

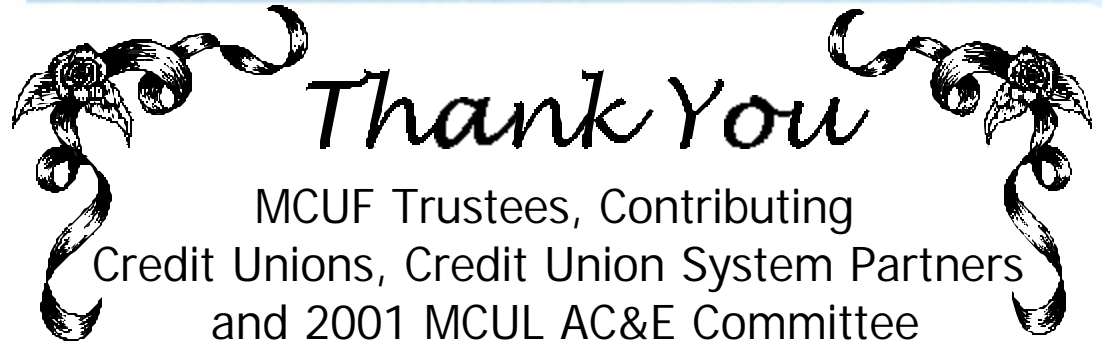


- TRI-STATE SAS CONF.
- WHEN A MANAGER/CEO OR EMPLOYEES LEAVE THE CREDIT UNION
- WHO LET THE BUCK OUT
- HEALTH CARE PLANS
- HR TIPS
- SKILLS FOR FUTURE LEADERS
- VOLUNTEERS
- DIRECTOR DUTIES & RESPONSIBILITIES
- COMPETING WITH 0% DEALER FINANCING
- CUNAs NEW SCHOLARSHIP PROGRAM
- STAFF TRAINING
- WEB SITES THAT ARE GREAT RESOURCES
- THE ESSENCE OF SURVIVAL
- DUE DILIGENCE WHEN PURCHASING CERTIFICATE OF DEPOSITS (CDs)
- POWER FOR JUST PENNIES

SUBMIT ARTICLES TO:  
CAROLYN MILLER  
MIL@MCUL.ORG  
1-800-262-6285  
EXT. 753



[HTTP://SMALLCU.MCUL.ORG](http://smallcu.mcul.org)



# Thank You

MCUF Trustees, Contributing  
Credit Unions, Credit Union System Partners  
and 2001 MCUL AC&E Committee

## From Michigan Smaller Asset Size Credit Unions

In 2001 the management, employees and volunteers from 114 Smaller Asset Size (SAS) credit unions were awarded 460 scholarships, valued in excess of \$83,000 by the Michigan Credit Unions Foundation (MCUF).

These scholarship dollars enabled the SAS credit union staff and volunteers to attend the 2001 MCUL Annual Convention & Exposition (AC&E), the SAS credit union conferences, the Volunteer conferences, the Lending conference, Marketing conference, Security Awareness training, Home Equity program, Cash handling skills, Bankruptcy and Collections, Regulatory update, to name a few. The attendance of educational programs not only give the staff and volunteers of the SAS credit unions a chance to broaden their education in the specific area, it also gives them a chance to network and make valuable connections with their peers.

While our 2001 donations were down in comparison to previous years. The demand for scholarships has increased. Through your contributions you can help our SAS credit union staff and volunteers have the ability to attend educational programs that they may not be able to fit into their budget, otherwise.

In February, the MCUF kicked off the **2002 Power for Just Pennies Campaign**, which is the primary source of funds for the Foundation. Each credit union is asked to donate 3 cents per member, and each chapter is also asked to make a donation. If your donation of \$1,000 is received by Wednesday May 1, 2002, your credit union or chapter will be recognized at the 2002 MCUL AC&E Grand Banquet. Another source of funding is the \$7 donation from the sale of each ticket to the Saturday evening AC&E Banquet.

Activities of the MCUF epitomize the credit union cooperative philosophy and the motto of "People Helping People."

"Foundation scholarships have been the main source of revenue in our staff education program because our credit union does not have the budget for education programs and classes. We have one employee attending CUNA Management School and with scholarship assistance we will be able to obtain training for other members of the staff."  
John Mann, Mgr./CEO  
MPG Community Credit Union

"Did you know that each credit union \$20 million and under in assets receives a \$1,000 scholarship from the MCUF to help with the credit union's education experience? If it was not for the Foundation we could not afford to send staff to the educational conferences."  
David J. Russell, Mgr./CEO  
Suburban Family Credit Union

"We support and use the MCUF scholarships. Our credit union has to keep a close eye on the bottom line so the scholarships enable us to go to sessions that we would not have the funds to attend. It is important for all credit unions to support the MCUF because the scholarships benefit many credit unions."  
Carol Sprague, Manager  
Battle Creek Postal Credit Union



We reserve the right to edit all articles for clarity and require all articles include author's name, credit union name and phone number or e-mail address. All articles published solely represent the views of the authors and are not necessarily the view of the Gazette or the MCUL.

# Something **BIG** is Happening!

## Tri-State Small Asset Size Conference

If your Credit Union's assets are under \$20 million,  
this is the conference for you.

- What?** The 1<sup>st</sup> Tri-State Small Asset Size Conference
- For Whom?** All credit unions with assets \$20 million and below
- Where?** Illinois Credit Union Center in Naperville, IL
- When?** August 13-14, 2002
- Why?** This conference is for small credit unions to come together, network and learn from each other about a variety of topics.

