FEBRUARY 2004

SOLUTIONS

AN ELECTRONIC REPORT FROM THE CUNA OPERATIONS SALES & SERVICE COUNCIL

MESSAGE FROM THE CHAIR

Vicki Smith

As the CUNA Operations, Sales and Service Council begins 2004 with its new name, I'm looking forward to an exciting and eventful year.

Our Annual Conference

I am eagerly awaiting the opportunity to meet with you at our Annual Conference in New Orleans September 26-29. Executive committee members Dave Fearing *dfearing@ohiocul.org;* Christine Lamb *clamb@energyfirstcu.org;* and Nader Moghaddam *nmoghaddam@kinetca.org* are working hard to make this the best one yet. Charles Wiggington at Priority One Credit Union, and Kathy Weekley at Florida Commerce Credit Union also serve on the committee. Be sure to mark the dates on your calendar and plan to participate with your fellow operations professionals.

Membership

As you may know, last year we achieved gratifying growth in council membership, reaching a historic high of 257. This year we would like to build on that momentum, and have set an ambitious but reachable goal of 296 members. To achieve that objective, we will need the help of you and your council peers. Please let your friends and colleagues know about the many benefits of membership, and encourage them to join us.

Educational Benefits

Among Council membership benefits are the white papers we publish.
Subjects for 2004 include:

- Implications of Check 21 legislation
- Integrating e-signatures into the credit union operation
- Sales and new technology: how to sell to the e-member
- Using a balanced scorecard to manage sales

We are also exploring the possibility of defining industry-standard metrics in the council's three disciplines – operations, sales, and service. We'll be covering this in future issues of Solutions.

Vicki Smith
Chief Member Relations Officer
Rogue FCU

New Council logo Debuts

I am also pleased to report that your council has adopted a new logo to represent our purpose and goals. Its design comes in the wake of the executive committee's 2003 Annual Conference decision to change our name to CUNA Operations, Sales and Service Council. The new design will more quickly achieve recognition of our identity and purpose. Over time, the consistent use of this symbol will add value to our products and image in the marketplace. This graphic says that the CUNA Operations, Sales and Service Council is a dynamic, forward-looking organization dedicated to contributing intellectual resources to the long term success of credit unions.

Be sure to check out the use of our new logo as you sign on to the council's web site to review recent events and contribute your ideas to our listserv. ◆

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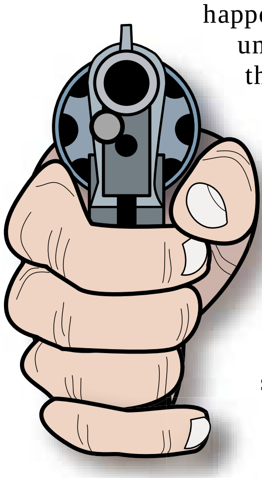
ROBBERY: THE NEW REALITY

This is the first in a multiple-part series on robbery prevention. Next edition, a council member will share lessons learned in the aftermath of a robbery at his credit union.



Have you ever asked yourself, "What does a robber look like? Which member standing in our lobby could be the one with a gun? Can it happen to our credit union?" If your credit union hasn't considered the answers to these questions, then it's too late. The new reality is that robbery happens every day and it can happen to you!

The Federal Bureau of Investigation (FBI) reports a robbery every 54 seconds. With those odds, a robber could be anyone!

According to Joe Schapiro, robbery prevention specialist, "You never know when, where, or how a robber will strike. The good news is," he emphasizes, "you can be prepared for and even prevent a robbery!"

Joe should know something about robbery. He spent nine years in prison after being convicted of 18 bank robberies. Now Joe, dubbed "The Gentleman Bank Robber" during his days of crime, finds a great deal of satisfaction helping others avoid a possible robbery.

Considered one of the best robbery prevention speakers available today, Joe's presentations offer rare insight into the criminal mind. In a recent presentation sponsored by the Maryland Credit Union League, participants rated his session as "excellent, informative, and right on the mark!"

A dynamic presenter who receives top-notch reviews everywhere he speaks, Joe teaches credit union professionals across the nation how to protect the safety of employees and members before, during, and after a robbery.

