



GAZETTE

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MCUL AC&E

July 9-11

Grand Traverse Resort,
Traverse City

Thank You to Our FOCUS Partners

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President's Message Better Together: CUs See Value of Association

By **David Adams**
MCUL President and CEO

The first part of this year has been difficult on credit unions. However, two significant differences between not-for-profit and for-profit financial institutions emerged:

- 1) Credit unions work together to support the industry
- 2) Members concerns are the primary focus of credit unions during the crisis: not those of shareholders

It's the continued spirit of cooperation that keeps all credit unions – especially SAS credit unions, invested in the needs of their members and the growth of the movement. Now is a time of opportunity for credit unions: first-quarter data shows deposits and membership are up. There is also new loan growth in autos, small businesses and mortgages.

In April, the MCUL Board approved a 25 percent dues rebate for 2009 and 2010, conditioned upon affiliation in both years. Over 90 percent of our affiliated credit unions have signed an "intent" form to indicate their desire to participate in the rebate program. We would like to offer credit unions the opportunity to commit some, or all of their dues reduction dollars to the CU Difference Campaign for 2010. More information on the dues rebate should be reaching your credit union soon.

An expanded 2010 cooperative advertising campaign, with the help of the MCUL dues rebates, will continue to seize the positive opportunities before us. Thank you for all you do and enjoy the second-quarter SAS Gazette.

The NCUA Assessment: SAS CEOs' Views

By **Luke Capizzo**
MCUL Communications Specialist

Credit unions have endured a roller coaster ride of economic news this year, from the NCUA's premium assessment in January for the dangers to the corporate system, to Congress's actions to allow the NCUSIF to be replenished over the next few years. Credit union leaders have had to use all of their skills to manage their financial situations, maintain ongoing communication with staff and members, and advocate for positive regulatory outcomes.

Yet, even with such efforts, it has been easy for SAS CEOs to feel powerless in the face of the large-scale concerns over the corporate credit union structure and the nation's larger economic issues. Small financial institutions do not always possess the resources to create a buffer between themselves and economic cycles in the way larger institutions do. With competing internal and external pressures, what's a CEO to do?

Many have found that they can take action in the face of the economic crisis. For some credit unions, emotions ran high.

"An initial shock swept through senior staff as to the impact on an already tight bottom line, the effect on our net worth," says Greg Gurka, president and CEO of Ypsilanti Area FCU (HV). "I viewed every word posted on the NCUA, MCUL Web sites, saw how others were handling the issue and watched what news stories had broken along with viewing public reaction to those stories. I forwarded the information to the board so they were prepared when members began questioning them."

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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. 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

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The consciousness of public perception and the financial realities of the assessment have led SAS credit unions to take action – communicating with auditors, staff and members so that all of the information is out in the open.

"We've handled staff and member communication very directly," says Cathy Merrill, CEO of Dowagiac Area FCU (SW). "My staff wants to know and appreciates it when they have been kept in the loop of whatever the issues are. We also have a letter prepared for any member who may have questions about what they have heard or seen in regards to the recapitalization. It's better to be prepared when a member asks what this means to us."

In coming to terms with the budgetary realities of the NCUA's actions, both Merrill and Gurka quickly contacted their auditors and put together plans for keeping the board up to date on progress.

"As senior staff discussed the budget it became clear that the credit union would basically run two sets of financials at month end," says Gurka. "The first comparing the approved budget to actual less the corporate stabilization expense and the other comparing budget to the true month-end/year-to-date figures."

Both credit union leaders were pleased with Congress's decision to allow credit unions to spread the NCUSIF replenishment costs out over several years, although they expressed some concern about the ongoing stability of the fund.

"My concern is what happens when we all decide to take the maximum amount of time that we now have to defer the expense of the premium and then next year we have another write down," added Merrill. "I'm not sure I like having to adjust my adjustment."

Beyond the issues within the fund itself, there are other looming regulatory battles as Washington decides how to better insulate the financial industry from future problems. The concept of a super-regulator seemed to be the most distressing.

"First and foremost we do not want to see just one regulatory body," says Gurka. "Credit unions need the individuality of their regulator due to the differences in the operational structure and philosophies between them and the other financial service companies."

Merrill adds, "If all financial institutions are lumped into one mold, credit unions will change drastically and not necessarily for the better."

To find out more about the details of the NCUA special assessment, please visit the MCUL's Corporate Stabilization page:

http://www.mcul.org/Corporate_Credit_Union_Stabilization_1978.html.

