



Notes from the 2009 CEO Roundtable

At the Frederik Meijer Gardens, November 11, 2009

Compiled From Notes Taken By the "Table Scribes"
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Attendees

| Grp | Scribe | CEO Participants |
|-----|----------------|--|
| 1 | Shannon Cherry | Glenn Kretchmer, ATL CU Dean Wilson, FOCUS CU Janelle Higgison, River Valley CU David Wright, Services Center FCU Gary Elliott, Superior Choice CU |
| 2 | Scott Page | Paul Obermeyer, AAA FCU Steve Searfoss, AAA FCU Tammy Williams, Best Advantage CU Pat Lowney, Lakeview CU Gene Taylor, Sangamon Schools CU |
| 3 | Jane Anderson | John Sink, Allegis CU Charles Rea, Community West CU Scott Pauly, Onaway Community FCU Joni Shinn, Service 1 FCU Sara Redeker, Tri-Cities CU |
| 4 | Jody Karnes | Brenda Lippens, Delta County Kim Wilson, GR Family CU LuAnn Schott, Grand Trunk BC EFCU Pamela Goven, Shawbox Community FCU Kevin Ralofsky, Vacationland FCU |
| 5 | Julie Gessner | Scott McFarland, BTCU Sally Dischler, Heartland CU Joseph Strauss, Kensington Valley CCU Jeanna Eckhardt, Michigan Coastal Fran Godfrey, United Educational CU |

| Grp | Scribe | CEO Participants |
|-----|----------------|--|
| 6 | Karen Sorensen | Vic Pantea - Member Gateways Jeff Jorgensen - Sioux Empire Scott Harriman - Cumberland County Greg Hilbert - Fox Communities Leo Vaulin - CU*South Brian Moran - Kenowa Community FCU |
| 7 | Scott Collins | Wendy Gillies, Amicus FCU Clarence Anderson, Blue Mountain CU Chris Butler, Community CU Bob McDonald, Massachusetts State ECU James Dill, Tri-Rivers FCU |
| 8 | Rachel King | Bret Weekes, eDOC Randy Trimm, Ohio Catholic FCU Evie Rasmussen, Puget Sound CU Todd Powell, Spokane Firefighters CU Karen Browne, TBA CU |
| 9 | Cari Romig | Vickie Schmitzer, Frankenmuth CU Brad Swee, Meijer CU Amy Revalds, ROME CU Debie Keesee, Spokane Media FCU Robyn Guyer, United Advantage NW FCU |

All scribe notes compiled and edited by Dawn Moore.

A.M. Sessions: Collaborative Opportunity

Group discussion topics for this morning were selected to get the groups focused on the power of our network and the possibilities for expanding what we might do together. Whether it be the entire CUSO, or just small groups within the CUSO, or even something you would do with only one other partner...what business opportunities are out there?

Groups 1 & 6

List 3 things you have purchased from consultants that you wish you would have counted on other network participants to share.

Group 1 (presenter: Dave Wright)

- Courtesy Pay (cost; vendor said “you don’t know the regulation”; vendor said “you can’t do it without me”)
- Asset Liability Management Software (is CU*Answers going to have ALM software?)
- BankVUE interest checking

Group 6 (presenter: Jeff Jorgensen)

1. ALM Management
Balance Sheet Solutions was used in the past by Sioux Empire; Challenge is interpreting the data, need expertise on the back end; want a tool that is neutral and the analytical piece is neutral
2. Enterprise Risk Management
risk management in many areas - teller line, IT; need benchmarks for comparing to peers; CU*A and Xtend have the ability to support
3. Audits
what if we had CPA Auditors on staff? need samples of exam questions
4. Profitability Model
compares actual costs and push out to members; marketing vs. management; analytical support for the data you are generating
5. Playbooks - Policy/Procedure Guides
very helpful for smaller CUs; help CUs adapt to the changing environment; build a common database for these questions; plagiarism is the highest form of flattery

List 3 questions that you would like our network to ponder.