Joe's Top Five Tips

1. **Vary your routine:** Most robbers plan some aspect of their crime and they will case your credit union before robbing it. So, vary who opens the office each day and switch closing managers once in a while; drive a different way to work a couple days each week; and stagger your lunch hours and breaks so the same tellers don't always leave together or stand next to each other. Don't be a victim of routine – because someone will find a way to take advantage of your habits.
2. **Be alert:** Don't take anyone or anything for granted. Be careful of what you discuss in front of members or vendors. Joe robbed his first bank after learning about the way they did business when he worked at the branch as a photocopy repairman. Don't assume the sweet, innocent young man or woman from next door is going to be the same today. Stuff happens, situations get messy, and people do desperate things. Today, that same person may be on drugs or carrying a gun.
3. **Don't panic:** If confronted by a robber, stay calm. The robber is as afraid, if not more so, than you. He or she doesn't want a scene and doesn't want to shoot. But, if something doesn't go as planned, then the robber will panic and anything can happen – which the employees at Xerox FCU located in Webster, NY just found out. Simply honor any requests and let the robber leave the premises.
4. **Exercise control:** After a robbery, isolate the area, protect any evidence, and gather a detailed physical description of the robber from the victim and witnesses. Institute controls into your daily routine to prevent robberies by lowering your drawer cash limits, using "all clear" signals in the morning, and working with local law enforcement to improve safety measures in your branch.
5. **Review procedures regularly:** Train employees each year on fraud prevention and robbery procedures. Reevaluate your procedures often especially during busy times of the year and at the holidays. Test your procedures to make sure your employees thoroughly understand and are able to execute them when necessary.

Remember, a robber can be anyone including a member who's in your lobby right now. How ready are you? ◆

Brenda Dunbar
Cash Operations Manager
Citizens Equity First CU

See the Resource Roadmap section for Robbery Prevention Resources.

For information on Joe Schapiro's robbery prevention programs: (425) 432-2300 E-mail jes211pc@aol.com

SALES & MEMBER SERVICE

This is the first in a multiple-part series on developing a sales culture in your credit union. Next edition, a complete resoource guide to incentives, motivation, and other sales techniques.

Sales Culture: "Where Do Incentives Fit In?"

"Service is the bottom line. Sales are a means to the end. Service is our culture; good sales are a byproduct. If you sell, then you are serving the member." If you're like me, you've read, heard, and discussed the sales and service dichotomy many times.

Credit unions have always differentiated ourselves from our competitors by providing great service. Annual consumer surveys support this fact. However, credit unions have not always been good at asking for our members' business. A service-oriented sales culture provides the link between the two.

I'm sure you'll agree the primary goal of any sales culture is to provide excellent service while selling to our members' needs. A key element within this model is rewarding employees who successfully meet their goal. Enter incentives.

In her workshop at the most recent Operations Council conference, "Motivating Employees Through Incentives and Recognition," Kelly Bozza, President of Enthusiology, presented two ways credit unions are supporting sales cultures; pay for performance with cash or merchandise – or recognize employees efforts in some other way. You can visit Enthusiology online at *www.enthusiology.com*.

In preparing for this article, I debated the pay for performance side of this issue with a colleague. She adamantly denied that her shop had a sales culture, more specifically that they had an incentive program. She went on to explain employees' product and service cross sales are tracked; results are used in departmental, divisional, and corporate scorecards, as well as on individual performance evaluations. Employees earn a very competitive starting salary and earn merit raises each year based on performance. Overall, the credit union team can earn a salary bonus if the scorecard results are good and the board awards a team bonus. "It's not a sales culture, it's motivation to be the best you can be while serving the member," she said.

How each credit union goes about motivating employees to "suggest," "recommend," or "sell" the appropriate products and services to members is a matter of culture and choice. So too are the ways they chose to reward and recognize their staff. "Member service is key, recommending products and services that truly meet the members' needs is most important." It becomes the manager's responsibility to coach, guide, and motivate each employee to do his or her best. Kelly Bozza supports this idea with five motivating techniques that range from a "pat on the back" to food-fests to celebrate success. In short, what motivates, sells. If you reward, you're in sales.

Conversely, many credit unions find good value in using monetary rewards and merchandise as a sales incentive. Like the "sales culture" at my colleague's credit union, sales promotions have clear measurable goals, established sales objectives, communication plans, and a motivating element – the incentive.

The Incentive Federation, Inc. in a study released in March 2003 shows that 78% of respondents run sales incentive programs and that they run nearly twice as many of these promotions for operations employees than any other employee group. Additional study results indicated that 76% of employees view a cash bonus or commission as part of their compensation package and not as an incentive. You can view the survey results at *www.incentivemag.com.*

Bottom line – sales is a way of life for credit unions. Whether you pay for performance or motivate employees to excel at their jobs, you can't neglect the people part of what you do. "Good sales" deserve recognition, however, according to *www.SalesDriver.com*, real success comes only when sales incentives are aligned with the organization's business goals.

For credit unions, the key is building service into every promotion and reward or recognize accordingly. Properly implemented, incentives are vital to the success of our service-oriented sales cultures. ◆

Mike Fanelli
CFO/COO
Atlantic FCU

REGULATORY TOPICS

This is the second in a multiple-part series on the implications of overdraft programs.

The Legal Side of Overdraft Programs

When the Consumer Federation of America and the National Consumer Law Center take aim at a banking product, it's time to ensure credit unions stay within the white lines. "Examination of Bounce Protection Plans" calls the plans "a new form of high-cost credit intended to boost income at the expense of the most vulnerable consumers."

