that is struggling economically."

In the program's first year, 130 backpacks, donated or purchased and filled with school supplies, were given to six area schools to help students in need. Since then, the program has grown to nine schools with 180 backpacks last year and a goal of 200 this year.

The backpack drive has been supported by a combination of donated goods, credit union funds and a variety of creative fundraisers. Selling candles, GraCo mugs and even hot dogs have helped to energize the community and support the schools. Local dollar stores have pitched in by advertising the drive and setting out school supplies that can be purchased for a dollar and donated.

Not only does GraCo FCU participate in the backpack drive, they donate annually to the Gratiot County Commission on Aging and have also supported a local animal shelter as well as the Police Athletic League, which provides free programs for Gratiot County kids.

With only four full-time and four part-time staff at GraCo FCU, most need to put in volunteer weekend hours to support the community involvement. With so much to gain from the experience, however, both in terms of helping the community and credit union, there has never been any question as to the value of their efforts.

Political Action Committees: Standing Up For Small Credit Unions

by Luke Capizzo
MCUL Communications Specialist

For credit unions, having a voice in the political process means working together – none of the state's more than 350 credit unions are too small to make a difference. By sharing their strength, Michigan's credit unions can get the attention of state legislators and Congress, as well as motivate their members to unify in support of credit union issues.

"Lawmakers appreciate when they hear from a broad spectrum of credit unions," says MCUL Executive Vice President Patrick La Pine. "With more than half of Michigan's credit unions having assets under \$35 million, it's important for them to become active. By taking part in PAC fundraising, SAS credit unions can ensure a strong voice in Lansing and Washington D.C."

Every piece of legislation that works out in favor of credit unions happens because of relationships. Credit unions can help by hosting legislative breakfasts (where MCUL will invite the local legislator as the guest of honor) and by donating to the PAC.

MCUL has two political action committees (PACs), one for state advocacy (MCULAF) and one for federal advocacy (MCULLAF). Last year the federal PAC raised more than \$260,000 and the state

PAC ranked among the top 25 in Michigan with more than \$131,000. Already this year, the state PAC has raised \$124,432. Every credit union in Michigan has a state and federal PAC fundraising goal, based on their membership size and assets.

"Often, the most difficult part of fundraising is taking the first step and getting started," says La Pine. "Once started, most of the smaller credit unions find reaching their goals easier than they expected."

With 100 percent participation in MCUL's lapel pin program and completion of fundraising targets for MCULAF and MCULLAF, credit unions can distinguish themselves as Gold Star members. Even a small credit union with 3-10 employees can meet their goal through easy and fun fundraisers:

- Casual Days: Employees bring in five dollars a week to participate in a casual Friday.
- Candy Bar Sales: Purchase bulk candy bars at Costco or Sam's Club and sell them in the credit union's lobby.
- MCUL Programs: The Lapel Pin program is a leading fundraiser for the state PAC, giving credit union employees a way to show their support.



The best fundraising programs are not elaborate, but consistent. They find creative ways to make employees and members feel good about contributing. One way MCUL can help is through their Charity Match program. Participating credit unions make a contribution to the state PAC and MCUL will match that contribution to a charity. For many smaller credit unions that cannot afford to make significant donations to their community and to MCULAF/MCULLAF, Charity Match offers a way to do both.

For more information on how your credit union can get involved, contact MCUL Political Affairs Coordinator David Mroz at (800) 262-6285 ext. 353, or at dgm@mcul.org.

Many Ways to Plug in to MCUL Education

by Bryan Dahl
MCUL Information Services Coordinator

For SAS credit unions interested in the variety of topics MCUL covers in its education sessions, there are a number of ways to participate without setting foot outside the credit union – through cost-effective and convenient methods. The options allow education to fit into the schedule of the busiest small credit union staff member.

In addition to audio conferences, MCUL offers live-streamed video Webcasts and slide-based Internet sessions. (continued on page 4)

Compliance Corner

Compliance Q & A

with **Stephon Johnson**

MCUL Compliance Helpline Consultant

This quarter's Compliance Q & A is on share insurance, providing "talking points" for credit union staff to answer questions from members who may be concerned with the safety of their deposits. It also cites resources to assist members in understanding share insurance and in calculating their share insurance coverage.

Q. What is federal share insurance and how does it work?

A. All federally-chartered credit unions and most state-chartered credit unions (including Michigan's) are required to maintain federal share insurance provided by the National Credit Union Share Insurance Fund (NCUSIF), similar to FDIC insurance for banks. The NCUSIF is administered by a three person National Credit Union Administration (NCUA) board. Members can be assured that their credit unions are federally insured by the display of the official NCUA insurance sign and statement, required where insured accounts are opened or where such deposits are received.

Q. What types of accounts are covered by share insurance?

A. Individual and jointly held member share accounts including regular shares, share certificates, share draft accounts, trusts (revocable, irrevocable, and PODs) and guardianships. Business accounts, such as corporation, partnership, unincorporated association and public funds accounts are also eligible. Generally, deposits are insured up to \$100,000 per account, with additional coverage of up to \$250,000 for certain retirement accounts (the Standard Maximum Share Insurance Amount or "SMSIA"). Members may maximize the aggregate amount of insurance coverage by using different types of accounts and creating different forms of ownership. Members need to understand that investment products such as mutual funds, annuities and other non-deposit investments are not insured by the NCUSIF. Special disclosures for these types of accounts are required.

