



# GAZETTE

- **President's Message: Balancing SAS Values and Tough Times** p.1
- **SAS CUs Investing in America** p.2
- **The "Do's" of Due Diligence** p.2
- **Legislative Update: New State Reps, New Challenges** p.3
- **SAS CUs at the CUNA GAC** p.3
- **Compliance Corner: Trusts, Part II** p.4
- **Quarterly Meeting: CU 360** p.4
- **International ACH Transactions** p.4
- **Stay Up-to-Date with CU PolicyPro** p.5

## Reminder: MCUL GAC

**April 29-30**

Radisson Hotel, Lansing

Featured Keynote:

John Mercurio (The Hotline)

## Thank You to Our FOCUS Partners

- Mortgage Center
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- CO-OP Shared Branching



## President's Message: Balancing SAS Values and Tough Times

**By David Adams**  
*MCUL President and CEO*

The Corporate Stabilization Plan is on every credit union leader's mind. The Michigan Credit Union League put together a task force to prepare comments for NCUA's ANPR on this topic. In Feb. at the CUNA GAC, CUNA and the NCUA held special meetings to update credit unions on the current plans being discussed. MCUL is working to keep SAS credit unions prepared and informed. We've created resources including accounting guidelines, a sample newsletter and an informational video that can be shown to staff and board members. All of this information can be accessed through our Web site at [www.mcul.org/Corporate\\_Credit\\_Union\\_Stabilization\\_1978.html](http://www.mcul.org/Corporate_Credit_Union_Stabilization_1978.html).

Despite these pressures, SAS credit unions continue to be a bright spot in the financial world. Nationally, this group recorded a 5.6 percent increase in assets from October 2007 to September 2008 – the strongest in many years. SAS CUs also have net worth ratios near all-time highs and 98.2 percent have a net worth of 7 percent or higher.

Looking to the future, credit union staff and boards of directors should create policies to manage potential hazards such as foreclosures, member job loss and vendor instability. Here are some recommendations, based on the work of CUNA's Small Credit Union Committee – including Belle River Community CU (ME) President and CEO Vicki McIntosh:

- **Avoid penalizing members:** As most SAS credit unions have more than adequate capital, they should try to maintain services and keep fees and loan rates from climbing to make up for other losses. It's okay if net income falls slightly – the long-term need to provide service to members is more important.
- **Create concrete procedures for members in crisis:** Work to carefully develop a mortgage modification policy and guidelines to provide assistance to members during the economic downturn. Utilize existing financial education and reach out to members who are having difficulties.
- **Communicate with members and regulators:** Make sure that members know their deposits are insured and that regulators know a reasonable plan exists to manage an uncertain future.

As credit unions work to come to terms with these and other issues, MCUL is offering free strategic planning sessions, led by League Representatives, for affiliated credit unions under \$35 million in assets. If your credit union would like a planning session, contact your League Representative or MCUL Director of Membership Relations Martha Ninichuk, [martha.ninichuk@mcul.org](mailto:martha.ninichuk@mcul.org) or extension 445. This should help give credit unions some extra support during these challenging times.

Also be aware of the many league services provided to SAS credit unions, including \$1,000 in Michigan Credit Union Foundation education scholarships, a \$500 credit toward fee-based services, free access to CUNA's CU360 portal, as well as the support of a League Representative, the InfoSight compliance product, and a bank of information central compliance and operational experts to answer questions.

These are tough times for everyone, but SAS credit unions are showing how they can effectively navigate through difficult economic times and provide great value for their members. MCUL is proud to support credit unions as they stick to their values in these challenging times.

# 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. Jody Dabrowski 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 CU HR Solutions. 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

Jody Dabrowski – Compliance Helpline Consultant, ext. 486

Veronica Madsen – Staff Counsel, ext. 461

# Small-Asset-Size Credit Unions Investing in America

By Mike Bridges

MCUL Director of Public Affairs

Small credit unions across Michigan have been reaping the rewards of the "Invest in America" program: increasing their auto loan business and giving members added savings. The program is exposing more potential members to credit unions and helping to build relationships with car dealers in need of



One of the customizable print ads designed for the "Invest in America" program

with members.

"It was an easy decision for us to participate. It's a member benefit. We've tried to ask ourselves: How can we help our members in these economic times?" says Kent County CU Loan Manager Patrice McDowell. "Our members are looking at every option and our loans, combined with 'Invest in America,' are giving them great value."