Collecting Support:

How One CU Uses Adversity to Build Member Trust

By Luke Capizzo

MCUL Communications Specialist

A tough economy always leads to more delinquencies and more work for a credit union's collections department. For a small credit union, it can also mean more work for the manager or CEO. While the inevitable collections burden is never welcomed, some CEOs use the opportunity to connect with members, rather than push them away.

"It helps if you are known for working with the member and the community knows you don't take action until you are forced to for one reason or another," says Diane Moilanen, CEO of Settlers FCU (UP) in Bruce Crossing.

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"I've even had family members bring items I am trying to repossess to the credit union. This wouldn't work in a large city, but in a rural area, it helps to know everyone. In these days and times we know work hours are often reduced or the household income has been impacted in some way. Our intent is to help them through this difficult time without hurting the credit union."

Working at a \$13 million asset-size credit union gives Moilanen the chance to face many of the potential problems head on. While she has a collector on staff to take care of the primary work (including delinquent notices, initial letters and telephone calls), it is part of her job as CEO to take action with a final phone call or handwritten letter when the collector is having trouble with a member.

"Living in the U.P. has its advantages. People are known to occasionally leave their keys 'hidden' in their car," says Moilanen. "I've actually been out of town shopping or going out to dinner and come across a car I wanted to repossess. I let whoever I'm with take my car home and I hop in the other and simply drive away."

Collections can be a difficult area for any credit union to tackle, but CEOs such as Moilanen use the process to build trust with members, rewarding loyalty and working to find a solution.

"Make sure you explain your side and let the member know you are listening to their side. I have actually had members who used to be delinquent and thought the credit union liked that they were late so it could charge a fee and make more money. And don't be afraid to act. If someone won't communicate with you, let the courts do the talking, take the collateral (or hire someone to repossess it). Stick to your word, if you say or promise something, and follow through."

Has her approach changed at all as collections have risen over the past few months?

"We still send our notices, we still try to work with our members, but our window before we take action has become smaller."

Political Vigilance:

Advocacy Efforts to Avoid a Super-regulator

By Marcia Hune

MCUL Director of Legislative Affairs

In many respects, credit unions have never had it so good. The industry has emerged relatively unscathed and with reserves of public goodwill from the collapse of investment banks and the fragility of less-well-regulated financial institutions (such as large

"Maintaining our federal regulatory independence is crucial to the continued relevance of SAS credit unions" says Patrick La Pine.

insurance companies). Some might see such events as decreasing the need for continued political advocacy, but our industry must continue its work to avoid being painted with a broad brush by over-zealous regulatory reformers. One

potential threat comes in the form of a "super-regulator" – a single federal entity that would oversee all financial institutions.

Changes to the regulatory structure are all but inevitable. According to a recent CUNA congressional update, "legislation to address (the

financial regulatory structure) is almost certain to be enacted into law this year." Pressure on lawmakers for genuine regulatory reform is palpable, so credit unions must make their case: that the best way to keep the movement strong is to continue to show strength, growth and community support to our lawmakers. The industry's best efforts can keep credit unions regulated by a separate federal agency, ensuring our independence and unique structure.

"Maintaining our federal regulatory independence is crucial to the continued relevance of SAS credit unions" says Patrick La Pine, MCUL executive vice president. "Ongoing credit union participation in grassroots advocacy programs - through attendance at conferences, comment calls and action alerts – is the best way to show legislators and regulators our political strength."

CUNA President and CEO Dan Mica testified on the subject of a super-regulator to the Senate Banking Committee in March – underlining the problems of past external regulators (such as the FDIC and the Farm Credit Administration) that undermined the ability for credit unions to serve their members and strengthen their communities.

At the outset of the current crisis, the super-regulator was one of the earliest solutions drawn up to combat and prevent the failure of large financial organizations. House Financial Services Committee Chairman Barney Frank (D-MA) proposed a "Financial Services Systemic Risk Regulator," under the auspices of the Federal Reserve, in early 2008. His vision would give the new entity the power to assess risk across financial markets and step in before a potential collapse. Senator Chris Dodd (D-CT), chairman of the Senate Banking Committee, offers a similar solution, but prefers the FDIC to oversee its efforts.

While President Obama unveiled a regulatory restructuring plan on June 17 that maintained the NCUA as a separate regulator, the MCUL and CUNA will continue to monitor the situation, as it is still early in the process. Ongoing MCUL PAC fundraising efforts will strengthen credit union friendly candidates and the cause.

