

NEWSLINES

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Communicating the "Difference" - One Owner and One Vote at a Time

What is the purpose of existence? Is there life elsewhere in the universe? How is a credit union different from a bank? These and other cosmic queries are often met with a shrug, a vacant stare, and if the questioner is lucky in the latter case, a quick "I'm not sure, let me get somebody else that can help you."

There's no shame in being unable to immediately tell someone why we're different from banks. The truth, when you jettison all the rhetoric, is that there are far more similarities than differences. Banks generally do a good job of serving their customers and credit unions generally do a good job serving their members. But our Association, CUNA, state leagues, and credit unions across the country often struggle with how best to communicate our difference.

Surveys have been done to discover which credit union message resonates the most with the target audience of legislators, the general public, and the media. All the buzz phrases that seek to clearly, quickly, and concisely define us are tested: "not-for-profit cooperative" ... "volunteer governed" ... "lower rates and fees" ... "community focused". Most, like the first three, are partially effective (by the way, "not-for-profit" is the correct term, not "non-profit" - there's a big difference!). Some, like the last one, say nothing about why we're different - is there a bank anywhere that touts itself as NOT being community focused?

What about membership? If you think "member owned" is the key phrase missing above, you're not alone. In a perfect credit union world, all the other important messages should pale in comparison to "**as a member, you own the credit union**". After all, who doesn't want to share in the benefits of a successful financial institution? Ownership is the *alpha* and *omega* of differentiation, but there's a gigantic fly in the ointment, and its name is "confusion".

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As a credit union volunteer or employee, you know what membership

means, but you're in the minority compared to the general public and, more than likely, to some of your fellow members. Surveys and focus groups have even found that the word "membership" can be viewed as detrimental - "I just want to open a checking account, why do I have to join a club?" It's not their problem, it's ours. Unless we find a way to break through that confusion barrier, explain WHY ownership matters, and deliver a compelling answer to the unspoken question "What's in it for me?", we cannot grow, we cannot compete, and many of us will not survive.

What happened? How did we get here? It used to be so easy, because credit unions have owned "warm and fuzzy" for decades. We still do, but warm and fuzzy alone isn't getting the job done anymore. Competition is here; it's fierce and it's growing.

Assets grow every year, services improve, but membership levels are stagnant. There needs to be some radical adjustments in the way we communicate, and in the messages we deliver, to our current and potential target markets.

The good news is that we have a lot working in our favor. Our product is valuable and in-demand. Our people are dedicated. Best of all, among those who truly understand it, our brand generates some of the fiercest loyalty you'd ever hope to have. Need proof? Consider two recent instances where a small group of individuals wanted to seriously change that brand.

April 2006 - Faced with overwhelming opposition from a well-organized group of outraged members, the board of directors of DFCU Financial (formerly Dearborn FCU) in Michigan withdrew its application to convert from credit union to mutual bank charter. A subsequent petition drive, carried out in accordance with the credit union's bylaws, drew more than double the number of member signatures needed to hold a special meeting. Knowing that the purpose of the meeting was to recall the board members who engineered the conversion, the credit union rejected the petition. The issue has yet to be decided in court.

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Communicating the “Difference” - One Owner and One Vote at a Time ... continued

January 2007 - Another attempt to convert a credit union to mutual charter was stopped when Maryland’s Lafayette FCU withdrew its application. A member opposition group formed to challenge the conversion. When the votes were tabulated, the accounting firm hired by LFCU to serve as an independent election inspector certified that the conversion had been approved by just 18 votes. Shortly thereafter, LFCU withdrew the petition, laid the blame squarely on “errors” made by the accounting firm, and terminated their service. It was later reported in media outlets that before the firm could begin a re-certification of the results, LFCU’s CEO and counsel instructed them to “cease activity on the recount until further notice”. Questions remain as to what caused the withdrawal of the application, but multiple court actions between LFCU and the opposition group are ongoing.