Group 1 (presenter: Dave Wright)

1. Is it possible for 3,000 employees to collaborate for HR benefits; CU in MI and CU in SD can share in HR benefits – how can we utilize the power of 3,00 employees to CU those costs
2. How can we participate in some type of idea exchange? How can we make it more used? So it’s easy and seamless, so you could ask all of the people and get a quick answer. An effortless social network. No special logons, question gets pushed to peers.
3. Can CU*Answers offer ALM?

Group 6 (presenter: Jeff Jorgensen)

1. How do we build global expertise within our network?
2. How do we keep intellect within the network/keep productive?

Groups 2 & 7

List 3 things you are now worried will not be available based on the Corporate Credit Union reorganization. Do you think our network could create a solution for any of these?

Group 2 (presenter: Gene Taylor)

1. Item Processing services - Share Draft and Check 21 Processing
Solution: utilize CU*Answers CU*Check and EDI CheckLogic solutions
2. Investment Services
Solution: promote a deeper network promoted Liquidity Exchange strategy
 - Overnight Funds availability
Solution: work directly with FRB, utilizing the network as a possible conduit for facilitating these processes. .
 - Liquidity Exchange
Solution: network posting opportunities; a greater desire to participate as partners with each other for providing assistance to benefit all
3. Participation Lending:
Key issues:
 - a. Looking for partners to invest in participation opportunities is considerably more difficult today.
 - b. Must be able to more deeply analyze/ document at risk \$; greater due diligence required.
 - c. Must have an audited analysis performed.Solution: locating a network of appraisers (chosen by the network) from which the group could leverage for previous work experience, pricing considerations, etc. In other words, to be able to choose from a pool of proven experts.
Pat Lowney (Lakeview) expert he utilized is providing the “playbook” for performing required CU due diligence; similar strategy could be shared with other network partners.
Establishing a “best practices” strategy for helping review participation loan opportunities as they become available.
Determining an effective way to judge the “mix” of your business lending portfolio (i.e. too much invested in real estate loans)

Group 7 (presenter: Chris Butler)

1. Check Imaging – more discussion required on how we could do this as a network
 2. Liquidity exchange – pairing peers with excess liquidity to those without; Xtend option exists but not highly used
 3. Check clearings without a corporate – solution would be to go directly to Fed
- Possible solutions:
- CUSO as a “clearinghouse” for excess cash?
 - Imaging and wire services

Groups 3 & 8

What keeps you up at night?

Group 3 (presenter: John Sink)

Sustainability and controlling our own destiny

Group 8 (presenter: Karen Browne)

How do we survive? Relevance with members, in the industry, how do we develop our strategic niche and get buy-in

Other group 8 ideas per the scribe (Rachel King):

Todd - Employee issues (has a VP of Lending that doesn't get the job done), Exclusivity, A lack of member loyalty – members are shopping other credit unions for quarter of point different. No longer is he connecting with his "niche", is able to keep deposits, but fighting with competitors for loans.

Karen - Board packets; Commercial mortgage in foreclosure

Evie - Are we becoming obsolete? Mistrust in the banking industry; There generally are not reasons for members to visit branches anymore, how do we ensure that we'll obtain a competitive advantage? It's difficult to connect with Generations X and Y.

Randy - Our ability to become differentiated and distinct – How do we get members to think of us?

Bret - What is it that we hope to become, and what do we do on a credit union level to become the "premium" choice?

Could this worry be solved with a collaborative solution? Come up with 3 ideas.

Group 3 (presenter: John Sink)

- Sharing human resources functions (tellers working Saturdays)
- Central HR person (3-4 CUs share a single HR manager)
- Allow CUs to be centrally managed by an organization but maintain their uniqueness

Group 8 (presenter: Karen Browne)

- Hire staff that is "Gen X or Y" that are better able to communicate with younger membership
- Randy explained how he aligns big events in a member's lifetime such as first communion, baptism, etc., to his reward system.
- Todd discussed the idea of building membership capital and showing this on members' statements. Continued allocation of capital, viewable on the statement to enable members to feel the component of ownership.
- Use a tired services system based on a peer's model that has already proven successful, rather than reinventing the wheel.
- Work with peers to send a member somewhere else, in essence participation lending; P2P with credit unions
- Remove the emotional barrier – a credit union should illustrate that they have the members' best interest in mind

Groups 4 & 9

List 4-5 businesses you think our network should consider.

