

# NEWSLINES

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*A publication of the Association of Vermont Credit Unions*

## Taking a Spin Through the (60 Year) Old Neighborhood



For the past several weeks, in preparation for our 60th Annual Meeting at the Equinox Resort May 4-6, AVCU staff have been pouring through six decades worth of pictures and memorabilia that document the history of Vermont's credit unions and their trade association. Although we'll be celebrating our organization's 60th anniversary next month, it is impossible to differentiate our past from that of our members. We came into existence in 1947 only because a handful of credit union leaders, led by one of the founding fathers of the American credit union movement **Roy Bergengren**, got together to form the Vermont Credit Union League. Our history is forever linked to that of each individual member credit union and its employees and volunteers.

Thanks to our unofficial archivists **Paulette & Joe Bergeron**, and with the aid of countless credit union contributions over the years, an amazingly accurate record has been maintained. To be sure, the archive is not without a few gaps; but for the most part, we've been able to assemble a wonderful pictorial history of Vermont's credit unions that will be on display at the Equinox.

Especially because it is so relevant to the publication you are now reading, it was with particular reverence that we stumbled upon Volume # 1, Issue # 1 of what was humorously called "The 'Now and Then' Bulletin", the organization's first newsletter. Dated August 1947, and announcing that it would be "published occasionally by the League", this combination typed-and-hand written sexagenarian actually looks pretty darn good for its age, right down to the masthead and graphics.

Much of the issue is devoted to announcing what happened at the first organizational League Annual Meeting, where the seven organizers officially came together for the first time under League Charter. These seven were Farmer's Exchange CU, J & L Employees FCU, Middlebury Co-op CU, Ferrisburg CU, Putney CU, Stone Workers (CIO) CU, and Adamant CU.



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Among the important matters decided at the meeting were 1) to fix dues at 10 cents per member, 6 cents of which was National dues; 2) to bond the Treasurer and Managing Director each for \$1000; and 3) to open each meeting with a five minute inspirational talk. At the first meeting, **William F. Madden**, the first League Managing Director (President), "initiated this good custom with a fine talk on the philosophy of the credit union movement." Sounds like a pretty good idea even (or perhaps especially) 60 years later.

We are proud of the history of credit unions in Vermont. Our Association, though one of the smallest in the country, continues to enjoy a high degree of affiliation and we are grateful to all of our members for their continued support. In spite of consolidation that has taken us from a high of 73 affiliates in the early 1970's to 30 in 2007, today there are more than 270,000 Vermont consumers who belong to a credit union. That is more members than ever before and equates to 42% of Vermont's population.

We've had 60 successful years of helping to bring cooperative financial services to Vermont consumers. The legacy of Roy Bergengren and others like him who got things started is alive and well in the Association of Vermont Credit Unions. Our membership honors their legacy every time we all come together at Annual Meeting, but especially when it's a milestone like it will be this year. See you at the celebration!

**Also in this issue ...**

⇒ **Back Page Puzzle - Wotsits**

Figure out the common word or phrase of each of these letter puzzles and you could win \$25.



## Thoughts from the President's Desk ... by Joe Bergeron

I don't know whether to feel honored, or just plain old, to have been part of our Association's history for 29 of its 60 years of existence. I'll keep telling myself that becoming its President at the young and green age of 25 now puts me in the "honored" category instead of just plain old.

I've been witness to a great many credit union industry-changing experiences during my tenure. But none as incredible as today's headlines reporting not-for-profit credit unions increasingly converting to for-profit banks. Since 1995 in excess of 30 have shed their one-member one-vote principles. Just in the past year, three \$1 billion plus credit unions have joined the conversion club. Why? They all tout expanded powers, fewer restrictions and greater benefits to their members-soon-to-become customers. You need a good argument to get members to vote support of giving up their one-member one-vote status.

But in most cases, the conversion to a mutual bank is quickly followed by conversion to stock. And that's when creative types in control can make money . . . lots of it. Last week I read about Pacific Trust FCU in California. Its board and management convinced members to vote for conversion to a mutual in 2000, and have since migrated to stock-owned. As reported by CU Journal, the former volunteer board members now earn, on average, \$77,000 per year, under the First PacTrust Bancorp banner. Five former volunteer board members are reported by the SEC to now hold \$1.7 - \$2 million each in stock. The credit union CEO coordinating the re-structuring holds about \$5.6 million in stock. Think this was one of those billion dollar credit unions? Nope. At the time of conversion it was about \$224 million in assets. Big enough, but not huge by today's standards.

Where's all this money come from? I don't claim to understand the finer points, but a lot of it comes from the shift in equity ownership. Retained earnings accumulated by members' business over the years is no longer owned by those members. Insiders get the best chance to acquire stock in the new for-profit bank.

What do the members get? Probably less favorable rates and fees since the entity's motivation isn't to keep members / customers happy, but to make money to keep the much smaller group of stockholders happy. Who are the biggest stockholders? Likely the board and management, for starters.