For questions about credit union political advocacy, contact Marcia Hune at Marcia.Hune@mcul.org or call ext. 465.

AC&E: Helping SAS Credit Unions Make the Most of their Resources

By Renee Werth

MCUL Director of Education and Events

Tackling big challenges with limited resources isn't easy. Fortunately, smaller credit union-attendees of the [2009 MCUL Annual Convention and Exposition](#) (AC&E) will

be treated to several educational sessions that will help them do more with less, and develop strategies that foster



The Grand Traverse Resort and Spa

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Compliance Corner

By Jody Dabrowski, MCUL Helpline Consultant

Corporate Stabilization Update

In January, March and June 2009, the NCUA board took special actions to ensure liquidity and continued confidence in the corporate credit union system. While these actions are accomplishing their purpose, they are costly to natural person credit unions. This Compliance Q & A will discuss the highlights of the corporate stabilization activities and its impact on credit unions through June 18, 2009.

Q. 1. What actions did the NCUA take in January 2009 that impacted the NCUSIF?

A. The NCUA board issued a \$1 billion capital note to U.S. Central Corporate Credit Union to provide additional reserves to absorb expected losses on its mortgage backed securities portfolio. The board also established a Temporary Corporate Credit Union Share Guarantee Program (TCCUSGP) to guarantee uninsured shares of all participating corporate credit unions.

Q. 2. What role has the TCCUSGP played?

A. TCCUSGP brought immediate stability to the entire corporate system. The program gives a 100-percent guarantee to accounts at participating corporate credit unions in excess of the NCUSIF share insurance limit of \$250,000. Capital accounts, such as membership capital and paid-in capital accounts, are not considered qualifying share accounts and are not covered by this guarantee. In April 2009, the board announced it would, as needed, extend the expiration date of this guarantee on a quarterly rolling basis to a maximum extension deadline of Dec. 31, 2014.

Q. 3. How did the NCUA's January actions impact the NCUSIF?

A. Together, the liability exposure of the TCCUGP guarantee and the infusion of \$1 billion into U.S. Central dropped the NCUSIF's capital ratio below its required 1.3 percent.

Q. 4. How were natural person credit unions impacted?

A. The January actions had a two part effect on the financial statements of federally insured credit unions. First, each credit union's share deposit with the NCUSIF became impaired, meaning credit unions had to write down this asset and make up the difference. Secondly, credit unions would be assessed an additional charge to restore the NCUSIF to its 1.3 percent required capital ratio. Both charges would impact income and net worth.

Q. 5. In March 2009, what additional actions did

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growth and quality member service.

Among these sessions:

- "Marketing on a Shoestring Budget," hosted by Jayni Sech, will discuss cost-effective ways for credit unions to market products and services to their members. This session will be valuable for credit unions that want to maximize limited advertising and marketing resources.

- Popular presenter Tim Harrington of TEAM Resources will host "An Inconvenient Truth – Be Relevant to the Marketplace or Disappear." Establishing value to members is vital in the rapidly changing financial services industry. This session will help credit unions develop a plan to use innovation, creativity and convenience to beat out local competition and meet members' financial needs.

- Dennis Macha will host "How Increasing Employee Engagement Improves Your Bottom Line." In this session, credit unions will be guided through a process that develops a business case for creating a culture that attracts and supports self-directed and engaged employees.

There's still plenty of time to register for this year's AC&E, held at Grand Traverse Resort and Spa just outside of Traverse City, July 9-11. [Click here](#) to get registered and view a full agenda of speakers and events.

CU's Help Keep Michigan "Right at Home"

By Bryan Dahl

MCUL Information Services Coordinator

Michigan credit unions have worked hard to address the state foreclosure crisis and mortgage concerns with their members. Now, the MCUL has created a new tool for this effort – "Right At Home," a DVD and Web site to educate consumers about avoiding foreclosure.

"Right at Home" was created through a grant from the National Credit Union Foundation (NCUF) after the MCUL and several partners expressed interest in reaching consumers with a unique approach, since the scope of the foreclosure crisis is very large and more people need education and counseling. Many facing foreclosure wish to remain anonymous and may have difficulty fitting a public seminar into a busy schedule, so the grant proposal to the NCUF detailed an easy-to-access video and Web site.

"It's vital to give credit unions the tools to help their members who may not understand the intricacies of the foreclosure process," says David Adams, MCUL President and CEO. "Especially at smaller credit unions that may not have the resources to provide foreclosure prevention counseling, the 'Right at Home' materials can give a member the knowledge they need to change their financial circumstances."



