



GAZETTE

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A Message from MCUL President/CEO David Adams

Welcome to the newly redesigned SAS Gazette, a publication created specifically to address topics and issues relevant to smaller credit unions (\$35 million and below in assets). At the MCUL, we know that SAS credit unions constitute the majority of our membership and are the heart and soul of the Michigan credit union movement. The MCUL wants to be your Information Central, and it is important to us that your credit union remains aware of the important items affecting the SAS community as well as the educational opportunities and resources available to you.

We welcome your ideas and comments regarding the SAS Gazette, so do not hesitate to contact us with what you'd like to see covered on these pages. We are here to arm you with the information you need to help your credit union succeed in the changing landscape of financial services.

I hope you find the SAS Gazette to be a useful tool, and look forward to continuing to serve you and the rest of the SAS community through our areas of advocacy and education.

-David Adams

Looking to the Future, CUs Turn to Younger Generation

by Bryan Dahl
MCUL Information Services Coordinator

As the first decade of the new millennium nears its conclusion, credit unions in Michigan and across the U.S. are finding themselves with memberships lacking at both ends of the age spectrum. With the average member's age hovering around 47, many experts are finding that credit unions are struggling to attract youth and having difficulty retaining older members.

Because this issue is confronting so many credit unions, it should come as no surprise that youth marketing and appealing to "Generation Y" (those born between roughly 1981 and 1995) have seemingly become a hotter topic with each passing month for both credit unions and their state and national associations.

At the 2008 MCUL Annual Convention and Exposition (AC&E) in Grand Rapids, attendees were able to hear a full keynote address delivered by Mary Crane, of Mary Crane and Associates, which focused entirely on the habits and interests of today's young people. Later in the AC&E, Crane hosted an education session that featured a panel of young adults who were able to interact directly with the audience. The MCUL now hosts a blog at

CU Campus in which members of the panel, and any other interested young people, can continue the discussion with credit unions online (log in at <http://mcul.cuvlearning.com> to visit the blog).



Another entity taking note is the Filene Research Institute (<http://filene.org>), one of the foremost organizations for research on consumer finance and credit union issues, which has created the "CU Tomorrow" clearinghouse for all of their research and open-source business plans relating to young adult strategies.

"(Credit unions) have aging members, aging employees to a lesser degree, and generally speaking, the average age of board members is up a little bit," said Mark Meyer, Executive Director and CEO of the Filene Research Institute. "CU Tomorrow is looking for meaningful ways for credit unions to attract Gen Y into the credit union either through talent acquisition as part of the credit union's employment base, volunteers such as board members or advisory council members, and of course, the credit union membership.

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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 longstanding 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 makes 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 Compliance Officer needing more detailed information. Included is CUNA's online 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 for assistance.

Regulatory Compliance Consulting

When compliance assistance is needed that exceeds what the Helpline is designed to accomplish, the RCC service is available to assist with customized training or consulting. Currently, this fee-based service includes the Bank Secrecy Act, Compliance Officer Training, Policy Customization, Disaster Recovery and Web site Compliance Review.

For a more complete description, go to Products and Services on the Regulatory Affairs page of the MCUL Web site, or ask your Relationship Manager, CUcorp sales staff or call the Regulatory Compliance Consultant, Stephon Johnson at ext. 486.

MCUL Regulatory Affairs Staff

Michael DeFors - Director of Regulatory Affairs, ext. 464

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Veronica Madsen - Staff Counsel, ext. 461

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"If our business model is such that we're looking to take in deposits and lend that money to others, we really need to bring in younger members to support the future of credit unions," Meyer added.

Most importantly, Michigan credit unions themselves have taken serious steps toward building stronger relationships with current young members and reaching out to a pool of many potential members. Whether through programs and accounts geared toward youth, student-run credit union branches or financial education in the classroom, many credit unions in the state have renewed or further developed their efforts toward connecting with the younger generation. Limestone FCU (UP) is one credit union that has worked closely with local students and is looking to do even more.