Group 4 (presenter: Kevin Ralofsky)

- Business lending CUSO - Centralized Underwriting, with regional “boots on the ground” sales resources (for regional/local flavors to fit the market), doc prep, legal
- Mortgage lending for smaller CUs without in-house expertise
 - Or combine both into a “specialized Lending CUSO” that does both business and mortgage loans
 - Allow for different levels of participation in the CUSO
 1. Owner
 2. Doc prep
 3. Own underwriting, title searches, etc.
 - Keep collaboration not competition
 - Participation of larger loan pools without assuming full risk and staying within
- ALM and investments – bringing consulting in-house
 - Investment broker services (generate revenue, bring in new members)
 - ALM consulting
 - Selling human resources to peers/network
- Shared resource pool (regional)
 - Such as for front-line tellers for vacations, weekends, etc.
- Compliance
 - Regulations – monitoring regs, recommend “how to be compliant” – Compliance Made Easy
 - Audit Link type services
 - Human Resources
 - Legal Counsel
 - How to control costs associated with compliance

Group 9 (presenter: Debbie Keesee)

- HR, employee benefits, talent pool
- Quantify the intellectual capacity
- ALM
- Business package: merchant services, remote deposit, liquidity, etc.
- Shared auditing services, compliance preparation
- Product implementation – design team
- Vendor clearinghouse, including risk assessments

Notes from this group’s scribe (Cari Romig) did not seem to match what Debbie said out loud. Here are Cari’s notes:

Insurance CUSO

-Health insurance

Frankenmuth has considered opening own insurance company to have more choices

Employee Benefits - would like to see more info on Human Resources such as how to hire/fire legally.

*IT Audits, Audits in General, assistance from CU*A rather than paying outside auditors. (they need more info on Audit Link)*

Product Design Team

Supplies. Vickie at Frankenmuth uses a supply company that keeps their logo supplies on hand a few at a time, it is up to each branch to order what they need and it has saved them I believe she said \$20,000.00 in supplies since using this company a year in supplies. Would like to come up with a way to share this information, and possibly get a group rate, with other credit unions.

*Business and Merchant Services, would like CU*A to negotiate on behalf of Credit Unions on prices for credit card services, forms etc.*

ALM - Sharing Financial Analysis (Share Resources/Share Costs)

Meijer CU uses Mark Smith in Utah that gives report that is very explanatory on the ALM. CUs can collaborate together and all use same company to save money. Frankenmuth uses Profit Star however she did say this is a very complicated system, it has taken them 5 years to enter their information and learn the system.

Brokerage - Member Based Investment

- example if a member would like to deposit \$2 million and the credit union cannot take the funds, the credit union wants to be able to call another CU and say here is a member or be able to refer the member on the spot to another CU.

Then list 1-3 resources, services, or other input you might sell to the network to help man these new businesses.

Group 4 (presenter: Kevin Ralofsky)

- Business lending CUSO
- Central underwriting – mortgage business, loan pools
- ALM Modeling
- Excess capacity of human capital

Group 9 (presenter: Debie Keese)

- Need to share talent
 - Inventory
 - Assess
 - Post hours
 - Certification
 - Bid on jobs

Group 5

Our network represents 3,000 employees: how could we network those employees to improve their careers, harness the power of our organizations, and show how social networks for business networks? Shoot for 3-5 ideas.

Group 5 (presenter: Scott McFarland)

- Create networks by operational categories and harvest them in certain areas (collections, marketing); ability to interact face to face with specialists – what about a virtual interaction so they can learn from each other and let them go directly to each other
- Create a website where everyone can see that “everyone is in the same boat as me!” and stop doing the same thing over and over at each individual shop (holysh-t.com)
- Develop capacity meters of who as extra time; geographically share employees, contract leasing, people power (I have someone wearing half a hat, I don’t want to lose them so use them). Place this information on a website where it is easily retrievable.
- Culture change – stop keeping our cards close to the vest and change the culture so people feel free to share

P.M. Sessions: Learn From a Peer

Everybody talks “best practices” but seldom do you have a chance to relate best practice around such a common base of resources and capabilities. We have an opportunity to leave this room with an idea, a mentor for the idea, and some common tools that should speed an idea to reality in our operations. Learning from a peer is a skill, and a competitive advantage.

