Michigan Credit Union League | Fourth Quarter • 2008

SMALL ASSET SIZE SAS CREDIT UNIONS

GAZETTE

Reminder

MCUL headquarters will move to a new Lansing location as of Dec. 15: 101 S. Washington Square, Suite 900. The Northville office will move to 38695 W. 7 Mile Road, Suite 200, in Livonia on Nov. 24. All contact phone numbers and emails will stay the same.

MCUL MICHIGAN CREDIT UNION LEAGUE

President's Message: The Rewards of Taking Risks For Members

MCUL President and CEO David Adams

Welcome to the SAS Gazette for the 4th quarter of 2008, the publication for Michigan's small asset size credit unions. This issue includes regulatory articles on trusts and policies, CUNA GAC scholarship opportunities for SAS credit unions, and the new CU Relations staff members. Also covered are the CU Difference Campaign and other pieces highlighting communication during the ongoing financial turmoil, including a conversation I had with Hank Hubbard, president and CEO of Communicating Arts Credit Union in Detroit. His message: While small size can be seen as a vulnerability in unstable times, it can also be an advantage.

Small can mean nimble, giving credit unions the flexibility to take risks for their members. Being a $22 million credit union allows Communicating Arts CU to quickly react to the needs of diverse groups, ranging from Detroit's journalists (its original field of membership) to the underserved population of Highland Park.

According to Hank, member loyalty is built by the interactions that give people more than checking and savings accounts. Credit unions must commit to listening, continuing financial education and taking risks when the rewards will improve the community. Communicating Arts CU has:

- embraced their community charter by opening branches not only in areas that add big deposits, but where the credit union's presence adds value to the community.
- designed many products in-house, giving them the flexibility to respond directly to the needs of members and to do it in a shorter period of time than a larger institution.
- maintained a large membership (7,000) for their asset size, and their commitment to the community has gained them the support of many whose assets will continue to grow.

Not every small credit union has the resources or the opportunities to take on all of the challenges that Communicating Arts has tackled, but every SAS CEO should remember that with risk comes opportunity. Every credit union that goes out on a limb to solve a member's problem will gain that individual's business and their respect.

Joining Forces to Promote a Positive Message

By Mike Bridges
MCUL Director of Public Affairs

The deepest financial crisis since the great depression has seen the biggest names in the American economy – Bernanke, Paulson and Greenspan – admit weakness and mistakes, but the credit union industry has a very different story to tell. To spread the news of credit unions' safety and soundness, the CU Difference Campaign (formerly MCUL's Cooperative Advertising) created supplemental radio ads this past October.

The goal has been to reassure credit union members that their funds are secure while touting the benefits of membership to non-members. This year's supplemental radio ads will tie into the theme of next year's campaign, "Love + Trust = My Credit Union." The theme connects stability with the personal connection and individual attention that separates credit unions from other financial institutions. The participation rate among credit unions was 56 percent, with 66 SAS credit unions giving to the campaign.

"I come from one of the small credit unions in the U.P. that supported the effort 100%. Being an SAS credit union, our fair share was much less than the large credits unions contribute," says Marilyn Harden,

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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 the 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 experienced consultants to serve credit union compliance needs through its HRValue Group franchise. Our professionals are experts in the discipline of operational compliance and audit. They are available to contract with credit unions for the amount of time needed through our shared staffing model; 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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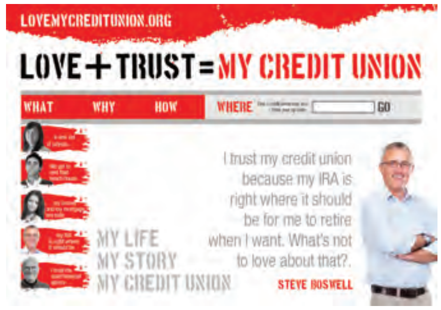
CEO of Baraga County FCU. "It is a small amount for a large joint effort and I think it is very important to help to get the word out. It's a program that helps all credit unions."