"We have two student branch locations - one at the (combined) middle school and high school that is open during lunch hour two days a week, and one that just opened earlier this year in the elementary school that is open 1:00 p.m. to 3:00 p.m. on Thursdays," said Amy Blanchard, Student Coordinator at Limestone FCU. "I also have the great opportunity to teach financial education to kindergarten through fifth grade."

Limestone FCU even took their presence in the school one step further by going beyond personal finance experience and giving students the opportunity to closely understand how a business operates.

"This year we opened a spirit store in the elementary school that is run by the fifth grade classes," Blanchard said. "The students do everything from serve as cashiers and tellers, to pricing, inventory counts, stocking, cleaning, 'security' and more."

Apart from a student CD with a minimum deposit of just \$100, Blanchard says the credit union has yet to develop a comprehensive program outside of their student branches and financial education that is geared toward youth, but hopes to develop this in the near future.

Some credit unions have already developed accounts geared toward young people and developed areas of their Web site to provide youth with online resources relating to personal finance. Dowagiac Area FCU (SW), for example, allows children under 13 to open a savings account with only \$5.00. This registers them for a "Kid's Club" that features prizes and a newsletter. The credit union also has three distinct areas of their Web site designed for young members - one for younger children, one for middle-school age and one for those aged 16 to 18.

Credit unions interested in developing similar ideas for their own credit union should contact their MCUL Relationship Manager to discuss possible options. For credit unions interested in creating their own student-run branches in local schools, visit www.mcul.org/Youth_Financial_Literacy_664.html to obtain a handbook on the process, or contact MCUL Financial Education Coordinator Beth Troost at bat@mcul.org or ext. 453.

Collaboration Keeps Chiropractic FCU Moving Forward

By Mike Bridges

MCUL Director of Public Affairs

Wanted: President and CEO.

This is a common ad in the classified sections of every credit union trade magazine in the country. In late 2007, Chiropractic FCU (OC) in Farmington was facing this very situation. It caught the eye of the executive management team at Affinity Group CU (OC) in Pontiac, who discussed the opening during a management meeting.

One member of the Affinity team suggested, "Why don't we apply for it?" The member wasn't thinking about just themselves, but about the entire executive team at the credit union offering their services. On the day Chiropractic FCU conducted interviews, Affinity Group CEO Tom Miller, who served as CEO of a small credit union earlier in his career, pitched his executive management team as Chiropractic's answer.

"A lot of smaller credit unions have had to merge because they haven't had the resources to stay relevant," Miller said. "I asked Chiropractic why they should hire one CEO when they could hire an entire team with more than 120 years of combined experience."

With just under \$20 million in assets, Chiropractic FCU was facing a similar growth dilemma to that of many credit unions across Michigan: membership was mostly comprised of people from one walk of life. There are 2,400 chiropractors across the state, yet Chiropractic FCU's membership was geographically limited to just 600. By agreeing to hire Affinity Group CU as its management team, Chiropractic was also signing on 130 new branches that opened up the membership to more chiropractors. New accounts are already opening because of the expanded branches.

"Growing membership is tough – it's a slow process," Miller said. "For a smaller credit union, it's especially tough in today's economy. Most have just one office and no capital to expand to multiple branches."

On January 1 of this year, an agreement was signed between Chiropractic FCU and Affinity Group CU to collaborate on services. By April, the two credit unions were freely working together. Chiropractic FCU was now able to offer online training, 24/7 home banking, online banking, as well as being up to speed on human resource issues and compliance. The Chiropractic staff now feels they have a "buddy system" in place where questions can be answered.

"Everything we have, we filter down to them," Miller said. "They could only move forward with one channel before, now they can move forward with six channels at the same time. It makes a huge difference."

Miller said many smaller credit unions feel threatened when a larger credit union offers their services for fear that they are attempting to move in for a merger, but explained that this is not the case with his credit union. Collaboration is a full-fledged part of the strategic plan at Affinity, which even created a new vice president position to work specifically with managed services. Affinity can currently handle as many as three collaborations.

Miller said another position will be added if an agreement is reached with more than three small credit unions. Chiropractic FCU was the first to sign on. Affinity hopes the success of this first partnership will show smaller credit unions that collaboration can be the key to staying in business.