Special Patronage Dividends Issued in 2006

Even under ideal circumstances, the majority of credit unions are unlikely to ever have sufficient earnings to issue a special dividend to members. But if the opportunity presents itself, sharing the cooperative rewards with all the owners certainly sets credit unions apart. Below are a few samples of how thousands of members across the country were rewarded for their patronage by CUs of very diverse asset sizes:

- Delta Community CU (GA) \$2.2 billion in assets, \$8.5 million dividend
- Neighbors CU (St. Louis, MO) \$177 million in assets, \$410,000 dividend
- Tyndall FCU (FL) \$761 million in assets, \$3 million dividend
- City Employees CU (Knoxville, TN) \$48 million in assets, \$75,000 dividend
- Tulsa Teachers FCU (OK) \$635 million in assets, \$1.5 million dividend
- FirstEnergy Family CU (OH) \$31 million in assets, \$470,000 dividend
- Mazuma CU (MO) \$325 million in assets, \$1 million dividend
- Western New York FCU (Buffalo) \$16 million in assets, \$500,000 dividend

Tyndall FCU president **Jim Warren** said, “This ‘cash out’ is in keeping with the institution’s Mission Statement: Tyndall Federal Credit Union exists for the benefit of our members.” **Rob Givens**, president of Mazuma CU said, “We want our members to recognize the credit union difference and be proud to be part of the credit union system.”

Finally, there’s the “feel good” story of Keesler FCU in Mississippi (\$1.4 billion in assets), pounded in 2005 by Hurricane Katrina. They were able to pay two special dividends to owners that could undoubtedly make good use of the money; a mid-year dividend of \$863,000 that was followed by another \$3 million at the end of the year.

Talk about passion and loyalty to the brand! The members of these opposition groups don’t know each other, live hundreds of miles apart, and probably have nothing more in common than a strong sense of ownership for their credit union. As we approach annual meeting time for many, these two cautionary tales should serve not only as shining examples of loyalty to the brand, but also as testimonials to the power of “one owner, one vote”.

But why does it require a threat of such magnitude to sufficiently wake us up to defend our turf? Let’s put the power of that passion to work attracting new members and clearing away the confusion about what it means to be a credit union owner today, before the crisis of competition beats us down.

The warm and fuzzy cornerstone of “people helping people” isn’t enough anymore. We need a secular evangelical makeover; a complete bumper to bumper overhaul with real messages that drive home why credit unions are different. Those who have the passion have got to step to the front of the line and demonstrate what active, involved, and proud ownership in a credit union means, financially and democratically. There is no easy answer and there never will be. We’re all going to have to work harder and more creatively, but that’s never scared us before. Release the passion ... it starts right now.



Vermont’s Credit Union Leaders are Needed in Montpelier on March 14

Credit union leaders are being called upon to help the Association make a big splash during this year’s “Credit Unions in the Statehouse” day. Legislative advocacy is important every day of the year, but it will be especially important when Vermont’s credit unions are featured in Montpelier next week.



Recently, President **Joe Bergeron** asked CEOs, managers and volunteers to schedule a portion of their work day “to help us make a strong and favorable impression on all Vermont legislators. Wednesday, March 14th has been set aside in the Vermont statehouse as Credit Union Day. We need your involvement to make it a success.”

Last year’s Credit Union Day was very successful and the expanded list of events for this year is expected to greatly enhance the visibility of credit unions with legislators and members of the Douglas Administration. In addition to a full day exhibit, and tours for those unfamiliar with the building that houses Vermont’s government, there will be:

- orchestrated visits by credit union representatives from around the entire state with their local legislators
- credit union testimony about our industry in House Commerce and Senate Finance committees
- an important private credit union reception for legislators at 4:00 pm with hors d'oeuvres and beverages
- possible addresses by select officials and/or legislators

Credit union leaders who will attend any of the festivities, especially the 4:00 reception, are asked to RSVP with the Association office or contact [John Cote](#) or [Joe Bergeron](#) as soon as possible for more information.

Should Your Credit Union Get GETS for Emergency Communications?

The answer to this question may have a profound impact on how your institution weathers the next large-scale natural disaster or other catastrophe, such as an act of terrorism.

GETS, the acronym for Government Emergency Telecommunications Service, provides emergency access and priority processing for landline voice communications services during times of crisis. GETS is administered by the National Communications System (NCS), which is part of the Department of Homeland Security. The NCS also administers an emergency service for cellular communications; WPS or Wireless Priority Service.

GETS and WPS address a serious telecommunications problem in times of emergency: system congestion. In a recent article in the magazine *eWEEK*, GETS program director **John Graves** noted, "In emergencies, it's not just emergency workers using wireless, it's everybody. Everybody wants to call home. This causes the phone network, including wireless, to get congested."