The following subjects were selected from your survey response and will be presented at the conference:

- ◆ Marketing ideas and practices tailored to fit limited budgets
- ◆ Roundtable discussions with your peers
- ◆ "Best of the Best" practices of successful small credit unions
- ◆ Idea Share bring your ideas and marketing material
- ◆ NCUA presentation
- ◆ Service Corporation products specifically for small credit unions

**How to get more information?** Contact Carolyn Miller, MCUL senior consultant at 800-262-6285, ext. 753, or e-mail at [mil@MCUL.org](mailto:mil@MCUL.org)

**MARK YOUR CALENDAR NOW!**

This conference is a joint venture between the Michigan, Indiana and Illinois leagues.

---

# When a Manager/CEO or Employees Leave the Credit Union

Policies and procedures should be in place, providing guidance on the steps to be taken to fulfill management and the boards' fiduciary responsibilities to protect the assets of the credit union, when an employee leaves the employ of the credit union.

Whether the separation is planned or unexpected what you do after the separation will minimize the potential of the credit union experiencing an emergency or vindictive or fraudulent activities. This applies whether the credit union loses its manager/CEO or another employee.

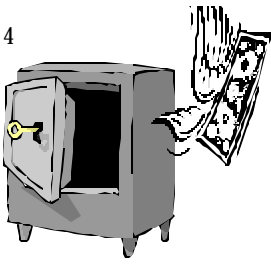
**“Whether the separation is planned or unexpected what you do after the separation will minimize the potential of the credit union experiencing an emergency or vindictive or fraudulent activities.”**

Having a succession plan in place for the manager/CEO can make the transitional period from separation

to interim to new employee very smooth. Also having policies and procedures in place to address the departure of an employee are beneficial. This takes preplanning. Writing the succession plan, policy and procedures can be time-consuming, but will pay in the end with a smooth transition. Having written procedures and a plan for cross training also minimizes the effect of an employee change on the credit union members and remaining staff.

Following are some areas that should be addressed in the succession plan, general policies and procedures.

<b>General Policies</b> may or may not apply to your credit union, all should be reviewed	<b>Management Succession Plan</b>
<ul style="list-style-type: none"> <li>‣ Collect employee's keys and access cards</li> <li>‣ Change locks</li> <li>‣ Change security codes</li> <li>‣ Remove employee from security systems' access</li> <li>‣ Change safe combination</li> <li>‣ Take name off accounts at financial institutions</li> <li>‣ Verify check signing authorizations</li> <li>‣ Collect credit cards</li> <li>‣ Notify vendors, suppliers if needed</li> <li>‣ Delegate job duties to another</li> <li>‣ Depending on duties, balance cash drawers and vault</li> <li>‣ Change dial in access if needed</li> <li>‣ Change Web site access if credit union handles own changes</li> <li>‣ Change ID and password, internal &amp; external</li> <li>‣ Determine the impact if more than one person uses the same ID and password</li> <li>‣ Notification of the bonding company</li> <li>‣ Verify bondability of the new employee</li> <li>‣ Determine the need of an audit</li> <li>‣ Need to escort employee from building</li> <li>‣ Cencorp                             <ul style="list-style-type: none"> <li>‣ CD safekeeping, authorized signature</li> <li>‣ wire transfers electronic authorization</li> <li>‣ corporate drafts, signature card and corporate resolution</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>‣ All the items under general policies apply</li> <li>‣ Determination of use of                             <ul style="list-style-type: none"> <li>‣ interim manager/CEO, internal or external</li> <li>‣ management contract</li> </ul> </li> <li>‣ Written interim manager/ceo job description</li> <li>‣ Set salary and benefits</li> <li>‣ Examine management contract items that will be expected from both credit unions</li> <li>‣ Notification of appropriate regulatory agencies and CUMIS</li> <li>‣ Cencorp voting rights, new card</li> <li>‣ Set spending limits</li> <li>‣ Set time frames and procedure for hiring a new CEO</li> <li>‣ Verify the bondability of interim CEO</li> <li>‣ Verify the bondability of permanent CEO</li> </ul> <p>Should be addressed in both the plan and policy</p> <ul style="list-style-type: none"> <li>‣ A section addressing who can and cannot discuss the reasons for the departure of the manger/CEO or the employee and what is to be said. Including impact of negative comments made about the person</li> </ul>



As of January 2001, St. Cletus Credit Union was at \$5,482,000 in assets. Like most credit unions, we were having difficulty generating loans.

It was the middle of August 2001, and since April we had a little over \$500,000 in CDs mature. CD rates were low and people were not exactly lining up to reinvest in them. Investing in CDs really was of no benefit to the members so I tried to figure a way to lend it out. I decided to propose something daring to the Board. Heck, I'd been on the job for eight months so why not take a chance?

I checked what the average rates on 12, 24, and 36 month CDs were. To keep the math simple, I rounded those rates up to the nearest 0.25 percent, and then added another 0.50 percent to it. As a result I came up with a 12-month loan at 3.75 percent, a 24-month loan at 4.00 percent, and a 36-month loan at 4.25 percent. Any purpose, secured or unsecured, I went all out. The Board loved the idea. Well, at least enough of them to get the rates approved.

I ran the special from Nov. 1 to Dec. 21. We sent out flyers in our October and November monthly statements, I mailed flyers to a targeted segment of our membership, and I gave flyers to our SEGs for their employees. We distributed about 8,000 flyers. We took applications by phone, fax, e-mail,

## Who Let The Buck Out?

and in person. Most applications had answers within 10 minutes.

During November and December of 2000, we opened 16 new accounts, and made 67 new loans for \$239,043.40. During our promo in November and December of 2001, we opened 70 new accounts, and made 192 loans for \$1,180,045.92. We ended the year 2001 with over \$4 million in loans outstanding for the first time in our history.

In retrospect, the rates probably could have been set a little higher. But, the buzz generated by the loan promo was worth the risk and the work. We not only gained new members, the old members who haven't

borrowed from us in years came back. Not all the loans were at the promo rates either. About 25 percent of the loans were at our regular rates because some people wanted longer terms than the promo allowed. But the promo got their attention and they came to us! One of the best parts was that the residual interest from the promo generated 61 new loans in January for almost \$400,000 at our regular rates. Not bad for January. People are still asking when we're going to do another promo. I'm thinking as soon as we can afford it.

