Notes from the 2010 CEO Roundtable

At the Frederik Meijer Gardens, November 11, 2010

Contents

Attendees

Grp	Scribe	CEO Participants	Grp	Scribe	CEO Participants
1	Patrick Sickels	David Maine – Lake Huron CU Greg Smith – CU*NorthWest Janelle Higgison – River Valley Dave Wright – Services Center Barb Niedbala – Calcite Gary Elliot – Superior Choice	6	Jane Anderson	Terry Maloney - Catholic Aid Association Scott Harriman - Cumberland County Kevin Ralofsky - Vacationland Russ Fischer - PEF FCU Ed Gvazdinskas - Heartland (Springfield) Donna Bullard - Clarkston-Brandon Community
2	Rachel King	Chris Butler, Community CU Scott Collins, Xtend, Inc. Kevin Finneran, Community Driven CU Ernie Jackson, CommStar CU Don Mills, Alpena Alcona Area CU John Yeomans, Grand Valley Co-Op CU	7	Geoff Johnson	Karen Browne, TBA CU Peter Nalaskowski, Greater Metro Mark Richter, First United FCU Vickie Schmitzer, Frankenmuth CU Tammy Williams, Best Advantage CU Dean Wilson, FOCUS CU
3	Esteban Camargo	Gregg Stockdale – 1st Valley Credit Union Robyn Guyer – United Advantage NW FCU & Puget Sound Credit Union Cindy Griffin – Northern Hills FCU Anna Marie Zielinski – FEDCom CU Jeff Jorgensen – Sioux Empire FCU Glenn Kretchmer – ATL CU	8	Scott Page	Robert Familant, Progressive CU Fred Fernandez, Bethex FCU Janet Lintin, Des Moines Police Officers' CU Kathie Trembath, Detroit Metropolitan CU Karolyn Wells, EdCo Community Leo Vaulin, CU*South
4	Julie Gessner	John Sink - Allegis CU Ron Budzinski - First Trust Randy Trimm - Ohio Catholic Patty Pruess - Filer CU Jennifer Ferguson - Bay Area	9	Martha Ford	Andy Revalds, ROME CU Mark Bohdanyk, CU*South Starla Honea – CU*South Joy Cousminer, Bethex CU
5	Karen Sorensen	Scott Pauly - Onaway Community CU Jacci Pothoof - North Central Area CU Kim Wilson - GR Family CU Thomas Furrey - Western CU Scott McFarland - Honor CU Tracy Miller - Kellogg Community FCU			

All scribe notes compiled and edited by Dawn Moore.

A.M. Sessions: Leveraging This Crowd for Personal Advantage

There is a freedom in being faceless in a crowd that is moving in the right direction. But for that momentum to continue you sometimes have the responsibility of being the individual with a plan. Are we confident in our direction and loaded with leaders to keep us on track?

