

# NEWSLINES

Vol. 8, No. 7 — November 2008

*A publication of the Association of Vermont Credit Unions*

## *Thoughts from the President's Desk*

### *Of Elections, the Economy, and the Future of the NCUA Board*



Recent months have been a tumultuous and remarkable time for credit unions and the members they serve. A few short days ago, a record number of Vermonters turned out to cast their vote in the democratic process. Heated issues and heightened consumer concerns resulted in a whopping 15% increase in the state's registered voters this year. The same story was repeated across all parts of the country.

**Credit unions and their members played a big role in the 2008 elections at both state and federal levels.** Through campaign contributions by CULAC, CUNA and Leagues supported 359 of the 435 races for the U.S. House of Representatives. 333 of the credit union supported candidates won, reflecting a success rate of 93%. In U.S. Senate races, credit union supported candidates won 25 of the 32 races they were in. Here in Vermont, a highly successful 41 out of 47 candidates (88%) for the Vermont Legislature that were supported by your Association won their election bids.

Some think credit unions should remain neutral when it comes to politics. But it would be unrealistic to think that people in elected office will fulfill their duties with credit unions in mind, just because it's the right thing to do. No, like it or not, campaign contributions play a big part in earning and keeping the support of politicians who can keep an eye out for credit unions. Nobody likes having to make political contributions. That's why both the Association and Vermont Federal Credit Union have begun participating in a payroll deduction program for credit union employees that makes it simple and painless to contribute toward good laws that support your livelihood (see page 2).

#### **Can tough economic times actually bring about positive changes in consumer habits?**

Survey company Sentient Decision Science reports in a recent study that the worsening economic conditions of recent months have led Americans to increase short-term savings and pay down short-term debt. Short-term savings for a typical family increased almost 30% from June to September, while the rate at which short-term debt was paid down increased 8% since June. 54% of respondents indicate they're concerned about the cost of daily goods, while 40% express concern about personal debt, and 25% say they're concerned about job security. All of these sentiments are up appreciably since last spring.

All of the uncertainty consumers feel about everything financial leaves credit unions with significant opportunities. Although bottom lines for many credit unions may be tight in 2009, there is no better time for credit unions to shine than when consumers seek the financial safety, soundness, and dependability that credit unions provide without needing to satisfy profit-seeking shareholders. It's a great time for credit unions politically as well, since waves of politicians are recognizing credit unions as not being part of the subprime mortgage fiasco and as a key factor in improving consumer confidence in financial services.

**Changes ahead for NCUA?** NCUA board member **Michael Fryzel** may find his role as Board Chair one of the shortest in the history of the agency. Although not cast in stone, it's highly unusual for the head of a federal agency not to be of the same political party as the Administration. With Fryzel appointed by a Republican President a very short while ago, and a Democratic President taking office in January, the chances of change being made are pretty good.

Still, some might argue that Fryzel's roots in Illinois, the home state of the President-Elect, might make him the exception to the norm. Also, the term of NCUA board member **Rodney Hood** expires in 2009. Either way, we're likely to see change on the NCUA board in the coming months.

#### **CUNA's Outlook**

"I feel very good about where we are positioned going into the 111th Congress in January. We will have to make enough noise to keep credit union issues on the front burner. We will have to be vigilant to make sure we are dealt with uniquely and not painted with the same brush as the bad actors."

— **John Magill**, CUNA Senior vice president of legislative affairs

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## **Political Advocacy Honor Roll Update**

The elections are over, but the need for credit union political advocacy is constant. Supporting candidates who champion credit union issues, and ensure our fair treatment in Montpelier and Washington, is the responsibility of all of us who make our living in the movement. Our Political Advocacy Honor Roll recognizes those who have demonstrated their commitment to the preservation of credit union uniqueness through contributions to CUNA's federal Political Action Committee (PAC) the Credit Union Legislative Action Council (CULAC) and Vermont CUPAC, our state PAC.

Vermont credit union employees and volunteers have a little less than two months to join this list and get recognized for their contribution at our 2009 Annual Meeting. In addition to having a red, white and blue CUPAC Supporter ribbon on their name badge, the list of final Honor Roll members for 2008 will be printed and made available during the weekend's opening banquet on Friday, May 1. Actions that result in placement on the Honor Roll include simple contributions, winning an item in our Silent Auction, or purchasing Advantage PACs at our charity fundraising golf tournament each year. We're also pleased to announce that the Association and Vermont Federal Credit Union have joined together to make Payroll Deduction plans available to employees (*see box below*), which is an easy and relatively painless way to get onboard the credit union political advocacy bandwagon.