The lesson here is don't be afraid to take a chance, and if you're taking a chance, really go for it. Make it worth the members' time and effort and your time and effort. The bottom line is really invest in your members, not CDs.

If you'd like more details on the promo or would like to talk about some "tricks of the trade", I can be reached at 1-800-LOANSNOW, just kidding. See below.

Happy Lending!

---

***"The lesson here is don't be afraid to take a chance."***

---

**Stephen J. Samoranski  
Lender Extraordinaire  
St. Cletus Credit Union  
586-756-5010  
stcletuscu@yahoo.com**

---

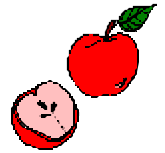
**Check out the resource articles listed on the following pages at [www.mcul.org](http://www.mcul.org)**

Credit Union Home  
Education  
Finance & Accounting  
Government Affairs  
Human Resources  
Lending & Collections  
Management  
Marketing  
Professional Resources  
Technology





# Health Care Plans: Comparing Apples to Apples



I believe it was the Jacksons (when they were known as The Jackson Five) who had a hit song that began, "One bad apple can spoil the whole bunch.... ." This adage is true in many instances and specifically when looking at and comparing health plans from different companies.

While the premium charged for the health plan is an important factor, it should be far from being the only factor. Here is a checklist of items to consider when comparing two or more insurance plans, particularly health plans.

**TYPE OF HEALTH PLAN** Plans are generally one of four types, Traditional (or indemnity), PPO, POS or HMO. Each of these plan types are designed with processes or procedures that dictate how or when a service or procedure is covered. For example, is a referral needed or is a "network" doctor required to perform the service?

**OUT OF POCKET EXPENSES.** Deductibles and co-payments for services can vary and have different rules associated with them. Are there maximums to the out of pocket expenses for employees? Are the co-payments fixed or subject to an annual deductible or per event deductible?

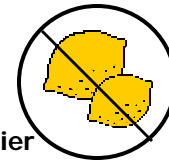
**PRE-EXISTING WAIT PERIOD.** Period of time at the beginning of coverage when existing conditions being treated prior to coverage will not be treated for a specified period of time. Many commercial carriers will place these clauses in coverage to help reduce claim costs and premiums.

**HOW IS YOUR GROUP RATED?** This is the method for calculating the premium your credit union will pay for coverage. Some companies will experience underwrite, that is your premiums on the claims paid in a prior period. Some will medically and/or age underwrite, that is base your premiums on the age of each covered individual and/or the medical condition of each.

While others will "pool" rate, that is base your rates on a large classification of members such as financial institutions. Typically, a pool rating can be most advantageous for small groups because major fluctuations in the premiums tend to be limited. Experience, medical or age ratings can be extremely volatile for small groups because one major claim can send rates "to the moon" or the older your groups get the higher the premiums go regardless of claim history.

**FOR PROFIT VERSUS NOT FOR PROFIT.** Like the comparison of our own industry versus the banking industry, health care providers can be both "for profit" and "not for profit" entities. Interestingly, some of the same principals can apply for both industries. The "for profit" insurers tend to be the companies featured on news reports and television magazine shows exposing unjustified claim and/or underwriting practices. In addition, an argument can be made that the "for profit" insurers are focused on the bottom line and their shareholders rather than the health of its subscribers and that the decisions made on claims reflect this philosophy.

Keep in mind that in the five categories mentioned, there could be many variables depending upon the part of the state you are in and the insurance company quoting the premium. Also the agency and agent providing the coverage can make a big difference as well. However, working through these scenarios to match up plans will help you compare apples to apples so your decision doesn't come up lemons.



**James F. (Jim) Fournier**  
Vice President, CUcorp  
The CUCare® Group  
800-262-6285, ext. 527

Have you checked out the *Speaking Engagements/Conference Page* on the NCUA Web site?

The NCUA provides reference material on this page to assist credit unions with Information Systems & Technology (IS&T) Issues.

Visit [www.ncua.gov](http://www.ncua.gov), click on Information Systems & Technology (IS&T) Then click on Speaking Engagements/Conferences

## HR Tips

### Sexual Harassment in the Workplace: Not a Black and White Issue

In the every day workings of the typical credit union we often encounter issues that require “yes or no” answers and solutions. For instance, does this member qualify for a personal loan or not? Yes or No. Did this member’s checking account balance out to \$2,246.21 as he or she calculated? Yes or No. It is not in the land of numbers that we encounter the issues of cloudy or clear perception, but in the matter of interpersonal interaction and human dynamics, i.e. the people issues, where we encounter the infamous “gray area” that adds to the complexity of preventing and determining cases of sexual harassment.

Sexual harassment, as defined by the Equal Employment Opportunity Commission, is a form of sex discrimination that is characterized by unwelcome sexual advances, unwelcome requests for sexual favors, and other unwelcome verbal or physical contact or conduct of a sexual nature. In many cases, sexual harassing behaviors may be clear. However, at other times it may involve the perceptions of two individuals, or the “gray area” behaviors that make for an unclear case. An effective sexual harassment policy coupled with sexual harassment training can help define sexual harassment, bring objectivity into the mix, and prevent

potential “gray area” or inappropriate behaviors from occurring.

Behaviors that may constitute sexual harassment take place under one of the following definitions: Quid pro Quo or Hostile Work Environment. In short, Quid pro Quo should be thought of as “this for that.”