Groups 1 & 6

Discuss how this crowd could design a system to communicate examination experiences. How could you better prepare and use crowd data at your next examination? (For example, a survey completed and shared with everyone in this room within 2 days of the exam.)
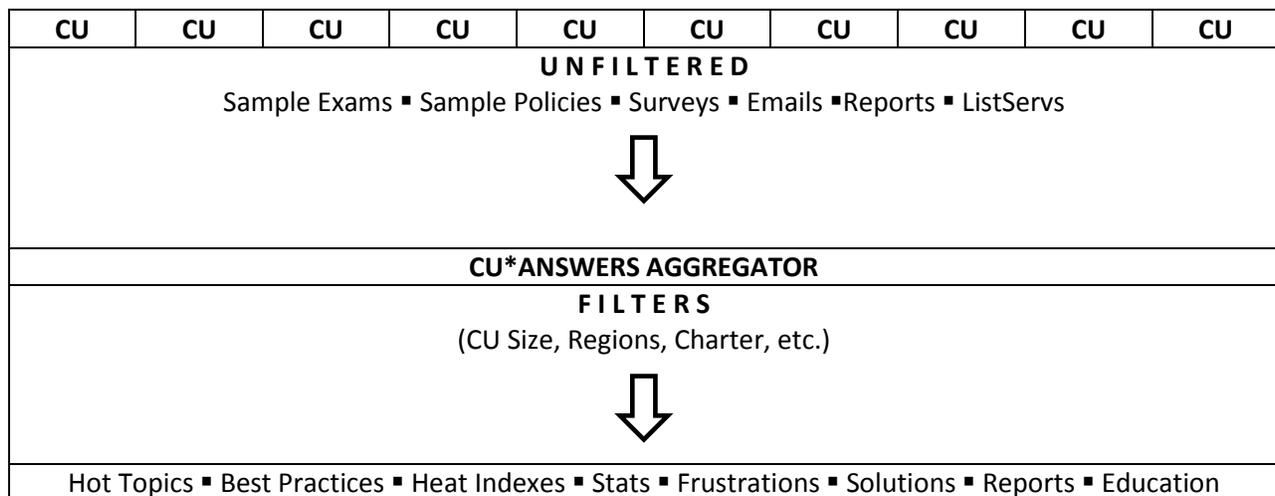
◼ Group 1 (presenter: David Wright, Services Center FCU)

- What you need to do before the exam starts: CU*Answers has an IRS exam this year and we sat down with the examiners and set the ground rules
  - We will not accept questions verbally; you have to tell us in advance what you want – give me a list and we'll prepare it; set guidelines on who they can talk to (only the Head Teller, only the Head of Lending, etc.)
  - Put the examiners in a separate room, to make it harder for them to walk into your office with a "by the way..."
- We need to lead the discussion and ask specific questions (don't start with a blank piece of paper)
- Audit Link can be the aggregator, but do they filter it? No, put it all out there
- Speed – get it out there right away
- Separate what the examiner is needling you about vs. what the examiner is actually asking/telling you

Additional notes from the scribe (Patrick Sickels):

The idea is to set up an aggregator, possibly through Audit Link, to share information at both the CEO and Auditor/Compliance level. The aggregator would have information such as:

1. What to do before the examination starts (ground rules, etc.).
2. Separate what the examiners are needling the credit union over versus what the examiner is really after.
3. Sharing of information, unfiltered.
4. How CU*Answers can help with the compliance with rules and regulations.

CU	CU	CU	CU	CU	CU	CU	CU	CU	CU
U N F I L T E R E D Sample Exams ▪ Sample Policies ▪ Surveys ▪ Emails ▪Reports ▪ ListServs									
⇩									
CU*ANSWERS AGGREGATOR									
F I L T E R S (CU Size, Regions, Charter, etc.)									
⇩									
Hot Topics ▪ Best Practices ▪ Heat Indexes ▪ Stats ▪ Frustrations ▪ Solutions ▪ Reports ▪ Education									

■ Group 6 (presenter: Kevin Ralofsky, Vacationland)

- Common interface (password protected for only network CUs but offer to CUs outside the network eventually) that would allow us to share things that might raise flags for upcoming exams, forewarn about the tone of the exams this year, experiences we had (can share whatever you want other than the opinion)
- Parsed by CU, state/region, characteristics/demographics – <u>complexity</u> of the CU (some sort of algorithm that reads their CU*BASE configs to determine the complexity of the credit union?); include nothing about the examiners themselves, tho'
- Leverage the knowledge of independent auditors also – we assume they know some of the issues out there, what's going on in the region/state as well as by complexity of the CU; need a way to get their input into the system
- Want to be able to respond anonymously

Randy's comments to the group: Examination survey questions, boil down to something for an online survey (Igotscrewed.com).

Groups 2 & 7

List 7-10 answers you wish you could gather from this crowd for your next Board meeting, business plan, or staff pep rally. How could we turn crowd surveys into a business advantage?