To make a contribution to CULAC or Vermont CUPAC, please [visit our website](#).

### **Presidential Tier (\$501 and up)**

Bergeron, Joe & Paulette	AVCU
Finnigan, Joseph	Vermont Federal

### **Senatorial Tier (\$251 to \$500)**

Gammon, Sean	Members Advantage Community
Roy, Steve	Tricorp Federal

### **Congressional Tier (\$101 to \$250)**

Benoit, John	NorthCountry Federal
Crapo, Thomas	Vermont Federal
Gadway, Lisa	NorthCountry Federal
Giard, Jean	Vermont Federal
Hughes, Agnes	Vermont State Employees
Kent, Bryan	AVCU
LaRose, Ashley	AVCU
McDonough, Jeff	Vermont Federal
Potter, Lance	Vermont Federal
Randall, Lisa	Vermont Federal

### **Gubernatorial Tier (\$51 to \$100)**

Cote, John & Kathy	AVCU / Caswell
Cron, Richard	Vermont State Employees
Davenport, Jeff	CUNA Mutual Group
Morse, Jeff	River Valley
O'Brien, Tom	Heritage Family Federal
Robinson, Spike	Vermont Federal

### **Selectboard Tier (\$1 to \$50)**

Adorisio, Jim	Champlain Valley
Barber, Fred	Synergent
Begin, Barbara	Heritage Family Federal
Bolster, Glen	A. M. Peisch & Company
Cotton, David	Members 1st
Crowley, Lori	Vermont Federal
Duclos, Steve	River Valley
Dwyer, John	New England Federal
Edwards, Wade	Fifth / Third Processing Solutions
Flynn, Judy	Members 1st
Geisweit, Lisa	Vermont Federal
Gillander, Nellie	Vermont State Employees
Hill, Paul	Vermont State Employees
Huyer, Lisa	NorthCountry Federal
Lenois, Nancy	Members 1st
Martelle, Randy	Heritage Family Federal
Mayette, Dave	L9.com
McStowe, David	Synergent
Morgan, Bob	NorthCountry Federal
Necrason, Adam	Sirotkin & Necrason
Nowinski, Denise	Tricorp Federal
Roberge, Tom	March of Dimes
Sawville, Tom	CUDL
Smith, Bill	NorthCountry Federal
Taft, Jeff	Champlain Valley
Wheeler, Scott	Granite Hills
Wheelock, David	Members 1st
Wilson, Teri	Vermont Federal
Wisell, Judy	Members 1st

### **PAC Payroll Deduction Program**

In August of 2005, the Federal Election Commission approved a rule that allowed credit union industry employees to contribute to CULAC via payroll deduction. This afforded credit unions and state leagues an incredible opportunity to continue growing CULAC into one of the nation's premier PACs.

Throughout 2008, Vermont Federal Credit Union has made this program available to its employees and was recently joined by AVCU in this endeavor. Through the employee contributions from the two organizations, as well as the donors listed on the Honor Roll, Vermont hit 84% of its 2008 CULAC goal by the end of September.

We need a little over \$1,000 to eclipse our goal, so now is the perfect time to make a contribution and get your name on this year's Honor Roll. It's also the perfect time to join Vermont Federal and AVCU in making the payroll deduction program available to your credit union employees. To get the materials or learn more, contact [Mary O'Brien](#) at the AVCU office at 800-234-8285, x 103.

*The Honor Roll list shown here reflects all CULAC and Vermont CUPAC contributions through October 15, 2008.*

## **Business Partner Article - "The Decoupled Debit Crusade - Behind the Hype"**

**Editor's note:** Occasionally the Association's endorsed business partners send us articles that offer beneficial information for credit union employees, volunteers, and members. This month, **Kedra Fairley**, Associate Product Manager at Fifth / Third Processing Solutions, discusses the rapid growth of decoupled debit cards.



Over the past year, the financial industry has gossiped and discussed decoupled debit and all its "glory." Decoupled debit cards, unlike regular debit cards, are not linked to any financial institution. Instead an intermediate service provider such as a vendor or merchant issues the card and later receives payment via an offline ACH network. For instance, a customer may have a Demand Deposit Account (DDA) at a financial institution, however, if they sign-up for a decoupled debit card with a third party merchant or vendor, that issuer will collect the interchange made from any transactions performed on that card.