The program has been helped by local and national press coverage, as well as Kent County CU's own marketing. It puts information on its Web site, as well as in teller windows and in the latest member newsletter.

"We had one member who used 'Invest in America' to purchase a new 2009 GMC Envoy," says McDowell. "He shopped around for loan rates before realizing that ours was the best for him. Later, he called the credit union to tell us how happy he was about his \$2,000 rebate and his great rate – and to make sure we were sharing information about the program with the rest of our members."

"Invest in America" gives credit unions even more reason to make the loans that U.S. automakers, dealers and members need. Every SAS credit union can take advantage of the program and offer the savings to their members. Visit [www.lovemycreditunion.org](http://www.lovemycreditunion.org) for more details.

## The "Do's" of Due Diligence

By Luke Capizzo

MCUL Communications Specialist

Vendor relationships are born out of a need to provide goods and services to members that may be impossible or impractical for the credit union to provide on their own. Like any relationship, they require attention, understanding and trust. The difference is that an SAS credit union must be in complete control – especially if the relationship comes to an end.

"You can't 'set it and forget it' right now," says Community Schools CU (MN) President & CEO Carol Wagner. "You have to continually ask yourself: Do I

(continued on page 3)

(continued from page 2)

need this service? Is there a better alternative?"

Wagner recommends credit unions regularly take an inventory of all their vendor relationships in order to make sure that each one is being managed well, that costs and risks are controlled, and that an individual at the credit union is responsible for monitoring each service. As part of this process, she and her staff ranked each vendor in a number of categories, focusing on "need" (how necessary is the service to the credit union and its members?) and "risk" (how much risk does the relationship create?).

"When we did this, we took every single product and service and understood what the contract is and what we could do," says Wagner. "With any contract, you have to know what it says, when it matures, and how to get out of it if you need to."

By sitting down with vendor representatives, credit unions can ask questions to understand each line in contracts and bills – information they can use to be more selective in the services they pay for. It also gives vendors a chance to build trust with the credit union.

It's also important to look closely at potential contracts when exploring new vendors. While researching different alarm system providers, Wagner found one contract that extended itself for five years every time she made a service call. It was not the kind of relationship she wanted her credit union to get into.

"Due diligence with vendors creates security for the members," she says. "Whoever I do business with, I need to trust." All SAS credit unions can benefit by committing their attention and efforts to evaluating and understanding vendor relationships.

### March 12 Webinar to Highlight Due Dilligence

A webinar featuring R. Todd Sherpy, legal counsel to more than 500 credit unions and general counsel to the Georgia and South Carolina credit union leagues, will focus on understanding how the intricacies of due diligence regulation apply to everyday credit union activities. It will take place from 1-2:30 p.m. on March 12. Cost is \$169 per internet connection.

## Legislative Update: New State Reps, New Challenges

**By Marcia Hune**  
*MCUL Director of Legislative Affairs*

Each quarter the SAS Gazette will give a snapshot of the issues facing the state legislature and how credit unions will be affected. In January, the new state legislature brought 46 freshman representatives to Lansing. The first financial issue to confront the new class will be dealing with the foreclosure crisis in Michigan.



Filene Chief Research Officer George Hofheimer, left, and Dr. Robert Manning of the Rochester Institute of Technology present their findings to the Senate Banking Committee.

On January 26, House Speaker Andy Dillon (D-Redford) announced

the committee assignments for the 95th Legislature. Rep. Andy Coulouris (D-Saginaw) is returning as chair of the House Banking and Financial Services Committee and first term member, Rep. Dan Scripps (D-Northport) was named vice chair. Rep. Darwin Booher (R-Ewart) was named the minority vice chair.

On Feb. 11, the MCUL's David Adams appeared before the Senate Banking Committee, along with representatives from the Filene Research Institute, to share the results from a report titled "Keeping People in Their Homes." Commissioned by the Michigan Credit Union Foundation, the report gave concrete recommendations for public and private solutions to the foreclosure crisis. You can see some of the testimony and read the report by clicking here: ([http://www.mcul.org/Free\\_Resources\\_1905.html](http://www.mcul.org/Free_Resources_1905.html)).