■ **Group 2 (presenter: Don Mills, Alpena Alcona Area CU)**
- How do we become more relevant to the younger generation?
- How do we effectively use social media networks to communicate with them?
  - What CUs allow staff to access social media? (maybe 25% of the group raised their hands; most restrict to a few team members) How do we become conversant in this if we don't allow our staff to get comfortable with it?
  - Restricted based on sites or job descriptions, time
  - Double edged sword – balance between knowing and speaking the lingo yet
- With financial expenditures placed on credit unions (compliance, etc) - what avenues are people are looking at to raise revenues to match increased expenditures? Where do you come up with the extra money? Rather than focusing on what operational costs to cut, what are the ways that you can build a new business and bring in more income?
- How do you keep employees motivated when you are hurting financially? Continue to motivate staff while declining in motivation and benefits. Need lower-cost ways of rallying the team.
- As a crowd define and identify a profitable and valuable member. Cost analysis? Expensive to hire somebody to do it. What is a profitable product? Are we rewarding the wrong members? Who can help us do this?
- Who has a great business plan – what is a universal format or things included in the development of a business plan.
- How do you market to the general population that almost anybody can belong to a credit union? How much money do you invest to convey this message?
- Brick and Mortar vs. Online & generation gaps. How do you as a crowd convince membership to do business with mobile banking and security? What motivates the youth? Young people – fees bother them, and rates don't matter. An incentive needs to be significant.

Randy's comments to the group:
- Writing Team offering Business Plan writing services. We should be known as the CUSO with the best planning CUs; we need to show a body of work.
- Throw out the term "non-operating income." This draws a circle around your possibilities – instead: "I sell services, I get paid." People think fees are "alternate" income: fees are what you do. Change your vocabulary.

■ **Group 7 (presenter: Mark Richter, First United FCU)**
- Where do you drive or find loan demand?
- How do you manage and morph your loan portfolios and offerings?
- How do you motivate and reinvigorate your team in a changing market?
- How do you get back to the businesses you used to be close with? (SEGs)
- How would you restructure your corporate environment today? If you could rewrite your corporate structure, what would it look like (if you could take out the people you keep only because they've been there 20 years)?
- Trust services: establish a CUSO for CUs not big enough
- How do you determine when to lock a loan when borrowing from outside such as FHLB or Corporate (money is pretty cheap right now, should we borrow or is it too much of a gamble?)

- Mortgage evaluation across the portfolio: how could we know how much our mortgages are truly worth?
- Create a network pool of job descriptions with salary ranges
- What opportunities exist for non-interest income?

Randy's comments to the group: Do you hold pep rallies for CU employees? Can the CUSO facilitate those?

Groups 3 & 8

Contrast building a crowd with a CUSO at the center versus building a crowd with a credit union at the center. How could we translate each model for the benefit of CUSO CEOs and credit union CEOs?

■ **Group 3 (presenter: Gregg Stockdale, 1st Valley CU)**

With the CUSO at the center:
- Its crowd is the CUs it services, that all have a shared interest in the development of the CUSO.
- It's easier to build a crowd because everybody is on the same road; they may be traveling at different speeds and in different lanes, but they're traveling in the same direction.
- CUs go to the CUSO with their needs, and the CUSO responds.

With the CU at the center:
- Its crowd is either the community it resides in, its members, or the surrounding credit unions.
  - Community—like herding cats—the general populace has all different needs and wants. It's difficult to become the center of the community.
  - Members—some similar interests; all members are vested in the CU for better services and rates.
  - Credit Unions—through success your CU becomes a center in your community of CUs—you become a center for input and referrals and build a crowd of other CUs around you.
- The CU at the center has to establish programs in the hope the crowd responds favorably.

What the CUSO can adopt from the CU model:
- Proactive software development and innovation to attract a growing crowd such as the programs a credit union must develop to draw new members and get existing members more involved.