The new CU Difference campaign will produce radio ads for 2009, a new Web site around the theme of "Love + Trust = My Credit Union," web based videos and collateral materials that credit unions can use as part of their own campaigns. This creates a cost-effective way for many credit unions with smaller advertising budgets to plug in to the message of CU Difference. All of the materials can be used by member credit unions without cost as long as they don't alter them. CU Growth Solutions, the full service marketing and design company housed within CUcorp, created the campaign. They can also work with credit unions that choose to customize materials for use in their own campaigns. To learn more about the CU Difference campaign, go to http://www.mcul.org/CU_Difference_Campaign_589.html. The 2009 campaign letters have been sent and more information about the 2009 creative will be distributed to credit unions during the fourth quarter.

Credit unions who have questions should contact Mike Bridges, Director of Public Affairs at Michael.Bridges@mcul.org or (800) 262-6285 ext. 246.

MCUL Welcomes FOCUS Partners

The MCUL has created an exciting opportunity for credit union industry product/service providers to support credit union cooperative advertising by participating in a program called FOCUS (Friends of Credit Unions).

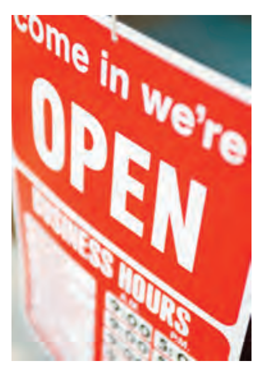
FOCUS partners contribute annually to the CU Difference campaign, a significant benefit for credit unions during these difficult economic times.

The MCUL welcomes and thanks these new FOCUS participants: Member First Mortgage, Symitar and Corporate One Federal Credit Union. A complete list of FOCUS businesses can be found online at www.mcul.org. For additional information about FOCUS, contact Robyn Heron at (800) 262-6285 ext. 245 or Robyn.Heron@mcul.org.

In Tough Times, Credit Unions Must Show Public Who They Are

By Char Larson

When the economy slows down, many credit unions cut back on advertising. SAS CUs, who already have tighter budgets, have an opportunity to make gains during the current credit crisis – if they can find cost-effective ways to let their communities know. At Clawson Community CU, which has $22 million in assets, we've been able to use creative techniques to get the word out about our services.



As the crisis deepened over the past few months, we focused every aspect of our marketing around safety and security. "Safe, sound and secure" has become the major theme of our efforts and has been integrated into every part of our marketing.

The first audience to target was our members – especially those who split their accounts between a bank and a credit union and might be tempted by

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the circumstances to move the rest of their money. We focused on safety and soundness visually within our building by adding signs on our property, and fliers on our doors and in our lobby with language reflecting this message.

Beyond our own members, we wanted to target potential customers by identifying and highlighting the reasons for them to switch to credit unions. We've focused on a couple of different groups: local businesses who need loans, members and non-members who need loans, and people who have become frustrated with the upheaval in the banking industry.

We've worked to create or participate in some events that let us share the message with these groups, including involvement with the Clawson Chamber of Commerce and hosting a local economic forum and a Halloween trick-or-treat event for families. Clawson Community CU also introduced programs such as Excel and Stretch Pay to give members an alternative to payday lenders and help them improve their credit. These services are able to meet community needs, serve as a marketing tool, and increase member loyalty.

Our marketing ideas are not revolutionary, but they are tailored to the economic situation and the needs of our members and potential members. These concepts work hand in hand with our local newspaper and radio advertisements to get a positive message out to the community. Sometimes as an SAS CU, you may feel that you don't have the budget to reach potential members, but, with some creative thinking, any credit union can take advantage of these extraordinary financial times.

Char Larson is President and CEO, Clawson Community Credit Union. She is part of the SAS Mentor Listing and would welcome questions about credit union auditing, business development, lending, investments, marketing, and operations. She can be reached through email at charl@clawsoncreditunion.com.