Q. Is there an example showing how to use different types of accounts?

A. Yes. Below is a typical example showing how different combinations of types of accounts and account ownership will determine how much is insured.

John and Jane Doe, a husband and wife with two children, are members of an SAS credit union, with several accounts each, including individual, joint, business and IRA accounts. The total amount of funds deposited in their credit union exceeds \$100,000. Using the accounts labeled by letters below, what is the amount that is actually insured?

John Doe's Accounts:

- (A) – 1 individual savings account (with the couple's son, Joe, listed on the account signature card as the payable-on-death (POD) beneficiary) - \$120,000
- (B) – 1 business share draft account (sole proprietorship) - \$120,000
- (C) – 1 joint share draft account with spouse Jane - \$240,000 (\$120,000 is attributed to deposits from John and \$120,000 is attributed to deposits from Jane)
- (D) – 1 IRA account - \$120,000

Jane Doe's Accounts:

- (E) – 1 individual savings account (continued on page 5)

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Webcasts allow participants to view the live broadcast of a speaker presenting the session from their computer screen. Participants can also send in questions and have them answered during the event.

Internet sessions are similar to Webinars, where participants listen to a presenter over a phone line and watch slides on their computer. Internet sessions also allow questions to be asked over the phone or by submitting them online.

For SAS credit unions that want the information included in a basic audio session, but have staff with time conflicts who can't attend, MCUL is now offering an online, archived version of the audio conference that will be available for 14 days following the original session.

Take Advantage of SAS Scholarships and Discounts

When registering online for an educational event, SAS credit unions should check a box to apply for funds from the SAS Credit Union Initiative or the Michigan Credit Union Foundation to supplement the cost of registration. Credit unions with assets of \$35 million and under automatically qualify for \$1000 each year to put toward education. Credit unions can contact Michelle Merlo in MCUL accounting at (800) 262-6285, ext. 213, to determine how much funding they have left for the year.

SAS credit unions also pay substantially less to participate in Webcasts than large credit unions – the price is only \$150 per connection.

Visit www.mcul.org/Education_496.html to get signed up for MCUL education sessions and for more information on individual events.

League InfoSight Helps Small CUs See Through Regulatory Fog

by **Michael DeFors**

Director of Regulatory Affairs

Navigating all the requirements of laws and regulations can be time-consuming, especially for small credit unions. InfoSight is a password-protected benefit of credit union league membership, available online at <http://mi.leagueinfosight.com/> which makes a wealth of information available at any time with only a few clicks of a mouse. (continued on page 5)



“Staying current with compliance issues is a challenge for any credit union, but can be an even bigger hurdle for small credit unions,” says MCUL Executive Vice President Patrick La Pine. “League InfoSight is a great resource for SAS credit unions with little or no compliance staff. InfoSight includes short summaries of most of the compliance issues that are out there, nearly every question can be answered by the click of the mouse.”

InfoSight is a one-stop compliance library providing both state and federal regulatory information. With regular updates and a full archive of issues ranging from account aggregation to Regulation Z, InfoSight is both timely and thorough.

Members also have access to FAQs, checklists, links to legal and regulatory resources, an annual compliance calendar, and monthly compliance podcasts featuring state and federal regulators as well as other compliance experts.

Beginning in 2007, MCUL developed the weekly InfoSight newsletter, which contains a standardized format, including various links to InfoSight Channels, news source materials, monthly compliance-related podcasts and compliance education registration information.

Responding to requests from small credit unions, InfoSight has recently added a channel dedicated to model policy in 2008. Forty-eight free model policies have been included in the Model Policies Channel for all of the InfoSight partners and participants. These policies have been provided by the CUcorp PolicyPro manual’s inventory of over 200 policies, which are created and revised by the Michigan Credit Union League.

Signing up for access to InfoSight is easy. Credit union members are asked to fill in their name, credit union, email and individual password. Once entered, members have complete access to the InfoSight compliance library.

Credit unions with questions are encouraged to contact Stephon Johnson at the MCUL Compliance Helpline by calling 1-800-262-6285, ext. 486.

The SAS Gazette is a quarterly publication for Michigan’s small asset sized credit unions. Please submit articles or comments to MCUL Communications Specialist Luke Capizzo at LWC@mcul.org or call ext. 480. SAS Gazette reserves the right to edit all articles for clarity and require articles to include the author’s name, organization and contact information. All articles published solely represent the views of the authors and are not necessarily the views of the Gazette or the MCUL.



Compliance Corner (continued)

(with the couple’s daughter, Sue, listed on the account signature card as the payable-on-death (POD) beneficiary) - \$120,000

- (F) – 1 joint share draft account with spouse John (see C, above)
- (G) – 1 IRA account - \$120,000

For how much are the Doe accounts insured?