What the CU can adopt from the CUSO model:
- Ask the public! What does the crowd want or need? Develop new programs based on the response—outreach.

Other Notes:
- Credit unions make a better crowd than members. General shared interests and needs mean they can converse amongst each other for referrals and resources, on a local scale.
- A credit union can come up with a program whereas a CUSO can come up with a solution.
- CUSOs can draw on resources from their crowd to accomplish shared goals; a credit union must for the most part draw on its own resources to accomplish goals for the crowd.

■ **Group 8 (presenter: Kathy Trembath, Detroit Metropolitan CU)**
- Attributes of both crowds are similar, yet different
- CUSO is basically based on the CU model: strength in numbers, # of participants, sharing of resources; the CUSO allows us to do larger things collectively than we could alone
- CUSO focus is the focus of the CU
- Does my CU share the same membership input as the CUSO does its clients?
- CUSO "is the sun" at the center of CUs helping each other
- CUSO promotes client input and it is valued
- Opportunity for CU ownership in a CUSO
- Member is typically looking at rates; CUSO is looking for serving the member as consumers

- Others echoed they felt the CU is providing services to serve the member versus a single focus on rates
- Trust: a key attribute to being a successful CUSO (and CU)
- Critical to make decisions in best interest of all
- Are our members really our trusted crowd?
- Why do we stay with the CUSO versus leaving? (how we resonate with crowds)
    - Members don't know they have the power, they are only interested in themselves; members don't have the same CU loyalty
    - CUs are more focused on helping each other versus themselves
- CUSO model is strength in numbers; built on CU model and philosophy
    - Dividend/patronage dividend is same for CUSO and CU; difference is that members don't bind with CU as a CUSO binds with its CU partners
    - CUs empower the CUSO to empower themselves; how can we recapture this on the CU side?
    - Evangelists: we have become managers versus resonating the CU message
    - Make sure the member understands this is *their* CU!

Randy's comments to the group: What about having an event like this one with a group of members – we say we are cooperative, but do we have cooperative events involving our *members*? Should the CUSO provide services to help CUs do open houses, coordinated events, invite Boards to an event, etc. Can CUs copy what the CUSO does?

Groups 4 & 9

Think about the crowds that you coordinate in managing your credit union (volunteers, staff, members, customers, your community). List 1-2 things this CUSO could do to help with each crowd.

■ Group 4 (presenter: Randy Trimm, Ohio Catholic)

- Volunteers: model a platform for training opportunities (include certification levels)
- Leveraging technology to move away from paper – Electronic Board packets (explaining to us how to use an iPad, also getting buy-in from board members)
- Job postings
- "Shorts" to learn more about products & services (??)
- Better ways to communicate with members to tell them about other products & services that are available
- Ongoing marketing programs tied to member propensities (next suggested product)

■ Group 9 (presenter: Mark Bohdanyk, CU*South)

- Volunteers:
  - Volunteer Task Tracker (not tied to a member account)
  - Board login to view reports and dashboards. Create a template employee ID.
  - Automated Board Report generator (either present via XML or queue up for print, maybe in a special "Board" output queue)
- Staff:
  - Blog for employees. Need way to talk w/ others re: using the software. "Ask a question"
  - Client Service training for our employees
  - Help with offsite seminars. Also a communication tool for these networking opportunities. List of people they could call. Contacts database tied to employee ID
  - CUSO assist w/ finding staff. Place to post resumes.
  - Task management system that all staff in credit union can see.

Randy/Jody conversations afterward: Running CU*BASE reports with pre-selected report criteria so that they can be run in batch after hours – challenges are how to get the criteria/parameter selections, also timing and system overhead (on a normal month-end we already run a package of reports). Add an option to the report prompt screen: Save these settings for my monthly Board Report automation (doesn't produce the report, just saves the settings and then we kick off the batch later). Would also need a prompt screen with the list of reports in this batch (we come up with the list of 25 reports, NOT every report on the system) and they check which ones they want.