"Mergers have caused the demise of many credit unions," Miller said. "They lost their name, identity and location. Many times their staff also loses their jobs. Collaboration can help them stay relevant by leveraging off the larger credit union."

New Legislation Amends Family Medical Leave Act

Written by the law firm of Mika, Meyers, Beckett & Jones, PLC

The Family Medical Leave Act of 1993 (FMLA), covers all public agencies (state and local government employers) and all private sector employers with at least 50 employees. The FMLA generally entitles eligible employees to take up to 12 work weeks of job-protected leave

during a 12 month period for any one or more of the following reasons:

- When the employee is unable to work because of a "serious health condition"
- To care for the employee's spouse, child or parent who is incapacitated due to a "serious health condition"
- For the birth and care of the employee's newborn child; or
- For the foster care or adoption placement of a child with the employee.

On January 28, 2008, President Bush signed new legislation which amended the FMLA for the first time. As a result, employers covered by the FMLA must now deal with two new types of leave relating to military service personnel and active duty. Covered employers must also begin to deal with some new, and broader, definitions under the law. These changes will require covered employers to promptly revise and redistribute their written FMLA policies.

Servicemember Family Leave



The first new type of leave, called "servicemember family leave," is effective immediately. It must be granted to any eligible employee who requests such a leave beginning on or after January 28, 2008. Such a leave must be granted to an "eligible employee" who is the spouse, son, daughter, parent or "next of kin" (defined as "nearest blood relative") of a member of the Armed Forces (including a member of the National

Guard or Reserves) so they can care for the service member who is undergoing inpatient or outpatient medical treatment, recuperation, therapy or is otherwise on the temporary disability retired list because of a "serious injury or illness" incurred during active duty. Such a leave can continue for up to a total of 26 workweeks of FMLA leave during a single, nonrenewable 12 month period (although, after the end of the 12 month period, the employee may again be eligible to use ordinary FMLA leave to spend additional time caring for the injured service member).

An "eligible employee" is determined by the same standards as for other forms of FMLA leave (i.e., at least 12 months of cumulative service with the employer, and at least 1,250 hours of work (or military credit in lieu of work) during the 12 months preceding commencement of the leave). But the definition of "serious illness or injury" is not the same as the definition of "serious health condition" which continues to apply to the previously recognized forms of FMLA leave. "Serious illness or injury" means any condition arising "in the line of duty" which makes the servicemember "medically unfit to perform the duties of the member's office, grade, rank or rating," which has the potential to be much broader than the concept of a "serious health condition." Note that the definition is not limited to combat illnesses or injuries, and that the determination of whether or not a servicemember has a "serious illness or injury" will likely be determined by military authorities, rather than by an employer called upon for leave.

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Qualifying Exigency Leave

The second new form of leave entitles an eligible employee whose spouse, son, daughter or parent is on active military duty, or has been notified of an impending call to active military duty, to take up to 12 work weeks of leave so that the employee can deal with any “qualifying exigency” arising from the call to active military duty. Employers’ obligations to provide such leave will not become effective until the Secretary of Labor issues regulations defining the key term “qualifying exigency,” which is not currently defined in the law. Based on available information, the definition will likely be extremely broad, and employers may be required to grant leave for an eligible employee to make any sort of arrangements related to the departure of the service person (e.g., establishing or changing child care, taking care of financial matters, etc.) and even to take care of activities like attending school conferences, paying bills and generally taking care of the daily responsibilities of running a household. Until it issues new regulations, the Department of Labor is encouraging employers to review every leave request carefully and to grant them “liberally” to employees who appear to qualify.

Both new forms of leave can be taken in a single block, or as intermittent or reduced scheduled leave spread out over several weeks or months. They are also treated the same as other forms of FMLA leave for purposes of substitution of paid time off benefits for otherwise unpaid leave. Employees taking such leaves are required to provide notice which is reasonable and practical, at least when the need for leave is foreseeable. It is not yet clear how much documentation or certification an employer will be permitted to require in connection with these new forms of leave, pending development of suitable regulations by the Department of Labor.