- (A) – John’s Individual Savings Account with POD (Joe) (\$120,000)

Insured amount = \$100,000 leaving \$20,000 uninsured.

Note: If there were no POD beneficiary listed, the funds would have been added together with John’s sole proprietorship business account (B), due to the nature of sole proprietorships, for an aggregate maximum coverage of \$100,000)

- (B) – John’s Sole Proprietor Business Share Draft Account (\$120,000)

Insured amount = \$100,000 leaving \$20,000 uninsured.

Note: If there were no beneficiary listed for (A), above, the funds in (B) would have been added together with (A) for an aggregate maximum coverage of \$100,000)

- (C) – Joint Share Draft Account (Jane and John) (\$240,000)

Insured amount = \$200,000 (Up to \$100,000 each for each joint owner’s portions) leaving \$40,000 uninsured.

- (D) – John’s IRA (\$120,000)

Insured amount = \$120,000 (coverage up to \$250,000 is available).

- (E) – Jane’s Individual Savings Account with POD (Sue) (\$120,000)

Insured amount = \$100,000 (leaving \$20,000 uninsured).

- (F) – Jane’s IRA (\$120,000)

Insured amount = \$120,000 (coverage to \$250,000 is available).

The Does have a total of \$840,000 deposited in the credit union. Of the total amount, \$740,000 is insured, leaving \$100,000 uninsured. Unless the credit union carries excess deposit insurance, the Does would have to use another fully insured institution to obtain coverage for the uninsured amount.

Q. Where can credit unions guide members or get information on share insurance?

A. The NCUA Share Insurance Estimator (<http://webapps.ncua.gov/ins/>) provides a detailed explanation of insurance coverage allowing users to estimate the total amount of insurance coverage eligibility based on ownership of various numbers and types of accounts. Comprehensive share insurance information can be found on the MCUL Web site, your Information Central (www.mcul.org), and in the MCUL InfoSight compliance product (<http://mi.leagueinfosight.com>), including coverage calculation examples; links to the relevant laws, regulations, and FAQs; and links to the NCUA Estimator and NCUA publications, bulletins and media releases such as: “How Your Accounts Are Federally Insured”, “Your Insured Funds”, “NCUA Increases Retirement Insurance Coverage” and “Media Release – Federal Insurance Protection Strong at Mid-Year”; as well as links to CUNA Resources such as the July 30, 2008 “Mica Minute” video, the July 28, 2008 NewsWatch Special Edition: CUs are Safe and Insured, CUNA Resource: America’s CUs: Strong, Secure and the “Credit Unions: Safe and Sound” statement stuffer.



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MCUL Third Quarter 2008 Education Calendar

Program dates subject to change as necessary. For a complete list of events and additional information, visit www.mcul.org under Education. Questions may also be addressed to educate@mcul.org or (800) 262-6285, ext. 245.

Date	Event	Location	Keyword
October			
07	2008 Telephone Collections School	Mackinac City	2008TCS
08	Does Your Web site Stink?	Audio Conference	AUDIOWEBSITE
15-16	MCUL HR & Trainers' Conference	Mt. Pleasant	
21	Bank Secrecy Act Audio Conference	Audio Conference	AUDIOSECURITY
November			
05	Disaster Recovery and Business Continuity	Audio Conference	AUDIORECOVERY
06	SAS Event: Coaching & Mentoring for the 21st Century	Internet Session	INTERNETSAS
18	HR Laws for Credit Unions	Internet Session	INTERNETLAWS
December			
03	Board Recruitment Strategies	Internet Session	INTERNETBOARD
08	Lending to Young Adults/Hispanics	Audio Conference	AUDIOLEND

InfoSight Third Quarter 2008 Compliance Calendar

The information in this Compliance Calendar is for general informational purposes only. It is being presented without any representation or warranty whatsoever, including as to the accuracy or completeness of the information. For more details, visit http://www.mcul.org/Regulatory_Affairs_501.html.

Date	Report/Form Due
October 22	Third Quarter Financial & Statistical Report (Call Report) due to the NCUA and OFIS.
October 25	Michigan Quarterly Unemployment Payments due on the 25th of month following end of quarter. Also due are Michigan Employer's Quarterly Wage Detail Report (Form UA 1017) and the Michigan Employer's Quarterly Tax Report (Form UA 1020).
October 31	IRS Form 941 – Social Security, Medicare, and Withheld Income Tax for the third quarter (due by November 10 if taxes were deposited in full and paid on time). Federal Unemployment Tax – deposit the tax owed through September, if more than \$500.
November 1	Michigan Holder Transmittal for Annual Report of Unclaimed Property and any accompanying Annual Report forms due to the MI Department of Treasury. Writs of Garnishment must be delivered by certified mail to the Michigan Department of Treasury beginning November 1 of each year for tax returns for the following year. Mandatory compliance date for the FACT Act Rules re Identity Theft Red Flags and Address Discrepancies.
December 31	IRS Form W-8 BEN Renewal/Review Process. Verify validity of W-8 BEN Forms (Certificate of Foreign Status of Beneficial Owner for United States Tax With-holding) on file (expire on 3rd succeeding calendar year).