The MCUL also participated in a work group, chaired by Rep. Coulouris, to propose legislation to ease the burden on homeowners in foreclosures. Coulouris has since proposed legislation giving borrowers 90 days to work out a deal with lenders to avoid foreclosure. The league has pushed for an exemption on the 30 percent of homes in Michigan whose mortgages are held directly by banks and credit unions.

As foreclosure legislation moves forward, the interests of credit unions and their members will be part of the debate in the Michigan Legislature and a focus of MCUL lobbying efforts.

## SAS CUs at the CUNA GAC

**By Mike Bridges**  
*MCUL Director of Public Affairs*

Five small-asset-size credit unions attended the 2009 CUNA GAC in Washington D.C. The conference gave SAS credit unions a rare opportunity to talk directly to the leaders at CUNA and the NCUA. This year's conference took on a different tone following the announcement of the Corporate Stabilization Plan. The GAC held a session explaining CUNA's position and the NCUA held a reception giving credit unions the opportunity to meet with their examiner and the NCUA board. Barbara Niedbala, CEO of Calcite CU(BO), attended the conference for the first time. She said the current economic situation drove her to attend. She came away with great information.



"I was looking for ways to tell my members about what is going on right now with the economy and the corporate plan," said Niedbala. "The sessions showed me the positives and now I'm comfortable going back to Michigan to tell my members."

Niedbala brought her board chairman, Scott McLennan, with her. McLennan attended on a CURE Scholarship. Niedbala sat in on the lobby session with Congressman Bart Stupak, however she said she would probably not speak much.

"The lobby sessions are very intriguing to me," said Niedbala. "The process is amazing and I'm looking forward to seeing it first hand."

Rockford Community FCU, Alpena Community CU, Michigan Coastal CU and Ypsilanti Area FCU also attended the CUNA GAC.

### GrCo Wins 3rd Straight National Service Award

The trek from Michigan to Washington D.C. in late winter is becoming an annual trip for GrCo FCU (MM). For the third straight year, GrCo picked up a national award from CUNA. This year, (continued on page 4)

# Compliance Corner

By Jody Dabrowski, MCUL Helpline Consultant

## Trust Accounts: Part II

The Helpline frequently receives questions regarding trust accounts. Last month, Part I presented a broad overview of the types and characteristics of living trusts. This month's article, Part II, focuses on the operational issues surrounding opening and transacting business with living trust accounts. Transactions with formal trust arrangement accounts can be complicated and should be handled with care and, if in doubt, with advice from the credit union's legal counsel.

**Q. 1.** How should a living trust account be opened and documented?

**A.** The credit union must determine the type of signature card and account agreement that it will utilize when opening an account for a trust. Although a credit union may use and customize the same general signature cards and account agreements that it uses for opening an account for an individual, it may also use specific forms such as CUcorp's MICH 526, Application for Membership and Account Agreement for Revocable Trusts. Although the credit union will be transacting business with the trustee, trust accounts must be established using the name of the trust, rather than the name of the individual members or trustees. Statements, agreements and all other necessary documentation must be completed accordingly – consistently using the name of the trust, rather than the name of the individual members or trustees. The credit union should also have documentation on file with the signature card identifying all parties for determining if the trust qualifies for membership, and for identifying successor trustees and the conditions under which they will serve, etc. The credit union should determine, with the advice of its legal counsel, which trust documents it will require and retain copies for its records.

As a separate legal entity, a revocable trust must have its own taxpayer identification number for IRS reporting purposes. It may be the grantor's social security number, but it may also be a different TIN depending on its terms. A credit union should not make the determination of which TIN to use. The trustee should inform the credit union which TIN to use with the advice of the attorney that drafted the trust agreement or that provided the estate planning advice. An irrevocable trust is also created by a separate written document with a separate taxpayer identification number assigned prior to opening an account with a credit union.

**Q. 2.** Who has authority to transact business on behalf of a living trust?

**A.** Only the named trustee (or trustees) may legally transact business on behalf of a

(continued on page 5)

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GraCo was once again honored with the Dora Maxwell Award for its work with local schools in Alma. Through its backpack drive, GraCo was able to give backpacks to students at 10 schools and provide each school with a box of supplies to use throughout the year. Stacy Grube, GraCo FCU manager, says the community now expects the drive every year.