The SAS Mentor Listing is an MCUL service which lists experienced credit union staff willing to share their expertise in a variety of disciplines. The list is available on the Web at http://www.micualliance.org/mcul_site/mentorlist.php. Please contact Carolyn Miller, League Representative/Small Asset Size Credit Union Coordinator, with questions on the Mentor Listing at 800.262.6285 ext. 753 or Carolyn.Miller@mcul.org.

Scholarships Help Send SAS Credit Unions To Washington

By Luke Capizzo
MCUL Communications Specialist

Each year, credit unions from across the country trek to our nation's capital to protect their interests and make their voices heard at the CUNA GAC. Small asset size credit unions can qualify for scholarships through the MCUL to attend the 2009 CUNA Government Affairs Conference (CUNA GAC) February 22-26 at the Washington Convention Center in Washington, D.C. The CURE Defense Fund Board of Trustees has made $12,500 available to help credit union staff members who would not otherwise be able to attend the conference.

The event also features educational sessions about working with a new congress, involving major think tanks in advocacy and the potential hazards of regulatory restructuring. Keynote speakers include

Paul Begala from CNN and Tucker Carlson from MSNBC along with Steve Forbes, a leading economic commentator. The GAC will close with a session from Al Roker of NBC's Today Show. More than half of Michigan's credit unions have less than $35 million in assets, so attendance from this group is critical to a balanced discussion and representation. Credit unions can register with CUNA at https://secure.cuna.org/cuna/events/gac09/register.php. The MCUL has a block of rooms available at the Hyatt Regency Capitol Hill, go to http://www.mcul.org/CUNA_GAC_Housing_Information_1400.html for more information.

"The CUNA GAC gives credit unions a chance to sit down with federal lawmakers in Washington and build relationships," says Patrick La Pine, executive vice president of association services for the MCUL and executive director of the CURE Defense Fund. "The more Michigan credit unions that are represented, the stronger our voice, both for the Michigan delegation and for credit unions across the country. Many SAS credit unions don't have the budget to go, that's why the CURE scholarships were created."

To be eligible, credit unions should not have received a CURE Scholarship for any grassroots event for the past 3 years. Participants' credit unions must have met either their 2007 or 2008 Federal and State PAC fundraising goals. To apply for the scholarship, fill out the form found at http://www.mcul.org/2009_CUNA_GAC_Scholarship_1402.html. Please contact Patrick La Pine at (800) 262-6285, ext. 485 or via e-mail at Patrick.Lapine@mcul.org with questions.

New CU Relations Staff Brings Experience

Martha Ninichik, MCUL's new Director of Member Relations

The MCUL CU Relations department has a number of new faces, including the addition of Martha Ninichuk as the director. The changes have also resulted in new chapter assignments for each League Representative (see p.4 map). Ron Martin and Carolyn Miller remain in their areas of the state with some slight changes to their territories.

League Representatives provide a personal connection between credit unions and the MCUL. They are often the first to know about services and programs offered by the league. Below is some background about each new staff member with their chapters in parenthesis:

- With over 25 years of credit union experience, both international and domestic, Martha Ninichuk has been with the MCUL since October 1. She is the Director of Member Relations including the areas of Community Reinvestment Initiative (CRI), Financial Education, and the League Representatives.
- Laura Cipielewski (HV, JA, MW, OC) has been with MCUL for 6 years, serving as a CUcorp Business Consultant before becoming a League Representative.
- Robin Wybenga (BC, FL, LN, MM) has worked in the credit union industry since 1985. Most recently she was CEO of Mid Michigan Family Credit Union in Saginaw.

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Compliance Corner

By Stephon Johnson

Trust Accounts: Part I

The Helpline frequently receives questions regarding trust accounts. This is a broad area that includes the formal living trust arrangement as well as the less formal payable on death account. Formal trust arrangements can be complicated and should be handled with care and, if in doubt, with advice from the credit union's legal counsel. This quarter's article, part 1 of 2, will answer some of the major questions and give a broad overview of the types and characteristics of living trusts. The second installment will focus on more specific operational details of living trust accounts.