According to Graves, the telephone network is built to have a call success rate of 99 percent during the busiest hour of the busiest day of the year. During national emergencies, such as Hurricane Katrina and the Sept. 11, 2001, terrorist attacks, that success rate can drop to as low as 10 percent.

GETS and WPS work by managing existing telecommunications resources and giving priority to calls that relate to vital activities. Users of GETS and WPS receive calling cards that confer priority calling capability. A user dials into an access number; when authenticated, the user gets priority within queues of calls. The prioritization of calls afforded by GETS and WPS applies on a nationwide basis. Thus, even in the case of a localized disaster, GETS and WPS can prioritize both calls that are coming into and out of the area affected by the disaster.

What's the Role of the National Credit Union Administration?

GETS and WPS are available for subscription and use by "critical private sector financial service entities," according to the NCUA, which is authorized by the NCS to sponsor credit unions to obtain the services. A "critical private sector financial service entity" has been defined by the Financial and Banking Information Infrastructure Committee (FBII) as an entity that "supports the performance of National Security and Emergency Preparedness (NS/EP) capabilities that are necessary to maintain the national economic posture during any national or regional emergency." As an FBII member, NCUA is charged with coordinating federal and state financial regulatory efforts to improve the reliability and security of the U. S. financial system. There presently is no sponsorship, set-up, or subscription fee for obtaining GETS service.

The deadline to register for **AVCU's Business Continuity & Disaster Recovery Conference** is March 16. The brochure and online registration are available at www.vermontcreditunions.com/support

Compliance Check —Handling Death Claims

As the saying goes, it's as inevitable as taxes. Members die and when they do, their money goes to ... somebody. It's the credit union's legal and moral responsibility to handle distribution of funds correctly, especially during a sad time. For the case studies below, let us assume the credit union in question is state chartered in Vermont and the signature cards for the account don't have additional information. Try answering these questions:

Case A: A husband (50 years old), wife (47), daughter (20) and son (15) are equal share holders of a Joint with Right of Survivorship savings account with a \$10,000 balance. All are members.

1. How much of the balance does the wife have access to? The son?
2. If a car accident kills both parents, who is the primary beneficiary?
3. Under what circumstances can the account be terminated?

Case B: Our same couple has a joint Payable on Death membership account naming the son and daughter as equal beneficiaries.

1. Prior to the death of both parents, can the kids access any funds?
2. If the husband dies, how much money is disbursed to the kids?
3. Can either parent change the beneficiaries or percentage of disbursements without the other being notified?
4. When the last parent dies, do the funds become part of their estate?

If you were unable to answer some questions, you might want to sign up for the March 29 "Decedent Accounts" QuickBite

Visit www.vermontcreditunions.com/support for more information or to register

The Katrina Experience

GETS and WPS showed their usefulness during Hurricane Katrina. According to Graves, "It gave us a call completion rate of 95% at the same time the public calling was probably on the order of 5%. So it works during these disasters." Graves pointed out, however, that the effectiveness of GETS and WPS was not universal during Katrina. The call completion rate in New Orleans, for example, was fairly low. Graves noted that communications broke down in New Orleans because "it was seriously degraded because of the flooding." More than 30 major [telephone] offices were submerged, cutting power in a situation where backup power was limited. Said Graves: "In some cases telephone companies shut the services off to protect the equipment itself."

Planning Ahead Is Essential

Experts in emergency preparedness stress the importance of obtaining GETS or WPS service and then testing the service regularly to ensure familiarity with how it works. GETS and WPS services must be established before a disaster or similar event occurs; they cannot be initiated in the midst of an emergency.

For more information about the GETS or WPS services, visit the NCS Homepage at <http://www.ncs.gov/index.html>. Additional information about the NCUA application process may be obtained by contacting Deputy Chief Information Officer [Neil McNamara](mailto:Neil.McNamara).

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Education & Special Events

QuickBites telephone training conferences

- ◆ 3/1 Your Member's Experience: Will it Win, Wow, or Worry?
- ◆ 3/7 Tattoos: The Ultimate Proof of a Successful Brand
- ◆ 3/14 Disciplining and Documenting Employees (2 hours)
- ◆ 3/20 Top 12 Collection Tips
- ◆ 3/29 Death Claims
- ◆ 4/3 Check Fraud
- ◆ 4/5 Introduction to Credit Unions (2 hours)

Read descriptions & speaker bios or register at www.vermontcreditunions.com/support

Special Events

March 28-29: AVCU Business Continuity & Disaster Recovery Conference
Capitol Plaza, Montpelier - 8:30 to 4:00 (Wed.) & 8:30 to 12:00 (Thu.)