"We've created a wall with pictures and awards from this program," said Grube. "Our members come in and say they are proud to be a part of the backpack drive and the credit union. Many of them give their time and money to help the program succeed."

Grube says the 2009 backpack drive is growing so much that GraCo may be able to expand and offer lunch pails or tennis shoes. She says the details have not been worked out and a partner has not been found. Given their past history, finding that partner is only a matter of time, as is making travel plans for Washington D.C. next February.



Stacy Grube, far right, with other winners of the national Dora Maxwell Award at the CUNA GAC

## Quarterly Meeting: CU360

By Martha Ninichuk  
MCUL Director of Membership Relations

Each quarter, SAS credit unions can take part in a conference call designed to teach, inform and allow for questions and feedback. The most recent call focused on CUNA's CU360 program, in which MCUL-member SAS credit unions can participate for free.

CU360 provides access to up-to-date economic indicators, credit union statistics, archives of CUNA research reports, and information for CEOs, CFOs, and marketing, operations, IT, lending, and HR leaders. The data empowers credit unions to make more informed decisions using the knowledge of their peers and industry leaders. Each credit union can share its username and password with as many staff members as will benefit.



MCUL League Representatives with Mike DeFors (3rd from left) and Martha Ninichuk (3rd from right)

"We hope SAS credit unions will take advantage of CU360 and all it has to offer," says Martha Ninichuk, MCUL director of membership relations. "For those who have registered in the past, they will be able to continue their subscription without any action. For those that haven't, now is a great time to get started."

## International ACH Transactions (IAT) & OFAC

By Bryan Dahl  
MCUL Information Services Coordinator

International Automated Clearing House (ACH) Transactions, also known as IAT entries, are credit or debit entries involving a financial agency's office

(continued on page 5)

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outside the United States. Beginning September 18, 2009, credit unions must comply with the new OFAC rules regarding IAT entries as follows:

- Credit unions that **receive** ACH transactions (RDFIs) will need to establish a written OFAC compliance policy for the handling of IAT transactions and meeting OFAC compliance obligations.
- Credit unions that **originate** ACH transactions (ODFIs) will need to educate staff on the implications of the IAT changes, educate originators on the obligations for originators with the IAT rule changes, determine if they have originators that are currently originating ACH transactions that meet the definition of the IAT, and establish a written OFAC compliance policy.

MCUL will offer a 90-minute webinar on April 2, hosted by Cynthia Thompson, education and training director of the Payments Authority, a not-for-profit trade association focused on growing the use of electronic payments and e-commerce. Thompson will discuss compliance preparations and provide participants with the tools to handle IAT entries. Registration is available on the MCUL Web site at keyword: ACHTRANSWEB. Webinars involve a real-time slide presentation over the Internet while listening to the audio connection via telephone. This session is designed for CEOs, managers, regulatory compliance officers and technology professionals. Learn more about this session at: [www.cuvlearning.com/MCULReg/miniweb.php?eventcode=ACHTRANSWEB](http://www.cuvlearning.com/MCULReg/miniweb.php?eventcode=ACHTRANSWEB).

For more information regarding the new IAT rules, please visit: [www.thepaymentsauthority.org](http://www.thepaymentsauthority.org).

## Stay Up-to-Date with CU PolicyPro

By Luke Capizzo

*MCUL Communications Specialist*

Regulatory and compliance updates force a credit union's policies to change constantly. For small credit unions, the task of keeping up can be all-consuming. CUcorp's CU PolicyPro offers a template for creating policies, which can be purchased using MCUL's SAS Funds, often at very little cost.

Formerly known as the Operations Policy Manual or the Ops Manual, CU PolicyPro allows credit unions to start with the most up-to-date framework available and customize it to fill the needs of their credit union. The electronic manual is hosted on the MCUL server and available for participating members to view, edit and print out as needed.

From operations to accounting to collections, all major policy topics are covered in the manual. Some of the most popular features are included in the Federal Regulations section, where MCUL Staff Council Veronica Madsen creates and revises policies in response to new and revised regulations, as well as mandates from regulators and/or examiners.

Many SAS credit unions do not take advantage of funds that would allow them to access the manual at virtually no cost. The SAS fund allocates \$500 per credit union per year, which can be used toward the purchase of CU PolicyPro at an annual price of \$525.