Q. 1. What is a living trust?

A. A living trust is a formal arrangement whereby the owner of property (settlor, grantor) transfers legal title and control to another party (trustee) who assumes a fiduciary responsibility to care for the property for the benefit of a third party (beneficiary). The terms of the trust and typically the trustee's powers are usually designated in writing in a trust agreement or document signed by the settlor. The trust is a separate legal entity which may, under state and federal credit union law, become a member of a credit union and thereby establish its own account at the credit union. The two major categories credit unions usually deal with are revocable trusts (also referred to as "living trusts" or "inter vivos trusts") and irrevocable trusts.

Q. 2. What is the major difference between revocable trusts and irrevocable trusts?

A. A revocable trust allows the settlor to change his or her mind about the arrangement, and thus is permitted to either amend it or revoke it entirely. In contrast, in an irrevocable trust arrangement, the document cannot be amended or revoked by the settlor. These are less common and are usually created for tax purposes. A settlor should be fully apprised by the estate planning attorney that, once an irrevocable trust document is signed, the settlor is giving up the right to take back the assets transferred to the trust.

Q. 3. When may trusts be eligible for membership in a credit union?

A. Both federal and state credit union law permit trusts to be members under specific conditions. For federal credit unions, specific guidance for accepting trusts as members is derived from a 2000 legal opinion from NCUA's Office of General Counsel. It states that in order for a trust to join a federal credit union, it must either (1) be specifically named in the FCU's field of membership or (2) be an organization of such persons if the FCU has such organizations included in its field of membership. "An organization of such

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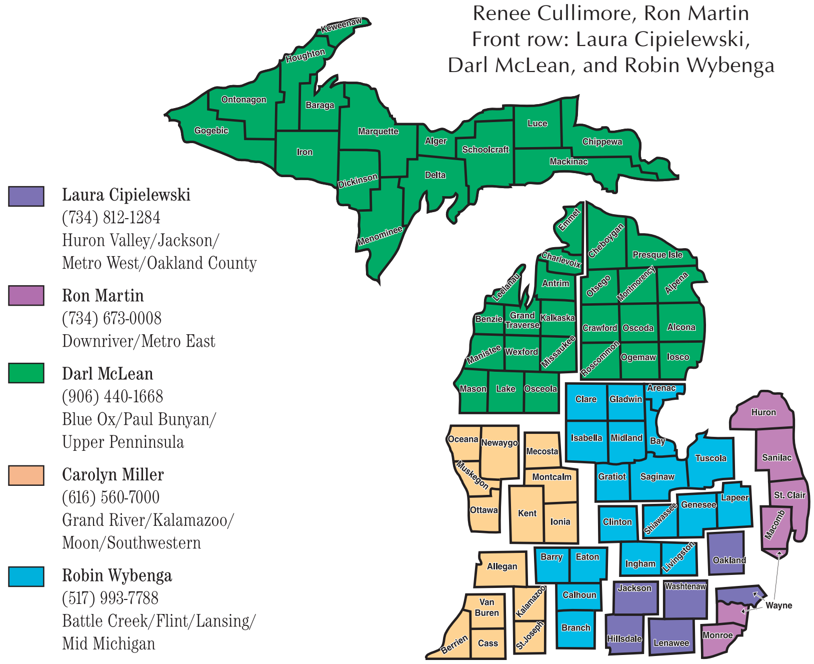
- Renee Cullimore (Support Specialist) started with the League in May of this year having worked at two other state associations in the communication and education departments. Renee brings more than 17 years of experience.

Back row: Carolyn Miller, Renee Cullimore, Ron Martin
Front row: Laura Cipielewski, Darl McLean, and Robin Wybenga



Member Business Loans Offer Opportunities

By Bryan Dahl
MCUL Information Services Coordinator

As many large corporations struggle in Michigan's current economy, the time is ripe for the creation of new, small businesses that strengthen both local communities and the state as a whole. Credit unions are in an excellent position to provide members with access to the capital needed to start a business, and such programs are growing increasingly popular.