**“All companies, large or small, should clearly communicate to employees that sexual harassment will not be tolerated.”**

Specifically, harassment is considered Quid pro Quo sexual harassment when submission to a request or demand for a sexual favor is explicitly or implicitly made a term or condition of a person’s employment. Generally, Quid pro Quo sexual harassment is clear. For example, a request from a supervisor to a subordinate for a sexual favor in exchange for a raise is probably a clear form of sexual harassment. A Hostile Work Environment exists when the conduct of the harasser is intended to or unreasonably interferes with a person’s work performance, or creates an intimidating, hostile or offensive work environment. For example, when an employee repeatedly tells sexually explicit jokes to a co-worker when the co-worker makes it clear that the jokes are unwelcome and inappropriate.

Your employees may or may not know that the victim of sexual harassment as well as

the harasser may be a woman or a man. The victim does not have to be of the opposite sex. In fact, the harasser can be the victim’s supervisor, a supervisor in another area, a co-worker, or a non-employee such as a delivery person or a credit union member. In addition, the victim does not have to be the person who is directly harassed but could be anyone affected by the offensive conduct. In addition, unlawful sexual harassment may even occur without economic injury or discharge of the victim.

As we all know, an ounce of prevention is worth a pound of cure. Prevention is simply the best tool to eliminate sexual harassment in the workplace. Employers are strongly encouraged to take steps necessary to prevent sexual harassment from occurring. All companies, large or small, should clearly communicate to employees that sexual harassment will not be tolerated. They can do so by establishing an effective complaint or grievance process and taking immediate and appropriate action when an employee complains. The Sexual Harassment Checklist on the next page is provided to assist you in preventing sexual harassment in your credit union.

**Kristi McNail, Director  
Jessica Strasser, Specialist  
Human Resources  
MCUL  
800-262-6285  
ext. 490, ext. 315**

# Sexual Harassment Checklist

- A. Audit Your Harassment Policy
- Does it cover all forms of harassment? Same sex harassment?
  - Does it contain examples of prohibited conduct?
  - Does it explain the consequences for violations?
  - Does it contain a specific reporting procedure?
  - Does it contain a "bypass" reporting procedure?
  - Does it clearly prohibit retaliation?
- B. Disseminate the Policy
- Handbook and policy manual
  - Bulleting boards
  - Pay envelopes
  - Periodic meetings
  - New employee orientation
- C. Train Your Managers and Supervisors
- Involve top management/ formal training
  - Ensure managers understand the significance of their status as managers
- D. Train Your Employees
- Ensure they understand the credit union's position
  - Ensure they understand their personal liability
  - Raise the issue in new employee orientation
  - Conduct a formal training program
  - Raise the issue at other meetings as appropriate
  - Republish your policy after an incident
- E. Enforce the Policy
- Promptly investigate every complaint
  - Always conduct a thorough investigation
  - Ensure you have accurate, complete and objective documentation
  - Take appropriate corrective action
  - Inform the complaining employee of the action taken
  - Follow up after every incident to ensure no retaliation



## MARK YOUR CALENDAR

**Spring SAS Credit Union Conference**  
**May 30, 2002**  
**in conjunction with MCUL AC&E**  
**in Grand Rapids at the Amway Grand**

**Fall SAS Credit Union Conference**  
**Oct. 14, 2002**  
**location to be announced**



## Skills for Future Leaders

"When the rate of change on the outside exceeds the rate of change on the inside, the end is in sight."

This quote from Jack Welch, CEO of General Electric, sums up how financial institutions need to continuously stretch to prepare for the future or become extinct, notes Edward Barlow, President of Creating the Future, Inc. in St. Joseph, Michigan. That's because issues of global competition, environment, technological advances, and population diversity, as well as the need for professional and organizational change, will become more pronounced, Barlow maintains.

This requires organizations to address four questions to formulate future directions:

1. What from the past should be kept because it has future value?
2. What past practices should be modified to be more relevant?
3. What activities should be eliminated because they have no future value?
4. What needs to be created to ensure future success?

Financial institutions should incorporate these questions into their strategic planning efforts.

In addition, leaders will need new skills to maintain success. The 21<sup>st</sup> century leaders, Barlow says, needs these strategic skills:

**Pathfinding** - This skill involves staying ahead of the game by exploring uncharted territory and serving as advanced scouts through disciplined monitoring of external market conditions.

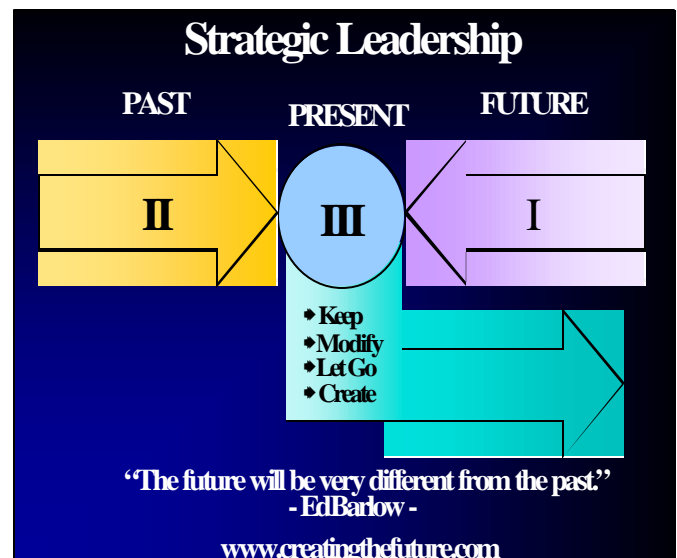
**Aligning** - This skill enables leaders to quickly and effectively bring together the people and resources to address issues of critical importance via alliances with diverse industries, organizations, community groups, and professions.

**Empowering** - Leaders possessing this skill maintain an environment within which key constituencies and staff have access to information and technical assistance necessary to succeed. They'll do this through effective use of Internet technology and traditional methods of communication.