For more information about CUPolicyPro and the availability of SAS Funds, contact Gary Siegel at [gary.siegel@mcul.org](mailto:gary.siegel@mcul.org) or (800) 262-6285 ext. 586.

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](mailto:Luke.Capizzo@mcul.org) or call ext. 480.



## Compliance Corner (continued)

trust in accordance with the powers granted to them in the trust document. Transactions should be conducted in the trustee's representative capacity. Signatures must be as trustee of the "John Doe Trust," not in the member's original individual capacity.

**Q. 3.** How are changes made with respect to trust accounts?

**A.** Only the trustee or trustees of a trust may modify or terminate a trust account established at the credit union.

**Q. 4.** How should share drafts/checks for trust accounts be titled (printed)?

**A.** This may be considered a gray area by many since confidentiality is often desired. However, the best practice is to imprint the name of the trust on the face of the check. The credit union may also print the name of the trustee or trustees, in his/her/their fiduciary capacity or capacities (e.g. The John Doe Family Trust; Jane Smith, Trustee). Printing the name of the trustee may require that new checks be printed and used in place of the old in the event that the trustee changes in accordance with events and the terms of the trust. It is not likely prudent to use the name of the trustee only, as that practice could result in a perceived misrepresentation of the actual owner of the trust account.

**Q. 5.** How must share drafts/checks intended for deposit into a trust account be made payable or otherwise endorsed?

**A.** Share drafts or checks to be accepted by the credit union should be made payable to either the trustee in his or her fiduciary capacity of the named trust, or made payable to the trust itself. However, share drafts or checks made payable to an entity other than the trust may also be deposited into the trust account provided it has the proper endorsement to the trust on the back.

Any share draft or check issued from a trust account must be signed by the trustee or trustees listed on the signature card. A share draft or check made payable to a person who happens to serve as a trustee of a trust, but that does not indicate that it is intended for the trust itself or for the trustee of the trust in his or her fiduciary capacity of such trust may be deposited into an individual or joint account. Checks made payable to a trustee in his/her fiduciary capacity, however, should be deposited into the trust account.

**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](http://www.mcul.org)), and in the MCUL InfoSight compliance product (<http://mi.leagueinfosight.com>) in the Accounts channel.

*Jody Dabrowski is MCUL's new Helpline consultant. She worked for five years as an OFIR examiner and brings an accounting background to the position.*



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## MCUL Second Quarter 2009 Education Calendar

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

Date	Event	Location
April 2	International ACH Transactions	Webinar
April 8	9 Reasons CU's Aren't Realizing Sales and Service Potential	Audio Conference
April 29-30	MCUL 2009 Government Affairs Conference	Radisson Hotel, Lansing
May 1-3	Spring Leadership Development Conference	Soaring Eagle Casino & Resort
May 5	10 Rules for Proper Repossession	Webinar
May 7	Reg. Z & HOEPA Update	Webinar
May 13	2009 Collector's Training School	Radisson Hotel, Livonia
May 19	Red Flag Exam Preparation Workshop	LAFCU, Lansing
June 9	Strategies for Fueling Growth	Webinar
June 11	Robbery Prevention, Response and Aftermath	Audio Conference
June 18	RESPA's New Good Faith Estimate & Settlement Statement	Webinar

## InfoSight Second Quarter 2009 Select Compliance Calendar

The information in this Compliance Calendar is for 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 InfoSight's [Compliance Calendar](#).

Date	Report/Form Due
April 3	New I-9 Use Required by USCIS: Original Date February 2, 2009
April 15	NCUA Operating Fee/ NCUSIF Capitalization Deposit: Update Due
April 22	5300 Call Report: Due to NCUA
April 30	Employer's Quarterly Federal Tax Return/Federal Unemployment Tax Deposit Due IRS Form 941: Employer's Quarterly Federal Tax Return Deposit Due to IRS
May 10	IRS Form 941: Employer's Quarterly Federal Tax Return Filing Due to IRS (see note)
May 15	IRS Forms 990 & 990-T: Due for state-chartered credit unions
May 25	Memorial Day: Federal Holiday
June 1	IRS Form 5498 - IRA: Contribution Information Due to IRS IRS Form 5498 - ESA: Coverdell ESA Contribution Information Due to IRS
June 16	Standard Flood Hazard Determination Form: FEMA Form 81-93 with 12/31/2011 expiration - use Required