Groups 1 & 6

What were your 3 most effective cost-cutting tactics in the last two years, and why? Shoot for 9 examples from your team.

Group 1 (presenter: Dave Wright)

- Changing charters (from State to Federal)
- PEO (Professional Employer Organization) – forms, employee questions, lower premiums, can budget, leased employee group
- E-Statements and e-Notices (pay employees \$5 for every e-statement enrollment)
- SRS Bookkeeping
- Board website
- Check 21
- Moving to online credit cards and ATM/debit cards
- Using Lender*VP Collections
- Move to member automation – members can do things online, so give them incentives to do so
- Downsizing your credit union to get thinner down to just *active* members (i.e., accts < \$x inactive for x months, encourage them to close)

Group 6 (presenter: Leo Vaulin)

1. Member services - auto flood e:notices to e:statement participants
2. Teller efficiency analysis - schedule tellers based on activity
3. Cut down on insurance premiums - pay a lesser % of the employee cost
4. Check 21 (saves on courier costs)
5. shop around for a Collections Attorney instead of using Corporate Attorney
6. Infrastructure improvements - cover up thermostats, automatic set backs
7. Purchasing network printers that auto detect when toner is low and places order
8. Inventory collaboration - combine supply orders with other CUS so that get better price for larger quantities
9. 'Hands on' policy - CEO works as a teller once a month, VP works in the lender area
10. micro rewards (potential)

Groups 2 & 7

List the top 3 membership drive concepts that have worked for your credit union. Shoot for 9 examples from your team.

Group 2 (presenter: Tammy Williams)

Now is the perfect opportunity to tell the Credit Union story

- Paying \$50 for a direct deposit (AAA FCU - members ended up bringing their entire relationship to the CU; CU typically runs the promotion for 6-week periods during the year.)
- Paying a bounty for staff to bring people in including obtaining members e-mail addresses, signing them up for e-statements, etc. (AAA FCU)
- Take 5 Campaign (Best Advantage CU - football style game in which a member's yardage gained for opening new services is tracked in 5 yard increments. For each new service opened, such as e-statements and online banking, the member is awarded 5-yards, and receives \$5 - to a maximum opportunity of \$25. The CU staff celebrates with a member as additional yardage is accumulated toward scoring a touchdown of 25 yards/ \$25).
- Share the Love – in February, refer a friend card (Best Advantage CU - When a member comes in, they receive a heart for a \$25 value to pass along to a potential member, such as a friend or relative; when a new member joins the CU and presents the heart, the original member has \$25 deposited in their account.)
- When you open your accounts, give a candy bar with “how sweet it is” for referring a friend
- Employee orientation sessions – get on the agenda! (Sangamon Schools - CU gave \$50 to every new member who signed up – carry a stack of \$50 bills into these sessions; very enticing to potential members.)
- Build a new office (Lakeview CU)
- Hired a Business Development officer to call upon local businesses; aggressively targeting the owner and employees (Lakeview CU)
- Marketing the benefits of a credit union vs. a bank (Lakeview CU - Rate/ Fee benefits, No TARP funds)
- Youth market: give business cards to a young person and ask them to recruit new members
- VIP Rewards (Lakeview - rewarding members with various perks for PFI relationship; actively tracking member relationships and rewarding desired behavior (excellent member retention strategy – promoting the value of CU to potential members).)
- Radio and Bill Board promotions for displaying member testimonials (Lakeview CU)
- Tell me Your Story (Best Advantage CU - members relate a story of what the CU has meant for them - and if published, member receives \$50)

Group 7 (presenter: Chris Butler)

- Offering Dave Ramsey courses for the entire community, held at the credit union
- Refer-a-Friend promotions - making sure that when you do business with a member, ask them to refer a friend – make it a part of your culture
- Free debit cards to 15-20 year olds with parent as joint
- Small business “Lunch On Us” program – invite small businesses to come to lunch at the CU
- SEG-based events (booths)
- On campus during freshman orientation
- Mailing campaign to SEG employee targeting their kids
- Partnering with local investment broker
- Financial literacy courses

Groups 3 & 8

What would you list as your top 3 long-term investments in laying the foundation for your credit union's sustainability going into the future? What do you hang your hat on when you look down the road 10 years? Shoot for 6-9 examples.