Group 5

For a few minutes, let's break the 10th commandment and look around our crowd and covet the resources, the opportunities, the assets, the members, and the communities of those around us. List the top 3 things that you would recommend we aggregate and use as a crowd.

■ **Group 5 (presenter: Scott Pauly, Onaway Community CU)**
- Crowd = the entire financial services industry
- 3 areas where we want to see a collaborative effort:
    1. Provide a Procedures manual to support policies – share documentation
    2. Compiling a list of consultants, a pool of CU people who offer consulting services to other CUs
    3. More creative marketing plan for the industry, particular to the public relations area; capitalize on the positive image of CUs (we're the white hat people) with the general population
- Create an alternate private share insurance fund

P.M. Sessions: Headaches & Aspirin

The classic presentation needed to move venture capitalists from skeptics to supporters of a business idea is to convince them that you have the medicine for the crowd's most common headache. Are we ready to invest in the ventures identified by this crowd? If your presentations yield 25 ideas for all of us to consider as seeds for new businesses, our CUSO will have a very good year in 2011 and 2012.

Groups 1 & 6

Personnel: List 3-5 of your worst HR headaches. See if you can match one potential cure for each one.

■ Group 1 (presenter: David Wright, Services Center FCU)

Personnel Headache	Aspirin
Health insurance for employees	
How to track conversations with employees (documenting what we say in passing)	Adapt Trackers for members to Trackers for Employees (must be able to sort by employee)
Documenting training for employees (to prove to auditors)	Get the system to do it?? (Why not buy a CUU campus?)
Sharing resources – how to put someone temporarily in a lending team to help out	
Training	CU By Design – one CU's employees trains another CU's employees (but how do we know they have the skills to do that? Certification, train the trainer)

■ Group 6 (presenter: Scott Harriman, Cumberland County)

Personnel Headache	Aspirin
Threat to unionize	Communicating with positive examples of why we can treat our employees better and provide a healthy growing working environment as a non-union shop
Technology gap between employees – older supervisors supervising employees who know more about technology	More supervisor training, try to level the field, rewriting job descriptions to put more pressure on long-term employees to get up to speed
Effectively managing use of Social Media	Use it as a way to keep in touch with employees you don't see often, use to build personal relationships with employees
One negative employee affecting the entire workforce	One-on-one counseling; bring up as a topic at a staff meeting (also "there's the door")
Same HR problems across CUs (salary ranges, disgruntled employees, what's required for education)	Chat room for peers (confidential environment where you would feel safe sharing detailed information about your HR problems)

Groups 2 & 7

Volunteers: List 3-5 of your worst Board headaches. See if you can match one potential cure for each one.

Group 2 (presenter: Ernie Jackson, CommStar)

Board Headache	*Aspirin*
Boards that have fair representation of our demographics (started with SEGs but over time became community charters, but still have the same Board makeup)	An active nominating committee – diplomatic Board Management Provide a focus ahead of time, provide an education topic (stop focusing on the past) - Does the Board Chairman take control? - Are they aware of proper etiquette? Written policy for directorship. - Proper training
Board members that just think there is a magic bullet to fix problems – Board education – how do you keep Board members up to speed with all the changes (regulatory, etc.)?	Online University section dedicated to Board training/responsibilities (does Harland Clarke have this already?)
Recruiting Board members – also getting members to participate in the voting process	Meeting minimum requirements is easier when there are more candidates for a few open seats
Term limits	Double-edged sword

Group 7 (presenter: Mark Richter, First United FCU)

Board Headache	*Aspirin*
Former credit union CEOs on your Board	Bring someone in to assess the Board composition and set some policies
Not being prepared for meetings	Executive Review of your Board members like you do with employees (competencies, expectations)
Not using products or services of the CU	
Not being a public advocate (being ambassadors) in the community for the CU	Job descriptions to define the expectations and operational agreement
Term limits	Policy, but this is a double-edged sword
Diversity and Succession planning	Actively recruiting – it's your job to actively go out and recruit the next Board members
How to educate the Board as to their fiscal, compliance, etc., responsibility as directors	Educational videos for processes and procedures and expectations

Groups 3 & 8

Regulators: List 3-5 of your worst Auditing and Compliance headaches. See if you can match one potential cure for each one.