---

**"Close to customer  
and speed to market  
will win."**

---



Twenty-first-century success, Barlow adds, requires global connectivity, obsession with customer satisfaction, enhanced people and technology, alternative organizational frameworks, real-time responsiveness, and enduring self-examination. "Close to customer and speed to market will win."

**Ed Barlow**  
**Creating the Future Inc.**  
**616-429-2601**  
**[info@creatingthefuture.com](mailto:info@creatingthefuture.com)**  
**[www.creatingthefuture.com](http://www.creatingthefuture.com)**

## Volunteers

It's getting close to that time of year again, when recruiting volunteers comes to the forefront.

Following are a few pointers that may help with the recruiting and maintaining of volunteers.

1. Have a simple statement of what is expected (time commitment for meeting, education, planning), and what is not.
2. Provide copies of a job description, duties and responsibilities, credit union policies, credit union by-laws, credit union act and regulations, letters from the regulators, and past minutes.
3. Have guidelines for conference attendance, educational opportunities and planning session developed along with a budget to support these guidelines.
4. Seek diversity by getting the best-qualified persons.
5. Consider term limits. Develop a policy to support. Term limits let the volunteers and members know that the volunteers don't have to give their life to the credit union.
6. Management has a responsibility to keep the volunteers informed. New volunteers may not understand the workings of the credit union. *Tell them, show them, and teach them.*
7. Know what resources are available to help in the education of the official family.
  - *MCUL; Monitor, Contact, the Gazette, "the Directors and Officers Duties and Liabilities Manual and the Credit Union Examination: How to make it a Worthwhile Experience Manual" in the General Binder of the CMS (Compliance Management System) and the MCUL Web site, [www.mcul.org](http://www.mcul.org)*
  - CUNA: VAP, VLP and other resources
  - CUNA Mutual
  - Regulators and auditors
8. Use qualified spokespersons, i.e. your attorney or League consultant to attend a board meeting or special training session to review the duties, responsibilities, explain the financial statement and ratios with the directors.
9. Develop a new director's orientation schedule and checklist.
10. Have the CUNA Mutual representative attend a meeting to explain the Bond, Director's and Officer's Liability and Litigation declarations.
11. Have developed a clear decision matrix. It should spell out what your CEO can do, what the CEO must advise the board of, what the CEO must first obtain board approval to do, and what only the board can do.
12. Have developed a procedure to manage unruly volunteers. Micromanaging, meddling in staff issues, dictating personal decisions on purchasing matters, as well as conflict of interest and violations of confidentiality can destroy your board's effectiveness and create substantial risk to the health and viability of the credit union.
13. Have policies developed for the official family, i.e. Directorship Responsibility Policy for State-Chartered credit unions (can be adapted for federal-chartered credit unions) in CMS, the Model Policy Binder, Section S, and Conflict of Interest.
14. Stay informed; don't live in a vacuum. Attend chapter meetings, educational meetings and read.
15. Have a program developed to cultivate new volunteers year round.

**Carolyn Miller**  
**MCUL**  
**Senior Consultant**  
**800-262-6285, ext. 753**

---

### Online Access to SAVINGTEEN

CUNA has posted downloadable articles of all four editions of this youth education supplement to the January Issue of *Credit Union Magazine* for the past four years at [www.cuna.org/data/cu/pubs/savingteen.html](http://www.cuna.org/data/cu/pubs/savingteen.html)

National Credit Union Youth Week April 14-20, 2002 Resources can be found at [www.cuna.org](http://www.cuna.org)

## **Director Duties and Responsibilities—Confidentiality**

### **Loose Lips Sink Credit Unions**

The issue of member privacy is still fresh in the minds of most of us in the credit union movement. Last year we witnessed implementation of yet another disclosure to members informing them of whom and under what circumstances we may share their information with third parties. What got lost in the drafting of policies and printing of disclosures was and is that maintaining our members' privacy is a fundamental hallmark of credit union operations.



and bylaws, and subject a board member to removal from the board.

Under Office of Financial and Insurance Services (OFIS) Credit Union Bulletin 98-1, all state-chartered credit unions are required to adopt a Directorship Policy that sets the requirements and guidelines for directors. Among the required elements of such a policy that OFIS has determined are characteristics of an effective board is "integrity." Included within integrity is maintaining a high standard of personal conduct and a specific duty to maintain the confidentiality of credit union business and member information. OFIS Bulletin 98-1 specifically refers to the Michigan Credit Union Act (MCUA) and the discharge of a board member's duties and responsibilities. As such, breach of a mandated policy could be viewed as a breach of the MCUA and result in removal from the board.

**“As volunteer board members we have both a legal duty and ethical obligations to assure the affairs of our credit unions remain confidential.”**

Maintaining privacy should have been nothing new to us. However, the issue being forced on us by the Congress and the NCUA did result in some good, and that is an internal examination of what we do with member information and what duties and responsibilities we have to maintain confidentiality. This examination should have forced an internal examination of what we do with credit union information and how that is protected, as well.

As volunteer board members we have both a legal duty and ethical obligations to assure the affairs of our credit unions remain confidential. Failure to do so creates a tremendous amount of what I call reputation risk for the credit union and also exposes board members to potential personal liability.

Under the standard bylaws for federal credit unions, directors have an obligation to hold in confidence all transactions of the credit union with members and all information respecting their personal affairs. It is important to note that under the Federal Credit Union Act (FCUA), a specific duty of directors is to comply with the bylaws. As a result, a breach of confidentiality can be considered a violation of both the FCUA

Beyond these specific obligations, board members are placed in a position of trust and have a fiduciary responsibility to act in the best interests of the membership that elects them. As such there should be a self-policing policy among board members to assure the trust is not betrayed. Clearly within the spectrum of fiduciary responsibilities is a duty to maintain high ethical standards of conduct that includes confidentiality of the actions of the board, transactions of the credit union, and member personal information. Breaching any of these duties by one board member will be seen by the membership as a breach by the entire board and places the reputation of not only individual board members at risk, but also the credit union itself, its management, staff, and other volunteers.