For the average debit card, point accumulation is limited to or driven towards certain merchants. On the other hand, in theory, customers with a decoupled debit card, can use it at any merchant that accepts their card's issuing brand and receive points. Hence, they would earn more points through everyday purchases allowing them to possibly accumulate rewards value up to five times more than the average debit card. This, experts speculate, will permit them to redeem reward points for better and more expensive prizes.

Decoupled debit reward programs have been put on a pedestal as the vision of the future. However, not all that glitters is gold. According to a survey conducted in January 2008 by Aite Group, LLC a sizable portion of the debit card market would be interested in participating in a decoupled debit program. Per their survey report, most customers interested in decoupled debit cards are "reward addicts" - people who go out of their way to get the most out of a rewards program. Therefore, the level of interest referenced in the report doesn't reflect the average debit card user.

In terms of redeeming points, decoupled debit programs tend to be more restricted than consumers may realize. Customers will earn reward points on purchases made at almost any vendor that accepts their card's affiliated brand. However, when it's time to redeem their points, decoupled debit cardholders may only receive a gift card or gift certificate that can only be used at specific stores or vendors. Another drawback to decoupled debit is the amount of confusion that will come with understanding the set-up. Normally when a customer needs to report fraudulent activity they call their financial institution. Yet if they have a decoupled debit card, they must call the third party vendor or merchant who issued their card for assistance.

In May of this year, Capital One's decoupled debit merchant test pilots ended. At the time, the institution claimed "They were initiated as pilot programs and they've run their course." Many speculate that legislation passed by the Electronic Payments Association (NACHA) in November 2007 stunted the program. NACHA's new rule states all transactions that need to be settled within 14 days, especially if it's connected to a debit account, cannot be processed as a bundle since the aggregation of these transactions cause key information to be lost. Thus, for a merchant or vendor, setting up a decoupled debit system will require a lot of programming, time, and research.

Drawbacks aside, many merchants and financial institutions are embracing the change and trying to set-up similar programs. However, if you do not have the financial leverage to create your own debit rewards or have doubts about decoupled debit there are steps you can take that may assist you in preparing for the decoupled debit "revolution."

**Keep educating yourself and your members.** Know what's happening in the industry in terms of trends and what's popular. Conduct market research to gain a better understanding of what your members want and need from you as a financial institution. Also, be aware of what your competition is doing. This allows you to accurately and intelligently plan finances and future promotions. Keep your members informed as well. Doing so will help strengthen your relationship and cut down on their confusion.

**Point out your areas of expertise.** Credit unions can offer services that a vendor cannot, such as loans, financial planning, and a good fraud prevention program. Point these facts out to your members. Also, highlight your member service. For example, for Fifth Third Processing Solutions' fraud mitigation products, participating financial institutions have cardholder activity monitored for fraudulent charges 24 hours a day, 7 days a week, 365 days a year. Services such as these demonstrate to your cardholders you are flexible, understanding and reliable.

**Rethink values for fees and interest rates.** According to Aite's January 2008 survey, consumers usually decide on a card based on its fees, interest rates, and rewards program. Having competitive and reasonable fees and interest rates will only assist your financial institution.

**Focus on giving cash rewards.** Per the Aite report, if you have a rewards program, you should focus on giving cash back rewards since members find it easy to understand and maximize to their advantage.

**Build a stronger debit portfolio.** A Debit Portfolio Management solution can maximize cardholders' debit activity. This enables financial institutions to effectively promote card acquisition, activation and usage. Through direct mail campaigns you may influence cardholder behavior, driving transaction growth and increase profitability. In turn annual interchange growth may increase and build best-in-class performance for your card portfolio.

## Upcoming Events

For QuickBite session descriptions, speaker biographies, or to register, visit our online [Event Calendar](#)

- ◆ 11/13 **Money Laundering** / Neil Purtell
- ◆ 11/18 **CU Financials for Staff** / Steve Janiszewski (2 hrs)
- ◆ 11/20 **Preparing for Your IT Security Exam** / Susan Orr
- ◆ 12/02 **Reg B** / Rob Rutkowski
- ◆ 12/08 **Lending to Young Adults** / Brett Christiansen

**Remember that even if you miss a live event, audio archives of QuickBites sessions are accessible for 15 business days afterwards.**

We're pleased to announce that three lucky credit unions have been selected to win a free QuickBite registration to be used between November 1 and December 31. We assigned a number to every QuickBite a credit union registered for this year, so the more sessions your credit union did, the higher your chance of winning. We then used an Internet program to generate three random winning numbers. The lucky winners were **Champlain Valley, Credit Union of Vermont, and United Community**. Congratulations!