May 3: Executive Summit Dinner (Speaker: Callahan & Associates)
The Equinox Resort & Spa - 6:00 to 10:00 p.m.

May 4 - 6: 60th Annual Meeting & Convention
The Equinox Resort & Spa, Manchester, VT

June 28: Vermont Credit Union Golf Challenge
Country Club of Vermont, Waterbury Center

Event brochures are available on our website - click the link above

Executive Summit Dinner Kicks Off Convention Weekend

Join credit union CEOs, senior managers, and volunteer leaders from across the state as we kick off Convention Weekend with an evening of fabulous food and critical information about the current and future status of Vermont's financial services industry. Two of the most knowledgeable credit union experts in the country will lead us through what today's information foretells about how credit unions will be forced to adapt tomorrow if they hope to succeed in an increasingly tough marketplace.



Mike Schenk, Vice President of CUNA Economics & Statistics, and **Melanie El-Sabaawi**, Executive Vice President of Callahan Financial Services (a division of Callahan & Associates), are the featured presenters for the evening. Following a sumptuous dinner, Mike will lead off with a presentation entitled "Do This NOW! - 3 Things That Should Top Your To-do List When You Leave Annual Meeting". Melanie will follow with "Credit Unions at an Inflection Point", as she describes what changes the future holds, how credit unions can respond, and ties Vermont credit union trends into the larger financial services context.



The fee for the evening is \$125 per person and includes all food, presentations, and non-alcoholic beverages. Thursday night accommodations at the Equinox are available at the Annual Meeting discount rate of \$199. You do not have to register for Convention Weekend to attend the dinner, but are welcome to do so. Our golf social at the resort's elegant Gleneagles Golf Club will take place the following morning, so this is the perfect way to combine business with pleasure. For the event brochure and registration form, visit our convention page at www.vermontcreditunions.com/convention.htm.

Answers to "Handling Death Claims Compliance Check"

Case A

- #1: Under Vermont law, each has access to the whole account balance (subject to a minimum balance to keep it open), even the son. Surviving minor joint owners are considered as being of the age of majority and having contractual capacity.
- #2: Trick question ... Joint w/ Right of Survivorship accounts do not have beneficiaries.
- #3: Upon signed agreement of all parties or when only one surviving joint owner remains. If withdrawals bring the balance to \$0, the account is essentially closed in all but name.

Case B

- #1: No, their interest in the account doesn't vest until both owners are deceased.
- #2: \$0 ... see # 1.
- #3: Vermont law states a beneficiary designation must be "...signed by the person or persons furnishing the funds...", which suggests change may require both owners. If the account was opened (and the funds all furnished) by one spouse and the other added later, there could be legal issues if the added spouse tries to change the beneficiaries.
- #4: No, this is the advantage of this account structure. The account is designated by statute to avoid probate and the funds do not become part of the deceased's estate. Under Vermont law however, for 90 days after death, the account is liable to claims by the estate if there is no other source of funds for estate type expenses.

March
PUZZLE

To enter, fax entry to **802-864-4391 by 3/30**. The person who gets the most correct will win (if more than one 100% correct entry is received, winner will be randomly

Laddergrams

1. Turn a CAT into a DOG (in 3 steps)
2. Change a BOY into a MAN (3)
3. Make something HARD EASY (5)
4. Turn around from EAST to WEST (3)
5. Heal the SICK, make them WELL (4)
6. Turn HATE into LOVE (3)
7. Double-up ONE into TWO (8)
8. Take from RICH, give to POOR (6)
9. Make the GRASS GREEN (7)
10. Turn BLACK into WHITE (7)

drawn from among them). Contest open only to employees and volunteers of AVCU affiliated credit unions. Approximate prize value is \$25. Winning entry must include the entrant's full name, email address, credit union & title or volunteer position held. For directions and the full size contest form, visit www.vermontcreditunions.com/support/newslines.htm.

Congratulations to Joanne Mills of White River Credit Union! Her 100% correct entry (visit the link above for the solution) to "CU Word Search" was randomly drawn from among all received last month (those who submitted 100% correct entries are listed on this month's contest form.) She wins a \$25 gift card to Outback Steakhouse. Congratulations, Joanne!