We all know that our society is litigious, and privacy is a hot consumer protection issue. A board member's reckless disregard to comply with the legal and ethical obligations related to confidentiality may expose that board member to personal liability. Defense of that board member may not be covered by the credit union's bond. This means, hire your own attorney at your

expense to defend yourself. Such a situation may also put the credit union and its legal counsel in the position of separating itself from the board member's actions to reduce the potential liability to the credit union and mitigate its reputation risk.

Even if an individual board member is removed or sued by a member or group of members for revealing confidential information, this does not insulate the rest of the board (who may be innocent of any wrongdoing) from feeling the wrath of unhappy members or even worse, unhappy regulators.

**“There should be a self-policing policy among board members to assure the trust is not betrayed.”**

In an attempt to avoid such problems, I often recommend that boards adopt their own specific confidentiality policy to govern their conduct while serving on the board and after their service to the membership is complete. Such a policy does not need to be lengthy or go into specific details. It can be general and simply set forth the duty of each board member to maintain confidentiality. Make sure a copy is provided to all new board members. Once a year, the board should review the policy. To add weight to the importance of this issue, you can take it one step further and require each board member to sign a personal conduct pledge to the members and each other regarding confidentiality duties and responsibilities. Every now and then it helps to be reminded about the harm loose lips can cause.

Gary Moody is a partner in the law firm Holzman Ritter Leduc & Moody where he represents and advises credit unions in the areas of regulatory compliance, operations, and corporate affairs.

**Gary Moody**  
**Holzman Ritter Leduc & Moody**  
**248-352-4340, ext. 229**

**Free Newsletter for Credit Union Marketers  
 available at  
[www.cuna.org/data/cu/pubs/cu/connect.html](http://www.cuna.org/data/cu/pubs/cu/connect.html)**

## Competing With Zero Percent Dealer Financing

The zero percent auto financing deals are sticking around--for now. Credit unions may think it's hard to compete against them--not so, according to Rory Rowland, president and founder of Rowland Consulting in Independence, Mo. Rowland spoke during an interactive webinar sponsored by the Wisconsin Credit Union League last Wednesday.

By encouraging credit union members to take advantage of rebate offers vs. low-rate financing and then getting a loan at the credit union, the credit union can save them money. "We can't beat them (low financing deals) all the time, but most of the time we will," Rowland said.

The downside for consumers with these zero percent deals is there are many restrictions. Often-times zero percent financing restricts the length of the loan to 12 or 36 months, which significantly increases the monthly payments; only consumers with "pristine" credit ratings qualify; at least a 10 percent down payment can be required; and trade-ins are restricted. There's a huge glut of used cars in the market right now so trade-in values have declined.

What can credit unions do? Encourage members to come to your credit union first and compare how much money they can save or, make affordable monthly payments, prior to visiting the dealership. Also promote refinancing--let members know they can refinance their auto loan at your credit union if they're struggling with the high monthly payments or if they didn't qualify for the low-rate financing and got stuck with a higher interest rate at the dealership.

What can consumers do? Do your homework before visiting the dealership. Figure out what your credit rating is by contacting one of the credit bureaus, negotiate the price of a new car from the dealer's invoice--not from the suggested price on the window. Focus on the actual purchase price and all the terms listed in the contract rather than the zero percent.

**March 5, 2002**  
**CUNA News Now**  
**Reprinted with permission**  
**[www.cuna.org](http://www.cuna.org)**

# Web Training Scholarship Program Available for Small Credit Unions \$10 Million or Less in Assets

## SCHOLARSHIP PROGRAM AVAILABLE TO SMALL CREDIT UNIONS

In their endeavor to provide quality training products to credit unions of all sizes, CUNA's Center for Professional Development (CPD) and the MCUL have been working together to provide scholarships to assist small credit unions interested in CPD Web-based training programs. The scholarship program is designed to help smaller credit unions fund the course subscription costs for on-line learning.

Scholarships are available for up to 50 percent of subscription costs and will be awarded based on demonstrated need. Determination of scholarship funds will be based heavily on each applicant's explanation of how on-line training will enrich its credit union.

Credit unions interested in applying for program assistance, can visit online at [www.cuna.org/training.html](http://www.cuna.org/training.html), choose eLearning, Web-based training, then the link: "Find out more about CUNA's WBT Scholarship for Small Credit Unions."

For details, visit online at [www.cuna.org/training.html](http://www.cuna.org/training.html), call 800-356-9655 ext. 4131, or e-mail [elearning@cuna.com](mailto:elearning@cuna.com).

## Not All E-learning Created Equal

One of the many advantages of e-learning is the flexibility that allows learners to work at their own pace. But credit unions looking for e-learning opportunities should consider if the e-learning they are considering takes full advantage of the technology, according to MCUL Senior Consultant Carolyn Miller. Some Web-based courses are simply text-on-screen with little, if any, learner interactivity, while others in the credit union marketplace are bank-specific or repurposed bank courses.

"CUNA drew upon over 20 years of credit union specific content when designing its CPD Web-based courses so they engage the learner through interactive learning and follow-up testing," said Miller.

### CUNA CPD Web-based Education Features:

#### **Staff transcripts**

Learning Management Software provides comprehensive learner and course management tools, tracking and reporting capabilities, as well as the ability to print staff transcripts, at no additional cost to a credit union.

#### **24-hour access**

Information is available anytime, from anywhere.

#### **Budget-friendly, credit union training**

Training materials have been developed specifically for credit unions.