## **AVCU Compliance InfoSight Ranks 5th in Hits per Credit Union**

It was right around this time last year when the Association announced that we had signed an agreement to offer a comprehensive new compliance resource to Vermont's credit unions at a cost of just \$100 for the 2008 calendar year. Twenty-two of our thirty member credit unions signed up for the service and judging by the number of hits on InfoSight between January and September, all are very happy they did.

AVCU is one of 26 state leagues and associations to offer InfoSight to their member credit unions in 2008. As of September 30, Vermont ranks 5th among those 26 states in the average number of InfoSight hits per participating credit union. On average, each participating Vermont credit union has logged into and accessed some page on InfoSight 83 times since January 1.

Site	Average Hits Per CU	Rank
Hawaii	139.4	1
Maine	105.2	2
Oregon	91.6	3
Texas	90.0	4
<b>Vermont</b>	<b>83.0</b>	<b>5</b>
Michigan	78.1	6
Georgia	75.7	7
Nevada	70.5	8
Arkansas	67.6	9
New Hampshire	66.8	10

## November PUZZLE

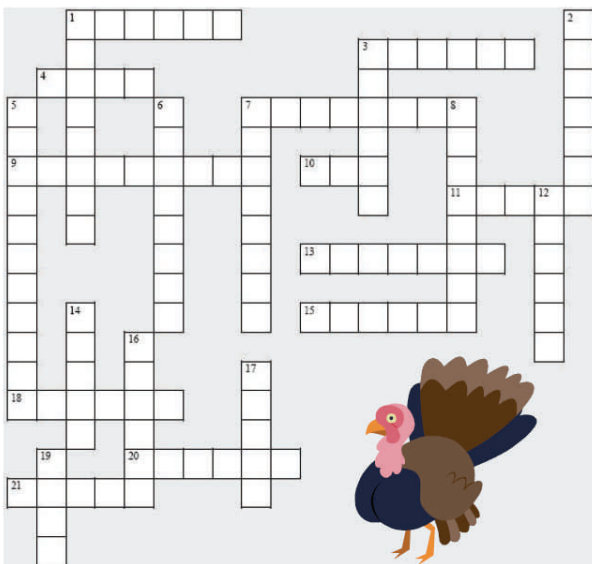
### Thanksgiving Crossword

With Turkey Day right around the corner, it's time to recall the traditions that make the holiday so special. Fax your entry to 802-864-4391 by Friday, 12/5. 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. Be sure to visit our [Member Support](#) page and click on the [Newslines](#) link, as you'll need the full size contest entry form.

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|---|---|
| <p><b>Across</b></p> <p>1 Relatives</p> <p>3 Gratitude</p> <p>4 Hominy</p> <p>7 Separatists</p> <p>9 Sauce</p> <p>10 Classic meal ender</p> <p>11 Gathering</p> <p>13 Crust filling</p> <p>15 Benevolent</p> <p>18 Consume voraciously</p> <p>20 Born there</p> <p>21 Pleased</p> | <p><b>Down</b></p> <p>1 Follows the big meal</p> <p>2 Reason for celebration</p> <p>3 Main attraction</p> <p>5 Pie alternative</p> <p>6 Verbal prelude</p> <p>7 Debarkation point</p> <p>8 Occupies space</p> <p>12 Flatten</p> <p>14 Seasonings</p> <p>16 Group living</p> <p>17 Thickened juices</p> <p>19 Tubers</p> |
|---|---|



Which key compliance areas are InfoSight visitors researching the most? The Model Policies area, where credit unions can take advantage of 48 documents that offer a comprehensive foundation on which to build their own custom policy, gets more attention than any other InfoSight area. Other heavily trafficked areas include the:

- eNewsletter archives, where issues dating back to February of 2007 are stored;
- Accounts channel, specifically the ownership, trust, and deceased member sub-topics;
- Bankruptcy and Collections channel;
- ACH / Electronic Payments channel;
- Board Responsibilities channel;
- Advertising channel; and
- Loans and Leasing channel.

On average, AVCU InfoSight receives more than 200 hits per month from Vermont credit unions and other participating state leagues. And those numbers will only go up, because the Association will be giving credit unions who didn't subscribe to InfoSight a free trial from November 17 through the end of the year. Manager / CEOs will receive login information shortly and InfoSight subscription forms for 2009 will be distributed to all member credit unions in December. Best of all, we're continuing to work hard to update Vermont-specific compliance information available from InfoSight before the end of the year, so we're looking forward to making an outstanding resource even better in 2009 and beyond.