Credit union financial experts share their knowledge in the "Right at Home" DVD. Michigan's credit unions will receive copies of the Right at Home video to distribute to their members.

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The video, produced by CU Village, features experts from The Mortgage Center, Members First Mortgage, GreenPath Debt Solutions, United Way, MSU Extension, and individual credit unions. Three people also share their stories of how they have been helped to avoid foreclosure.

Eight thousand DVDs will be produced and distributed to MCUL-affiliated credit unions for their members as well as to partner organizations, lawmakers, public libraries and public access television stations. The website will be online by the end of June.

Visit www.RightAtHomeAnswers.org or contact MCUL Financial Education Coordinator Beth Troost at Beth.Troost@mcul.org for more information on the "Right at Home" initiative.

HR Can Be a True Resource

By Luke Capizzo
MCUL Communications Specialist

For credit unions thinking about cutting costs, human resources might be an area some would look to first. But there are dangers in leaving HR duties to staff without professional experience or splitting the duties between a number of individuals with varying levels of expertise.

"Quite often, an HR staff member may deal with administration, payroll, training – the risk is that someone else will have to absorb the responsibilities," says Jessica Strasser, managing consultant for CU HR Solutions. "If you give them to someone who's not an HR professional, what looks like a solution may be contrary to a regulation or put an organization at risk."



According to Strasser, there are options for credit unions looking to reduce costs while avoiding the potential pitfalls for an organization without HR expertise:

- 1) Use HR consultants through a shared-staffing program
- 2) Get an HR audit to examine existing programs
- 3) Look at sub-sections of HR such as payroll, recruiting or benefits for the potential savings of outsourcing.

"Having regular audits and oversight from a qualified professional will help prevent the issues that may leave an organization open to lawsuits," says Strasser. "With regulations changing quickly, it's critical to work with someone who is always on top of the updates."

Even in tough financial times, credit unions can improve their existing HR programs to align them more closely with the values of the organization. Performance management and assessment tools don't have to break the bank, and can help employees make an impact on the organization. Good human resources will help improve the value of staff members and help attract top-notch talent.

If you have questions, please contact Jessica Strasser at ext. 489 or Jessica.Strasser@cucorp.com.

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.



Compliance Corner (continued)

the NCUA take?

A. Following an analysis of individual corporate credit union security portfolios, the NCUA concluded credit losses would exceed total capital for both U.S. Central CU and Western Corporate FCU. As a result, NCUA was forced to place both corporate credit unions into conservatorship. Boards of both credit unions were replaced and NCUA stepped in to run them.

Q. 6. How did these actions impact the NCUSIF?

A. The portfolio analysis revealed that the NCUSIF had additional exposure, and thus it needed to increase its reserves for the additional potential losses that climbed from \$4.7 billion to \$5.9 billion.

Q. 7. How will these actions impact natural person credit unions?

A. This increased liability exposure required an additional write down of the value of the credit union's NCUSIF share deposit from the original estimate of 51% to 69%. At this point, however, NCUA reported that the premium assessment would remain at 0.3%.

Q. 8. Has Congress passed legislation that would permit credit unions to spread out the payment of the two charges over a longer period of time?

A. Yes. In May, President Obama signed S. 896, which contains key provisions that would enable credit unions to spread out the charges related to the NCUA's corporate stabilization efforts: seven years for expenses relate to the 1 percent share deposit and eight years for the insurance premium charges imposed to restore the NCUSIF capital ratio to 1.3 percent.

Q. 9. Has NCUA taken action in light of the passage of S. 896?

A. Yes, on June 18th, the NCUA board took action to implement the new law. It created the Temporary Corporate Credit Union Stabilization Fund, which will take over from NCUSIF the liabilities of the corporate stabilization efforts. As a result of its power to borrow money directly from the U.S. Treasury, the first step will be to restore the share deposit impairment fully. This will allow a recovery by credit unions of the earlier impairment charge. Secondly, charges for the share insurance premium assessment, originally expected to be 0.30 percent of assets, has been reduced to 0.15 percent with a final calculation expected to be announced by the NCUA board in September 2009. Further information is available on MCUL's [corporate stailization page](#) and NCUA's Web site ([Letter to Credit Unions](#) and [FAQs](#)).

Jody Dabrowski is the MCUL's Helpline consultant. You can contact her with regulatory questions at ext. 486 or email to Jody.Dabrowski@mcul.org.