To complicate today's landscape, along comes Wings Financial FCU now pursuing a so-called hostile takeover of fellow airline credit union Continental FCU. Wings claims it has no conversion plans, but has reportedly explored it seriously in the past. Wings is promising about \$200 to each Continental member if they successfully vote to merge. Think about it . . . in your mail tonight is a solicitation from another credit union promising \$200 and better service for you to encourage your credit union's board for a positive merger vote.

Scary times!



## Pictures from a High Profile CU Day in the Statehouse

More than 20 representatives from Vermont's credit unions and the Association connected with dozens of legislators on Wednesday, March 14th during "Credit Unions in the Statehouse Day" in Montpelier. Legislators stopped by a credit union exhibit in the Card Room to chat throughout the day and then later filled the Cedar Creek room during a 90 minute Appreciation Reception.



Above (top): Several CEOs, managers, and volunteers were at the reception.

Above (bottom, left to right) Mike Gabriele (MACCU), Kevin Day (Bryant FCU), Jim Walford (Champlain Valley CU), Stacey Benoit (MACCU), Susan Poczobut (Granite Hills CU) and Jeff Taft (Champlain Valley CU) raise a toast to Credit Union Legislative Advocacy!



Clockwise from top middle: Representatives Bill Keogh (front) and Tim Jerman (back) joined dozens of others who tried to sink putts to enter a drawing for a portable DVD player ...

... which was won by Rep. Debbie Evans of Essex (pictured w/ Joe Bergeron). Evans has been a House member since 2005 and serves on the Committee on Government Operations.



At times, the Cedar Creek Room hosted upwards of 40 people.

Rep. Bill Canfield (Fair Haven) spoke with Matt Levandowski (Heritage Family FCU) and Adam Necrason (AVCU lobbyist).



## 5 Minutes with ... Joe Finnigan

**Q: How many years have you been in the movement and how did you get started?**

**JF:** I was working for the IRS in January of 1978 and had just finished serving two terms as president of the labor union. I decided not to run for a third term and was asked to serve on the board of U.S. Government Employees of Chittenden County Credit Union.

Even though I told them I didn't know much about the credit union, they still wanted me and I was elected treasurer. Two meetings later, they asked me to start working as a part-time manager, which I did. At the time, we had two part-time employees in an office on the 6th floor of the Burlington federal building.

Since I was now managing people, I knew I needed education about credit unions. I met Margaret Hemingway (GE Employees CU), I think at the 1978 League Annual Meeting, and she was extremely helpful, as was Ron Hance at Heritage. Margaret introduced me to New England CUES as a great way to meet people, network, and get the formal education I needed. Later, I took over Margaret's seat on the New England CUES board, where I served for 16 years.

**Q: What do you see as Vermont Federal's biggest challenge in the next five years?**

**JF:** We need to continue to grow in a balanced way. We need to be able to bring in young members and use the deposits of those who are working and saving for retirement to serve them. The hard part is that the credit union story is still largely untold. I'm starting to see the loss of the cooperative nature of credit unions. The situation developing now with a \$1 billion credit union [Wings Financial] trying to take over a \$170 million credit union [Continental] that doesn't want to merge is the kind of thing I'm talking about. We're lucky in Vermont that there is a cooperative nature to what we have done in the past. We were one of the first states to do shared branching, where 14 credit unions shared space in this building to conduct teller transactions (*a reference to the League's Service Center in the League building during the 1980's and 1990's - Editor*). The Falcon ATM network is another thing that I'm proud to have been involved with, to be able to offer ATM service to the smallest credit unions in Vermont. Speaking of shared branching, I feel very strongly that it is a great thing to be able to tell members that they can do business at some 3,000 credit unions nationally ... that is so powerful.



**Q: You just returned from the largest GAC in history. What impressions did you come away with?**

**JF:** I've seen it grow from 2000, to 3000, to more than 4000 this year. It is a different kind of meeting than any other that I attend. The main purpose is to be able to navigate our representatives, to be able to share the word, share the message, and to receive the introduction to the political scene by both sides of the aisle. We say "I'm democrat, or republican, or green party" but when you're there, all of a sudden you're listening to people not because of their party affiliation, but because it's about credit unions.

**Q: You're Vermont's CULAC trustee ... why should credit union people contribute to political action?**

**JF:** This is clearly one of the most important and difficult things for people to understand. It's a tough sell, you almost have to do a one-on-one. You have to talk about the specifics by saying, "We were able to swing this vote because of being able to talk to this representative. He's carried our water, he's gone to the trough, now it's our turn to support him if we want to keep that strength." But a lot of people, you know, think that's the league's job, it's not my job. Well, it's all of our jobs ... it simply is. I wish I had the easy answer. I was very pleased the way this Political Advocacy meeting (*a reference to the AVCU committee meeting held just prior to this interview - Editor*) went, now we have people and I can say, what do you think? The ideas we can come up with together, that's the way it starts.