#### **Interactive training**

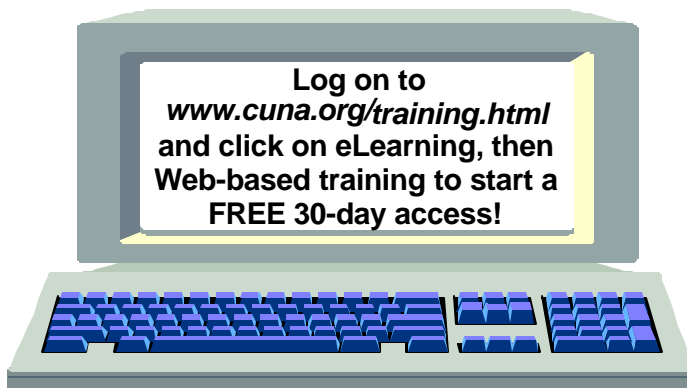
The Web-based courses include text, graphics, animation and audio, which assist in increased retention.

#### **Immediate exam scoring and instant feedback**

Credit unions and trainer can access scores instantly.

#### **Course bookmark capabilities**

Courses are built with bookmark capabilities allowing reference each time a credit union logs in.



## When It Comes To Staff Training, Small Credit Unions Have Choices

CEOs and managers of small credit unions face some unique challenges when it comes to training their staff. One challenge is planning for a limited staff to spend time away from the credit union at an education program and another, a limited training budget.

By and large live, speaker-facilitated seminars remain the most popular education delivery method because attendees want both personal interaction with the speaker and the group learning dynamic. But live sessions are also the most expensive. The conference room rental, food and audio-visual equipment costs, coupled with speaker fees and attendees' mileage, hotel accommodations and meal expenses, make these programs costly.

How can small credit unions overcome the time and financial obstacles to training? While there is no simple solution to this problem, there are some practical and economical alternatives to attending live sessions. Web-based training seminars, audio conferences, custom training sessions and CUNA's certificate programs (see the Fall 2001 *Gazette* for a description of these programs) are all done right at the credit union, which means credit unions don't pay for the myriad of expenses associated with live sessions.

The MCUL conducts two kinds of Web-based training: Internet sessions, which consist of a PowerPoint presentation and an audio connection to a speaker; and live, streamed-video Web casts. In an Internet session, participants view the PowerPoint presentation on screen and communicate with the speaker over the telephone. These programs require only a phone line and Internet connection, although it is recommended (but not required) that participants have a newer Web browser and at least a 200-megahertz Pentium processor.

Live, streamed-video Web casts utilize a multi-channel delivery system including video, audio and PowerPoint presentation materials. "Participants see the speakers in real time, hear them through their computer speakers and enjoy enhanced interaction with them

via e-mail and a toll-free, phone-in option during the Web cast," said MCUL Education and Events Director Ann Jones. "We were able to utilize this cutting-edge technology to deliver an ALM seminar in February. Fifteen Michigan credit unions participated in the event. The feedback we received was positive. Attendees indicated they really enjoyed the experience, despite some technical problems," said Jones.

To participate in a Web cast, credit unions are required to have a 56K modem or higher, a full sound card and Windows Media Player, which can be downloaded free of charge. They are also encouraged to have a staff person knowledgeable of firewall security and port assignments on hand, although registrants are given an 800 number to call if they run into technical difficulties.

There are pros and cons of both kinds of Web-based training. "Since Internet sessions require less sophisticated computer equipment, technical challenges are less apt to come up," said Jones, "but the trade-off is that participants aren't able to see the speaker." One clear advantage of a Web cast over an Internet session is its ability to be archived. "Live, streamed-video Web casts have their share of technical difficulties, but, because they're recorded and archived, participating credit unions can view the session as much as they want for the 60 days following the broadcast. This feature makes the technical problems easier to tolerate. This system, though, is best used by those credit unions that have high-speed Internet access and newer computers."

Credit unions that don't have Web access may want to consider audio conferencing. The cost saving advantage of audio conferencing over off-site training sessions is that credit unions are charged per phone line instead of per participant. "Many staff members can gather around the phone and participate in the session and pay one fee," said Jones. "To save even more money, a credit union can host a session and invite other credit unions in the area to participate." Credit unions under \$20 million in assets may use Michigan CU Foundation (MCUF)

scholarship money toward the cost of both Web-based and audio sessions. For more information on MCUF scholarships, visit [www.foundation.mcul.org](http://www.foundation.mcul.org).

The last staff training option for credit unions that want to train multiple staff members on site is to hire a custom trainer. Credit unions can choose from over 20 courses geared toward front-line staff and management, or they can instruct the trainer to design a training curriculum based on their specific needs. The costs of the training programs vary by credit union, as does the training itself. The factors involved in determining the cost of the training include the number of training hours, number of staff participating, materials, travel expenses, core or customized courses and the length of the agreement. "To save money, credit unions should consider teaming up for training and sharing the cost," said Jones.

To inquire about upcoming Internet sessions and audio conferences, phone the League at 800-262-6285, ext. 249. Custom training inquiries may be directed to MCUL ext. 247. For a list and details on upcoming education sessions, custom training and self-study opportunities, visit online at [www.mcul.org](http://www.mcul.org), under Credit Union Home, Education.

### MCUL 2002 Internet Sessions

Reg TraC Study Sessions - 4/17,  
6/19, 6/26, 9/18, 12/11  
You Can't Cut Your Way  
to Profitability - 6/13  
Internal Employee Fraud - 9/5  
Expanding Existing SEGS - 11/5  
Capturing the Member Who  
Borrows - 12/10

### 2002 Web Casts

Human Resources - 5/22  
Lending - 8/7

### 2002 Audio Conferences

U.S. Savings Bonds - 4/9

## Web Sites That Are Great Resources

**Michigan Laws and Regulations:**  
[www.michiganlegislature.org/law/default.asp](http://www.michiganlegislature.org/law/default.asp)