Member business lending can also be a good long-term strategy for a credit union's loan portfolio, according to Tim Harrington, president of TEAM Resources, a strategic planning, training and consulting firm for credit unions and other financial institutions nationwide. Harrington will speak at MCUL's 2009 Lending Conference Feb. 11-12.

"There is a need for small business loans – the ones under $500,000 and especially for the smaller amounts that banks aren't interested in," Harrington says. "The credit crunch is forcing some banks to limit their business lending and borrowers are turning to credit unions. Over the long-term, business lending is a way to diversify loan portfolios. If all credit unions make are car loans and some mortgage loans, we have too many eggs in too few baskets."

Business lending may be a positive for both credit unions and the economy, but it must be approached properly. Credit unions have a history of responsible

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lending, and business loans should not be an exception.

“Small business is the backbone of the economy, but the loans must make sense,” Harrington says. “We have to know what we’re doing, we need skilled lenders.”

Regulations require 2 years commercial lending experience, minimum, in order to make business loans, but many experienced commercial lenders have said it takes 5 to 7 years to really become familiar with the process. Smaller credit unions can partner with one of the many credit unions that will help with underwriting and documentation.

“Business lending is such an important part of our new economy that all credit unions should look at it seriously and find a way to make it happen.”

To begin the process of implementing a program, Harrington says to first investigate the market and write a business plan. For education, go to the CUNA commercial lending school or similar program, then hire an experienced commercial lender or partner with a quality CUSO.

Free Model Policies on InfoSight

By Veronica Madsen
MCUL Staff Counsel

Did you know that MCUL members have access to 48 model policies on InfoSight? Due in large part to requests from small asset size credit unions, the MCUL offers all members a variety of free policies as part of the Web site.

Based on demand from credit unions across the country, free model policies are added to InfoSight in an effort to assist credit unions in meeting specific compliance demands. Forty-eight free policies can now be found in the Model Policies Channel for all of the InfoSight partners and participants. These policies have been provided by CUcorp’s PolicyPro Manual’s inventory of over 200 policies, which are created and revised by the Michigan Credit Union League.

The PolicyPro policies were chosen by the Georgia, Massachusetts and Texas Credit Union Leagues to be included on InfoSight, based on which policies they felt were most needed by credit unions. Examples of free policies provided include:

- Bank Secrecy Act
- Electronic Funds Transfers (EFT)
- FACTA - Fair Credit Reporting Act
- FACTA - Red Flag Guidelines
- Funds Availability
- Home Banking

The addition of the model policies were a natural fit for InfoSight, as it looks to continually add content and resources to assist credit unions in serving their members. The policies are especially useful for SAS credit unions, giving them up-to-date and easy-to-use options.

Signing up for access to InfoSight is easy. Credit union members are asked to fill in their name, credit union, email and individual password. After registering, 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 (800) 262-6285, ext. 486.

The SAS Gazette is a quarterly publication for Michigan’s small asset sized credit unions. Please submit comments to MCUL Communications Specialist Luke Capizzo at Luke.Capizzo@mcul.org or call ext. 480.

MCUL
MICHIGAN CREDIT UNION LEAGUE

Compliance Corner (continued)

persons” is defined in the Federal Credit Union Bylaws, Article XVIII, as an organization that is composed exclusively of such persons who are within the FCU’s field of membership. Those persons would be the settlors, trustees and beneficiaries of the trust.

Michigan’s credit unions can look to Sec. 354 of the Michigan Credit Union Act, which clearly stipulates that a credit union may accept a trust as a member if any of the settlors living at the time of application are eligible for membership, or if none of the settlors are living at the time of application and one or more of the beneficiaries are eligible for membership. This is clearly more flexible than federal law.