New FMLA Regulations

On February 11, 2008, the Department of Labor issued a Notice of Proposed Rule Making concerning substantial revisions to the FMLA Regulations adopted in 1995, and invited public comment on issues raised by the two new military types of FMLA leave. The proposed new regulations contain scores of changes, but some of them will almost certainly be revised further before they are made final. We expect to see some final regulations within the next few months, with more changes to follow several months after that.

We encourage all covered employers to promptly modify their FMLA policies to incorporate the new service member leaves; the changes are minimal. We also urge extreme caution in dealing with “qualifying exigency” leave requests until the Department of Labor has issued defining regulations. But until new regulations are issued in “final” form, we think the most efficient course of action for you is to monitor the situation, without spending a lot of time and effort on seminars and articles trying to anticipate the details of impending regulation changes.

For assistance in modifying your FMLA policies or dealing with other FMLA issues, please contact one of our FMLA specialists: David R. Fernstrum at (616) 632-8015 or (616) 632-8033.

For more information regarding Mika, Meyers, Beckett & Jones, PLC or information regarding a law firm that specializes in credit union-related issues, please visit the MCUL’s Law Firm Referral Program page on the MCUL Web site at: http://www.mcul.org/Law_Firm_Referral_Program_549.html.

Bank Secrecy Act Compliance Information Available Online

by Bryan Dahl
MCUL Information Services Coordinator

The Bank Secrecy Act (BSA), also known as The Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970, was enacted to help the investigations of money laundering, tax evasion and other criminal activity.

As an important area of credit union compliance, it’s vital that credit unions fully understand the requirements of the BSA and how to avoid facing penalties. Credit unions must establish and maintain a written compliance program for fulfilling the requirements of the BSA that includes at least: (1) a system of internal controls; (2) designation of an individual to coordinate/monitor BSA compliance; (3) independent testing; and (4) training of appropriate personnel. In addition, an effective BSA compliance program should include written policies and procedures designed to detect and prevent money laundering activities.

Failure to comply with the requirements of BSA and its implementing regulations can result in both civil and criminal penalties. Fortunately, MCUL member credit unions have access to summaries of this regulatory issue and many others, in addition to training sessions on BSA and other areas of compliance.



For further information on the BSA, visit the League InfoSight at <http://mi.leagueinfosight.com>. While there, browse the many other pages of compliance information to familiarize yourself with the information available to you and your credit union. Questions on compliance issues may be directed to Stephon Johnson, MCUL Compliance Helpline Consultant, at ext. 486.

Discount Available for SAS Credit Unions to Attend ID Theft Session

by Bryan Dahl

MCUL Information Services Coordinator

Credit unions must comply with a new set of regulations relating to identity theft this year, and the MCUL is offering a session on the topic throughout Michigan along with a discount for staff of SAS credit unions (assets of \$35 million and under) who wish to attend.

Final regulations implementing the Fair and Accurate Credit Transactions Act (FACT Act) identity theft prevention program provisions became effective on January 1, 2008. Known as the "Red Flag Rules," this regulation requires financial institutions to develop and implement an identity theft prevention program to help protect members and the institutions themselves from the risk of identity theft. An ID theft program must be formally approved by the board and include policies for detecting and responding to red flags of identity theft. The mandatory compliance date is November 1 of this year.

Veronica Madsen, General Counsel for the MCUL and CUcorp, will be traveling to different locations throughout Michigan to conduct a workshop that will inform credit unions of the steps they must take to stay in compliance with these new identity theft provisions. The session will also feature statistics and other useful information regarding identity theft.

Registration is only \$69 per person for SAS credit unions, reduced from \$89 per person for large credit unions. Sessions include Escanaba on July 30; Gaylord on July 31; the Michigan Credit Union Center in Northville Township, on August 6; and Lansing on August 7.

This session also provides an opportunity to share information with other credit unions regarding identity theft in an effort to enhance their written identity theft prevention program. Attendees will leave with the tools needed to create a significant portion of a written program: a risk assessment, a policy and how to put together a credit union's identity theft prevention procedures.

To sign up for one these sessions, visit the Education section of the MCUL Web site at www.mcul.org/Education_496.html, or contact Carol Zane at cmb@mcul.org or ext. 225.