■ **Group 3 (presenter: Gregg Stockdale, 1st Valley CU)**

Regulation Headache	*Aspirin*
Cost of compliance *An example of this issue is BSA monitoring. A credit union might struggle with getting a policy an examiner will accept, and doing the work to make sure they aren't written up. Audit Link is great, but how can a credit union meet the needs of that daily compliance if they can't afford Audit Link?*	Work with other credit unions to assist with the daily monitoring and compliance of BSA activity. Learn more about how BSA monitoring can be simplified to make this a more easily accomplished task. Look for inexpensive alternatives for your audits such as shared CPAs and firms.
Hot Buttons *Not knowing what's going to be asked by an examiner*	Form a system of communication to warn credit unions of what examiners are looking for.
Training new examiners on the credit union *They change regularly, and new examiners come in with no knowledge of the credit union so half of the first examination is spent answering stupid questions. How do you let them know about the philosophy of the CU before the exam?*	Meet with the examiner prior to the exam to teach them about the credit union. Create an informative video that you require the examiner to watch before the examination can begin.
Enforcing regulator productivity *Regulators that want to dawdle for weeks at the credit union, and don't appear to be getting the work done (maybe they're working on another credit union or something else). How do you get them out so they're no longer a distraction to your operations?*	(This was really what was said) put them in the basement where it's cold and dark. Make their stay uncomfortable so they get the job done and get out.
Bossy regulators *Regulators that come in and tell you that you have to change your policies*	Take a firm stand. Set the rules before the exam and let them know that no motions will be made while the examiner is present.

Randy's comments to the group: Share an Examination Officer to represent the CU to the examiner (put something between you and the examiner); what if the same officer got seen several times by the same examiner in a region, would start to learn style

■ **Group 8 (presenter: Kathy Trembath, Detroit Metropolitan CU)**

Regulation Headache	*Aspirin*
Regulatory cost (need an internal auditor, but not enough work for a full-time job)	Sell excess capacity to another CU (just watch for potential conflict of interest)
Safety and soundness issues	Auditors must put their concerns in writing, want the same rules for everybody; do not allow auditors to make unsubstantiated claims
Want better way to audit my staff processes; is there a way to verify we are performing?	Automated reminders/reports (pop-ups) for each employee to review Tool for ensuring reports are verified: CEO should get an e-alert if various processes are not completed
Automated CTRs	Print out automatically; set up templates to fill out pre-populated so we don't forget things
Risk-based analyses: policies for managing risk	System generate an automated report (universal risk based analysis)
Allowance for loan loss	Have system analyze portfolio to better calculate reserve amounts

Randy's comments to the group: The automated CTR project is scheduled for the 11.0 release (April 2010).

Groups 4 & 9

Operations: List 3-5 of your worst Operational headaches. See if you can match one potential cure for each one.

■ Group 4 (presenter: Jennifer Ferguson, Bay Area CU)

Operational Headache	Aspirin
CU*BASE – things we'd like to see change, easier loan flow, Reg D compliance, etc.	Prioritize projects within the network; CEOs help us develop an order of need
Phones, transferring calls	Partnerships with a preferred vendor we could all use the same ones to get better pricing
Managing staff needs while balancing expenses	Share staff across the network
Operating with compliance and regulatory requirements vs. meeting member needs	Streamline by sharing policies and procedures
New Corporate rules: some day-to-day processes may no longer be available in the future, NCUA proposes you only can do business with one Corporate	Are we commenting to the NCUA on these proposed rules? If you want any say on this in the future, use that voice and let them know you opinion

■ Group 9 (presenter: Mark Bohdanyk, CU*South)

Operational Headache	Aspirin
Staff absences	CUSO have a resource for fill-in positions – fill a position remotely Incentives for employees not to use personal/sick time
Employee handbooks by CU position	Checklist of items to do daily/weekly/monthly for each job, generic for all credit unions
Selling incentives/best practices	Create incentives Best Practices
CU policies/procedures	NCUA and League policies on an intranet page, or in Passageways, or on shared drive. Maybe something Web Services can assist with?