Group 3 (presenter: John Sink)

- People – develop/maintain an environment to reduce attrition; Training – technical, sales, specialized
- Lending – business lending, mortgage lending, participation lending
- Financial Awareness Task Force – members educated through sound financial training and counseling
- Technology – Electronic services delivered through technology, repeatable processes, member self service, use website to advertise to outside sources such as realtors (i.e., a member wants to sell their home), enhanced security and training
- Shift costs to outside services while retaining member-facing services
- Xtend Shared Branching

Group 8 (presenter: Todd Powell)

- Training each other
- Affinity groups – building relationships with groups (i.e., catholic diocese in the area)
- Going back to the core SEG
- Embracing technology – brick and mortar isn't where it's at anymore
 - *Integrate online banking w/ account opening, all forms, SMS, online loan applications*
- Video training; take advantage of video and other interactive technology
- Outsourcing (auditing functions especially)
- Aligning marketing with your niche
- *Other considerations:*
 - *Consumer protection*
 - *Consumer regulations – courtesy pay; is it really “for the member”*
 - *Relevance of Credit Limit*
 - *Affinity-based programs*
 - *Revenue sharing*

Groups 4 & 9

If you could change one thing about your Board, what would it be? Shoot for 4-5 things.

Group 4 (presenter: Kevin Ralofsky)

- Portrait of an ideal board member:
 - Education related to financial services (understand CUs)
 - Trained and accountable for their training; understand their responsibility
 - Involved at just the right level; engaged
 - Represent the membership itself
 - Free of conflicts of interest
 - Have a succession plan, especially for the next Chairperson with the right skills to take over (mentoring, working up through the Board membership to a leadership role)
 - Onboarding process for new Board members – show a level of interest/education before they can even run for the Board

Group 9 (presenter: Brad Swee)

- Employee education; holding them accountable with a yearly plan of expectations
- Have a Board policy
- Electronic board packets
- Diversified enough to represent the entire membership; bringing youth on board, appeal to youth leader
- CEO's job is to manage the success of the board (attendance, following boards budget, participation, etc.)
- Should we pay our Board members?
- Implement requirements to become a Board member

Then list 1-2 things you have tried and been successful with in managing your Board.

Group 4 (presenter: Kevin Rolofsky)

- Consent agendas; stick to them and push through to more strategy/brainstorming (do that part first and put the consent stuff at the end)
- "Return to Work" Education – passing on what they learned to other Board members (leadership role so CU doesn't spend money educating just one person)
- Making sure Board policy is very tight
- Used a consultant that worked directly with the Board as a coaching process so it's not always the CEO telling them to stay focused and not micromanage

Group 9 (presenter: Brad Swee)

- Brad and Vickie both have good policies they would be willing to share
- Implement Budget for individual board member which would include personal laptop, required classes for education, golf outings

Note from the scribe (Cari Romig): The education for board members was a huge part of the group's discussion. So was Vickie's idea of having an individual budget for each board member, that way it is no surprise at year end or deciding who can attend which function. Vickie said she would be more than happy to be contacted to share any of her ideas or information.

Group 5

List your top 3-5 time management tactics for surviving in this email/phone call/information overload age.

Group 5 (presenter: Sally Dischler)

- Partner/vendor management tool – list all of the vendors they use with ration (1 to 5 stars) so CUs can share due diligence and get recommendations
- Daily News Now: Highlights of key articles from trade journals researched and published by a trade specialist.
- Email Training staff to understand what needs to come to the CEO in an email and what requires face to face interaction. Work with outside vendors to encourage sending to staff members when appropriate and establish process/procedure for requiring what comes back to me. CU*BASE is a highly underutilized tool when sharing information regarding members.
 - Change staff culture on how emails don't allow you to relinquish responsibility and you still need to have face to face interactions
 - CU*Answers class on information management