Q. 4. What services may a credit union offer to trusts?

A. The determination of which credit union services to offer to trusts is strictly a business decision of the credit union, including such services as share drafts, loans, ATM cards, share certificates/CDs, etc. A credit union should be aware of whether a particular trust has the power to engage in the transaction or enter into the contract involved. The trust agreement must have language in it that identifies the powers of the trust that clearly includes the transaction or contract involved in the particular credit union service. Legal counsel should be consulted if the credit union is in doubt.

Q. 5. A Payable on Death (POD) account is often referred to as a trust account or revocable trust. Is this different from the trust accounts described above?

A. Yes. However, NCUA for share insurance purposes categorizes POD accounts (also referred to as Transfer on Death or Totten trusts) as revocable trust accounts. It is a less formal arrangement than what is outlined above. A POD account is simply an account where a member opens an account for the benefit of another. The beneficiaries are usually children, but can be any named party and do not have to be members of the credit union to be insured. Upon the death of the owner, the account passes to the beneficiaries in accordance with the instructions for the account. NCUA recently removed a restriction that beneficiaries had to be “qualifying beneficiaries” which restricted beneficiaries to parents, children, siblings, spouses and grandchildren. This is no longer the case. Beneficiaries can now be any natural person, charity or other non-profit entity. Living trusts with beneficiaries are also permitted under special rules.

Q. 6. Where can credit unions get more information on trust accounts?

A. Comprehensive trust account information can be found on the MCUL Web site, your Information Central (www.mcul.org), and on League InfoSight (http://mi.leagueinfosight.com) in the Accounts channel.

MICHIGAN CREDIT UNION LEAGUE

101 S. Washington Square
Suite 900
Lansing, MI 48933

MCUL First Quarter 2009 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
January		
8	Red Flag Refresher	Webinar
15	How to Improve Your Collections Department	Webinar
21	Hands On Business Development	Audio Conference
February		
3	Bank Secrecy Act	Webinar
11-12	**Lending Conference**	Soaring Eagle Casino & Resort
13	Verifying Borrowers Income Using Tax Returns	Soaring Eagle Casino & Resort
19	Mergers: Myth vs. Reality	Webinar
March		
4-5	**Marketing Conference**	Soaring Eagle Casino & Resort
17	Trust Accounts and Credit Unions	Audio Conference
31-Apr. 2	Consumer Lending School	MI First CU, Lathrup Village

InfoSight First Quarter 2009 Select 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
January 1	The standard mileage rate changes to 55 cents per mile for 2009.
January 19	Fourth quarter 2008 **Financial & Statistical Report (5300 - Call Report)** due (projected date) to the NCUA or OFIS.
January 25	**Michigan Quarterly Unemployment Payments, Michigan Employer's Quarterly Wage Detail Report (UA 1017), and Michigan Employer's Quarterly Tax Report** (UA 1020) are due.
January 31	Notice due to **IRA owners** qualifying for a minimum distribution this year including either (1) the distribution amount, or (2) an offer to calculate the amount upon request. **Federal Unemployment Tax** – deposit the tax owed through December 31, 2008, if more than $500. **IRS Form 940, IRS Form 941 and IRS Form 945** due to the IRS. **IRS Form 1098, IRS Form 1098-E, IRS Form 1099-A, IRS Form 1099-C, IRS Form 1099-INT, IRS Form 1099-MISC, IRS Form 1099-R and IRS Form 1099-S** are all due to members. **IRS Form W-2** – 2008 Wage and Tax Statement due to employees.
February 28	**Michigan Form 165** - Annual Return for Sales, Use and Withholding Taxes due (include a copy of W-2s and 1099's).
March 1	**Home Mortgage Disclosure Act Loan Application Registers** (pursuant to Regulation C) due (received and excepted) to the Federal Reserve if your credit union is subject to HMDA reporting.
March 2	**IRS Forms 1098, 1098-E, 1099-A, 1099-C, 1099-INT, 1099-MISC, 1099-R, 1099-S, W-2** (Copy A), and **W-3** due to the IRS.