**Q: What makes you the most proud to be a credit union CEO?**

**JF:** I get a good feeling from what I do. This goes way back, but I can remember the first \$10,000 certificate that Government Employees took in. It was placed with trust, and that's something I've always tried to honor and that gives me a tremendous sense of pride. Of course, there are higher certificates today, but nothing matches the significance of that first \$10,000. It was personal because it was one-on-one. It was interesting too, because it was a custodian ... that's what credit unions are all about. Helping those people that don't have the ability to get some of the things they need from larger institutions, you know, it meant so much to me. I'll never forget, I remember his name, I remember the relationship that was developed, it continued until he recently passed away. It was trust ... trust and loyalty. We can't forget our roots, what we're all about, people helping people. It really means a lot, it really does. We have a mission, we should stick to it.

At the same time, to be lumped into this group and be told look, all you can serve are the underserved. If we did that, we wouldn't have the resources. There has to be a balance. You've got to have that retirement account. You've got to have that \$100,000 CD if you're going to provide services to those people who really need it the most; the \$500 personal loan for fuel; the first car; first home; the home equity because there was an ice storm and a tree fell through the roof.

But I am very concerned with the future. I see a lot of people who I have tremendous respect for leaving, and I don't see what's following. It scares me and I think the reason is because I've been here so long and I really feel committed to what credit unions are all about and I'm not sure that there is enough of that behind us. What's the solution? I don't know, we try hard to coach and mentor and grow staffs. I'm proud to say that six of my employees went on to be CEOs. It is a wonderful feeling. It was hard to see them go, but I realized that these people have to grow. Those that have moved on, hopefully I've given them a good base.

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## Education & Special Events

QuickBites telephone training conferences

- ◆ 4/3 Check Fraud
- ◆ 4/5 Introduction to Credit Unions (2 hours)
- ◆ 5/3 Making the Most of your Communicating Style
- ◆ 5/9 Internet Security: Spoofing, Spamming & Phishing
- ◆ 5/23 Bank Secrecy Act
- ◆ 5/31 Asset and Liability Management (2 hours)

Read descriptions and speaker bios or register at [www.vermontcreditunions.com/support](http://www.vermontcreditunions.com/support)

### Special Events

**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

Brochures and additional information are available via the link above

May 28: Memorial Day

## Converting to Bank Charter: Benefiting a Few at the Expense of the Many

Throughout the decades-long history of credit unions in the United States, less than one half of one percent nationwide have converted to mutual bank charter. Why then is there such acrimony over conversion? Perhaps it's because of who benefits financially ... and it's certainly not the members. In the past few years, a small group of managers and directors have reaped big stock profits from credit unions turned mutual banks that later go public.

Less than a year after an initial public stock offering, nine executives and directors of Heritage Bank of the South, known until 2001 as AGE FCU, paid themselves more than 160,000 shares valued at almost \$3 million. As a result of conversion, other former credit union presidents have also done quite well with stock offerings from their institutions (see inset).

Directors have also cashed in. Six former volunteers of Rainier Pacific have each accumulated more than \$1 million worth of stock, led by the longtime board chair with \$1.5 million. The chair at Pacific Trust has collected almost \$2 million in stock, not including the salaries and stipends which average between \$20,000 and \$25,000 a year that are now paid to former directors. In at least one case, two former directors of AGE FCU / Heritage Bank were awarded retirement pensions of \$24,000 a year for their long-time **volunteer** work.

So who loses when the mutual inevitably converts to a publicly traded bank? The short answer is, everybody else. "One member, one vote" democracy is replaced by stockholders. The member's share equity in the institution, possibly built up over decades of loyalty to the cooperative, evaporates in an instant. Perhaps worst of all, the traditional member benefits of lower loan rates, reduced fees, and higher dividend rates, also disappear. Virtually every converted credit union has raised rates and fees to traditional bank levels after going public, leaving the "customers" wondering who came along and stole their financial institution. Unfortunately, as members learn too late, the thieves were those they trusted to run the credit union.

**Please Note:** The next issue of *Newslines* will be published after Annual Meeting. It will be a special extended edition for May and June, and will include lots of pictures from, and coverage of, Convention Weekend.

### Value of stock owned by CU-turned-bank presidents

- Synergy Financial (formerly Synergy FCU), almost \$5 million
- Pacific First Bancorp (Pacific Trust FCU), \$3.6 million
- Rainier Pacific Financial Group (Rainier Pacific CU), \$3 million
- K-Fed Bancorp (Kaiser FCU), \$2 million
- Atlantic Coast Financial (Atlantic Coast FCU), \$2 million

**April**

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**Wotsits**

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3. GRA N D	8. A L U S	13. must get here must get here must get here
4. OHIOWA	9. NSUNS U U SNUSN	14. horobod
5. Vermoonmont	10. A L E G	15. NO! apples oranges bananas

To enter, fax entry to **802-864-4391 by 4/27**.

The person who gets the most correct will win (if more than one 100% correct entry is received, winner will be randomly drawn from among them). Contest is 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 entry form, visit [www.vermontcreditunions.com/support/newslines](http://www.vermontcreditunions.com/support/newslines).

There were no correct entries received for March's "Laddergrams" puzzle.