**OFIS:**  
[www.cis.state.mi.us/ofis/](http://www.cis.state.mi.us/ofis/)

**Federal Laws (US Code):**  
[www4.law.cornell.edu/uscode/](http://www4.law.cornell.edu/uscode/)

**Federal Regulations:**  
[www.access.gpo.gov/nara/cfr/index.html](http://www.access.gpo.gov/nara/cfr/index.html)

### REGULATORY AGENCIES

**NCUA:**  
[www.ncua.gov](http://www.ncua.gov)

**OFIS:**  
[www.cis.state.mi.us/ofis/](http://www.cis.state.mi.us/ofis/)

**OFAC COMPLIANCE:**  
[www.ofacompliance.com](http://www.ofacompliance.com)  
[www.treas.gov./ofac](http://www.treas.gov./ofac)

**Federal Trade Commission:**  
[www.ftc.gov](http://www.ftc.gov)

**Federal Reserve Board:**  
[www.federalreserve.gov](http://www.federalreserve.gov)

**Office of the Comptroller of the Currency:**  
[www.occ.treas.gov](http://www.occ.treas.gov)

**IRS:**  
[www.irs.gov](http://www.irs.gov)

**US Treasury Department**  
[www.ustreas.gov](http://www.ustreas.gov)

**FFIEC:**  
[www.ffiec.gov](http://www.ffiec.gov)

**HUD:**  
[www.hud.gov](http://www.hud.gov)

**Michigan Dept. of Treasury:**  
[www.treas.state.mi.us/](http://www.treas.state.mi.us/)

### LEGAL RESOURCES

**US Code:**  
[www4.law.cornell.edu/uscode/](http://www4.law.cornell.edu/uscode/)

**Pending Legislation in Congress:**  
[www.thomas.loc.gov](http://www.thomas.loc.gov)

**Federal Reserve Board Regs:**  
[www.frb.gov](http://www.frb.gov)

**Federal Register:**  
[www.access.gpo.gov/su](http://www.access.gpo.gov/su)

**Federal Rules:**  
[www.access.gpo.gov/nara/cfr/index.html](http://www.access.gpo.gov/nara/cfr/index.html)

**Michigan Compiled Laws:**  
[www.michiganlegislature.org/law/default.asp](http://www.michiganlegislature.org/law/default.asp)



## THE ESSENCE OF SURVIVAL

**"Bigger doesn't always mean better, and we were all small credit unions before we became larger ones.**

**If we lose sight of our founding philosophy and fail to remember our past, we run the risk of becoming selfish and uncaring. Let's keep the focus on the great principles of 'People Helping People' and credit unions helping credit unions. Let's join together to build a future that will prove to be every bit as successful and dynamic as our proud and inspiring past!"**

by Doris Brown, Michigan Credit Union League,  
 Vice President of Communications

The above was part of the Michigan Credit Union Foundation Planning Meeting  
 February 2002.

## Due Diligence when Purchasing Certificate of Deposits (CDs)

It is important to perform due diligence when purchasing certificates of deposit, whether from a financial institution, registered securities broker or other agent.

For guidance federally chartered credit unions should review part 703 of NCUA Rules and Regulations, while state chartered credit unions should review Section 16a of the Michigan Credit Union Act and Rule 16 of the Michigan Credit Union Rules.

Following are items that should be included in doing your due diligence.

Purchasing a CD from a financial institution:

- Verify that they are insured through NCUA ([www.ncua.gov](http://www.ncua.gov)) or FDIC ([www.fdic.gov](http://www.fdic.gov))
- Invest no more than the insured amount, unless you perform a credit review on the financial institution

Purchasing a CD from a Registered Securities Broker or other agent:

- Check the status of Registered Brokers with the National Association of Securities Dealers ([www.nasdr.com](http://www.nasdr.com))
- Verify that the certificates are issued from financial institutions that are insured through NCUA ([www.ncua.gov](http://www.ncua.gov)) or FDIC ([www.fdic.gov](http://www.fdic.gov))
- Check with NCUA and OFIS to determine if any administrative action has been taken with respect to the broker, other agent or custodian
- Ensure that the custodian is a regulated entity, preferably independent of the broker or other agent
- Get references from other credit unions

For additional information you can contact

**Linda Gassen  
 Cencorp  
 800-482-2647, ext. 3022**

The Michigan Credit Union  
Foundation Annual Fundraiser



General Information:

- Donations of \$1,000 or more are awarded special "Pacesetter" award recognition at the MCUL Annual Convention & Exposition and receive a plaque
- Pacesetter donations may be given in combination between the Michigan Credit Union Foundation and the National Credit Union Foundation as long as they total \$1,000 or more
- Donation goals and updates are printed periodically in issues of *Michigan Monitor*
- For more details on this program or other Michigan Credit Union Foundation information, please visit online at: [www.foundation.mcul.org](http://www.foundation.mcul.org)

-----Please Cut Here-----

**Michigan Credit Union Foundation Donation Form**

Credit Union Name: \_\_\_\_\_

City: \_\_\_\_\_ Zip: \_\_\_\_\_ Chapter: \_\_\_\_\_

Please use our contribution in the following way(s):

General Fund.....\$ \_\_\_\_\_  
Provides educational scholarships for staff and officials of small credit unions  
and grants to related organizations

Ebaugh-Lesnieski Memorial Fund.....\$ \_\_\_\_\_  
Provides scholarship for first, second or third-year CUNA Management School

Vanderveen Memorial Fund.....\$ \_\_\_\_\_  
Provides scholarship for first-year CUNA Management School

Woodman-Wilde Memorial Fund.....\$ \_\_\_\_\_  
Provides \$5,000 college scholarship to recipient named by the Credit Union  
Community Volunteer recipient

Please mail your contribution, along with this form to: Michigan Credit Union Foundation,  
P.O. Box 8054, Plymouth, MI 48170-8054.  
Telephone: 800-262-6285, ext. 339

\_\_\_\_\_

**MCUL  
P.O. Box 8054  
Plymouth, MI 48170-8054**