Group 5

Capital and Growth: List 3-5 of your worst capital and growth headaches. See if you can match one potential cure for each one.

■ **Group 5 (presenter: Tom Furrey, Western CU and Scott McFarland, Honor CU)**

Capital & Growth Headache	Aspirin
Can only grow one way: retained earnings	Alternative capital More revenue, tap unused revenue pools It's a great time to grow, so start looking at opportunities to grow
What is "enough" capital? The absence of a plan gives a regulator free license to specify	Drunk on capital: will take more than Tylenol Have a business plan to spend our capital, then share that plan with others
Inconsistency across state lines about how much capital is sufficient; regulator is spending our capital	Through our business plan we need to start deciding and put measurable tools in place to say "this is safe capital; we feel good about this" then hold your ground
The NCUA Board does not understand our business, is not an advocate for CUs	It's time to grow, in a planned way That which is measured gets improved – so we need to start measuring

❶ Send us your list of first-of-the-month/board reports

We believe if we put our minds to it, we can create a scheduler built into CU*BASE that would allow you to order up the reports you need for your Board packet preparation and have those reports printed overnight and delivered directly to your office, much like your daily reports are delivered today. But it all starts with your input: What specific list of CU*BASE reports would you put in the job scheduler? Send your ideas to **contribute@cuanswers.com**.

❷ How many policies did YOU post for your peers last year?

It will be easy for us to develop a site to post documents...but a library is not much of a library unless it has some material to put on the shelves. Send your policies, procedures, employee handbooks, even business plans or other documents to **contribute@cuanswers.com.** We'll create an online repository for everyone in the network to share.

❸ Voting on new businesses as Venture Capitalists

In a surprise move at the end of the day, Randy really challenged the group to take the results of a day of brainstorming and act like **venture capitalists** ready to engage and *build* something. This caught the group a bit off guard, and people started asking for a list of suggestions from the day. Randy replied that he already had his list because he had been thinking about starting a business all day long (didn't everyone?). He then asked for nominations from the floor on businesses to attack with a project plan in 2011. The room was still a bit silent and it took some prodding to put a few items forward. It was even harder to get seconds on the nominations, and in the end there was no clear delineation of issues, voters, or ready investors. Here are a few of the nominations from the floor:

- ☐ Consulting Coalition
- ☐ Posting/Survey for Examinations
- ☐ Automated Board Report Packets
- ☐ Reports to PDFs
- ☐ Mortgage Servicing CUSO
- ☐ Personnel Management
- ☐ Account Aggregation
- ☐ Matching up CUs who need things with CUs who have things (eBay for credit unions; auctioning, bartering)

While this was a list, Randy's conclusion from the meeting was that the group was clearly not ready to proactively sift through options, debate options, nominate options, and act with the decisiveness and certainty required of venture capitalists.

While he believes we will work on a few of the things in this list, what he promised the group was that CU*Answers would research the procedures that other Business Start-up CUSOs (like Member Gateways) use in selecting projects as a collaboration. We will then present to the group a proposed outline to use at the 2011 CEO Roundtable. It is Randy's hope that everyone comes to next year's meeting ready to use this newly identified process to launch a $100,000 investment in the group's top ideas.

In the end, the point of the exercise was that to start businesses you had to be constantly on the lookout for good ideas and ready to find collaborators' dollars as well as your own.