A number of league representative territories have shifted with the addition of new League Representative Stephanie Klocinski. The following chapters have new LRs:

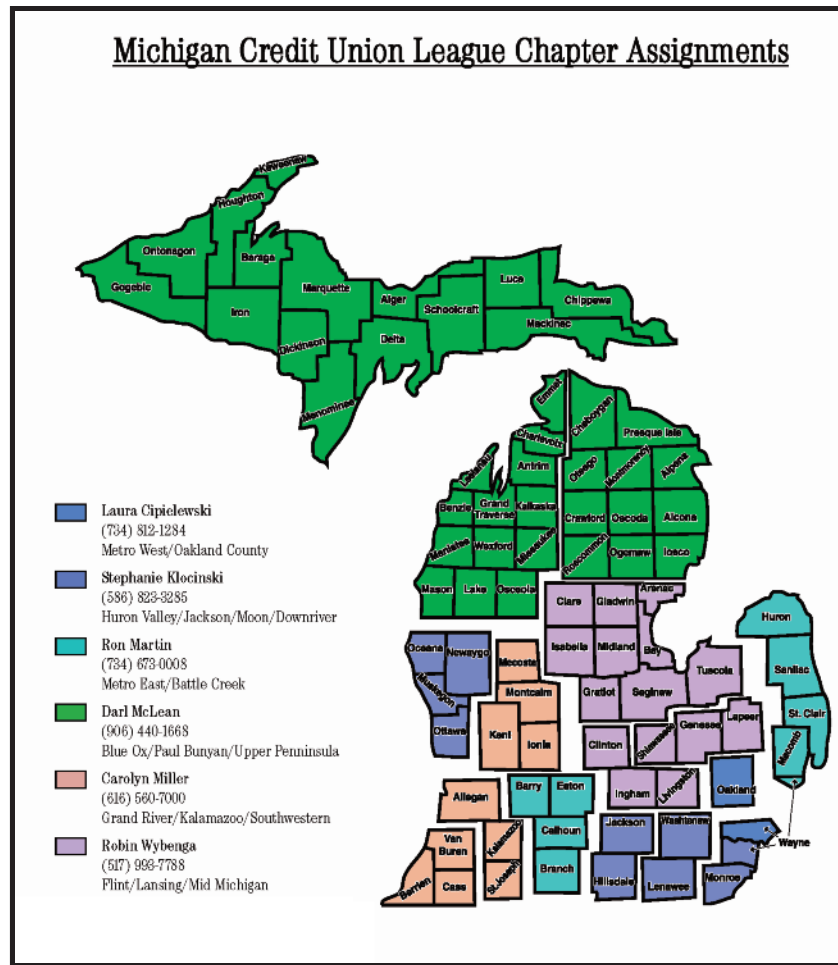
Battle Creek -
Ron Martin

Downriver -
Stephanie Klocinski

Huron Valley -
Stephanie Klocinski

Jackson -
Stephanie Klocinski

Moon -
Stephanie Klocinski



MCUL Third 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. 225.

Date	Event	Location
July 9-11	2009 Annual Convention & Exposition	Grand Traverse Resort and Spa, Traverse City
July 21	Death of a Member	Audio Conference
August 6	Top 10 IT Security Issues	Audio Conference
August 18	The Credit CARD Act of 2009	Webinar
August 11	Returned Deposits: Lessen Your Liability	Webinar
Sept. 1	Fee Income Strategies	Audio Conference
Sept. 11-13	Fall Leadership Development Conference	Amway Grand, Grand Rapids
Sept. 15	Preventing E-Commerce Fraud	Audio Conference
Sept. 23-25	2009 Executive Summit	The Inn at Bay Harbor, Bay Harbor
Sept. 24	Account Administration	Audio Conference

InfoSight Third 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
July 3	Independence Day - Federal Holiday
July 20	5300 Call Report Due to NCUA
July 30	Federal Reserve Form G-4 - Reg U Annual Report/Stock Secured Loans Filing - Due
July 31	Department of Labor Form 5500 or 5500-EZ for 2008 Calendar Year Plans - Due
July 31	IRS Form 941 - Employer's Quarterly Federal Tax Return - Deposit Due to IRS
July 31	BSA Filing Batch Validation - 2nd Stage Implementation
Aug. 10	IRS Form 941 - Employer's Quarterly Federal Tax Return Filing Due to IRS
Sept. 7	Labor Day - Federal Holiday
Sept. 18	International ACH Transaction Rules Effective/Mandatory Compliance Date