The SAS Gazette is a quarterly publication for Michigan's small asset sized credit unions. Please submit articles or comments to MCUL Information Services Coordinator Bryan Dahl at bmd@mcul.org, or call ext. 233. 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

Compliance Q&A

with Stephon Johnson

MCUL Compliance Helpline Consultant

This quarter's Compliance Q&A is on "Consumer Reports," which are any communication from consumer reporting agencies bearing on an individual's credit, reputation or similar characteristics used to establish eligibility for credit, insurance, employment or other authorized purposes (often, a "credit report").

Q. When is it permissible for credit unions to obtain a consumer report on a member, an employee or a job applicant?

A. The Fair Credit Reporting Act ("FCRA") specifies the reasons that someone may obtain a consumer report. They include:

1. Determining an applicant's eligibility for credit or insurance, to open a deposit account or in connection with a review or collection of a member's account.
2. In response to a court order.
3. Prescreening a list of members to solicit for credit services.
4. Use in accordance with written instructions of the member to whom the report relates.

Credit unions may also obtain consumer reports for employment purposes. If they do so, they must first disclose to the employee (or to the job applicant) their intent to obtain them, clearly and conspicuously, in writing and on a separate document, and obtain the subject's written permission. "Employment purposes" include hiring, promoting, discharging or otherwise changing the employee's or applicant's status. Compliance with the FCRA restrictions is important for protecting credit unions against penalties or civil liability damages for intentional or negligent violations of the Act or misuse.

Q. If a credit union obtains and uses consumer reports, what responsibilities apply?

A. Credit unions using consumer reports must:

1. Notify consumers and employees whenever adverse action (e.g., loan denial or forced closing of an account) is taken on the basis, in whole or in part, of consumer report information;
2. Include in the notification the identity of the information source (e.g., Experian, Equifax or TransUnion) and FCRA mandated disclosures about the consumers' and/or employees' rights (e.g., the right to obtain a free copy of a consumer report or the right to dispute information); and
3. Take certain actions to insure that information is accurate and current.

For employment use purposes, credit unions must also furnish employees/applicants who receive adverse action (e.g., promotion denial or employment denial) based in whole or in part on the consumer report with a copy of the report along with a summary of consumer rights. The above adverse action notifications and disclosures must be provided within thirty days.

Credit unions can obtain more information about the FCRA through the MCUL InfoSight on the League Web site, in the Loans and Leasing channel. MCUL will also provide additional information in the June 2008 FAQs.



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. 225.

Date	Event	Location	Keyword
July			
01	Employee Record Keeping	Audio Conference	AUDIORECORD
09	Hiring and Firing: Best Practices for Keeping the Peace	Gaylord	2008PEACE
30	Generating Fee Income	Internet Session	INTERNETFEE
August			
12	Increasing Non-Interest Income	Audio Conference	AUDIOINCREASE
20	Payday Lending Solutions	Audio Conference	AUDIOPAYDAY
21-22	Executive Summit	Crystal Mountain Resort	2008EXEC
September			
04	Retaining & Expanding Relationships With Members	Audio Conference	AUDIORETAIN
09	Plastic Card Fraud	Audio Conference	AUDIOPLASTIC
19-21	Fall Leadership Development Conference	Grand Traverse Resort	2008FLDC

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
July 4, 2008	Federal Holiday: Independence Day
July 22, 2008	Second Quarter Financial & Statistical Report (5300 - Call Report)
July 25, 2008	Michigan Quarterly Unemployment Payments Michigan Employer's Quarterly Wage Detail Report (Form UA 1017). Michigan Employer's Quarterly Tax Report (Form UA 1020).
July 30, 2008	Federal Reserve Form G-4 - Reg U Annual Report/Stock Secured Loans Filing
July 31, 2008	IRS Form 941 – Social Security, Medicare, and Withheld Income Tax for second quarter Federal Unemployment Tax
Sept. 1, 2008	Federal Holiday: Labor Day
Sept. 30, 2008	Office of Foreign Assets Control (OFAC) Annual Report of Blocked Property held as of June 30.