While that's inflammatory and plainly wrong, the intent is to focus the laser vision of class-action trial lawyers and legislators on a service as old as checking accounts.

Consumers have written checks for more than their available balance since checking accounts were invented. Before Regulation CC's availability rules made most paper checks clear in five business days or less, consumers assumed their checks wouldn't be presented until the funds were there to pay them. "Float" became an almost absolute consumer right.

Financial institutions then began the daily ritual of paying or returning overdrafts. The Uniform Commercial Code (UCC) clearly states a "bank may charge against the account of a customer an item that is properly payable even though the charge creates an overdraft" (UCC Section 4-401 (a)). Likewise, it could "dishonor an item that would create an overdraft unless it has agreed to pay the overdraft" (UCC Section 4-402(a)).

The National Credit Union Administration (NCUA) until recently restricted federal credit unions from offering overdraft protection unless there was a formal overdraft protection plan to transfer funds from a line of credit or savings. State-chartered credit unions generally followed the more permissive UCC rules.

In March 2000, NCUA adopted a final rule permitting federal credit unions "to advance money to members to cover account deficits without a member's credit application on file if the credit union has a written overdraft policy."

The policy must:

1. set a cap on the total dollar amount of all overdrafts the credit union will honor, consistent with its ability to absorb losses;
2. establish a time limit not to exceed 45 calendar days for members to repay the overdraft;
3. limit the dollar amount of overdrafts from members; and
4. establish a fee and the interest rate the credit union will charge for honoring overdrafts.

Developing bounce protection programs is a middle ground between the formal line of credit and UCC's general rules.

Most plans notify members that the credit union may, but isn't required to, honor overdrafts of up to a set amount, for example, $300 or $500, when checks are presented for more than the available balance. Members are notified of fees charged, other limitations, repayment time limits, or daily overdraft fee imposed.

The courts consistently have held that the financial institution either paying or returning the check NSF (not sufficient funds) may impose a fee. See Video Trax Inc. v. Nations Bank (1998) and Nicholas v. Deposit Guaranty National Bank (1998). These decisions declined to recharacterize the fees as interest for usury or other purposes. In each decision, however, the court noted the fee charged for paying the overdraft was the same as the fee for returning the check where no overdraft was created.

In late 2002, the Federal Reserve Board requested information about but didn't address bounce protection programs as part of changes to Regulation Z. For now, the board has chosen to leave the programs alone.

The evolved rule is that the check/share draft fee is permissible if the institution charges the same fee for overdrafts it pays as for those it returns NSF. If the same result occurs when an automated clearinghouse item is presented (paid or returned and a fee charged in either case), the program should meet the developing court standard.

Credit unions also should analyze whether other transactions meet the court-developed test for checks that are paid. Is the same overdraft fee assessed when an overdraft isn't paid as when it is paid if the overdraft was generated by a point of sale, debit card, or automated teller machine withdrawal?

No court yet has considered whether a daily charge for the overdraft the credit union paid constitutes interest. This may be ripe for challenge. We encourage credit unions considering a daily charge to consult with counsel before imposing it.

The cases seem to hold that if the same fee is imposed on an NSF as is imposed when paying an overdraft, the charge is permissible and not a form of interest.

Stay tuned. ◆

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Courtesy of Credit Union Magazine
January 2004

RESOURCE ROADMAP

Book Review

The Innovator's Solution: Creating and Sustaining Successful Growth
by Clayton M. Christensen and Michael E. Raynor

In this highly acclaimed new volume, authors Clayton M. Christensen and Michael E. Raynor analyze the strategies that allow corporations to successfully grow new businesses and outpace the other players in the marketplace. An earlier Christensen book examined how focusing on profits can destroy even well-run corporations, while this book focuses on companies expanding by being "disruptors" who are able to outpace their entrenched competition.

Christensen is a professor at Harvard Business School and Raynor a director at Deloitte Research. In their book they examine the nine business decisions integral to growth including product development, organizational structure, financing, and key customer base citing companies such as IBM, AT&T, Sony, and Microsoft to illustrate their points.

The writing is clear and specific. For example, in discussing whether a company has the resources necessary for growth, the authors say, "In order to be confident that managers have developed the skills required to succeed at a new assignment, one should examine the sorts of problems they have wrestled with in the past. It is not as important that managers have succeeded with the problem as it is for them to have wrestled with it and developed the skills and intuition for how to meet the challenge successfully the next time around." They then provide a real-life example of how this situation worked in a software company.

Similar important strategies give readers insights that they can use in their own workplaces. People looking for quick fixes may find the charts, diagrams and extensive footnotes daunting, but readers familiar with more technical business management tomes will find this one both stimulating and beneficial. ◆

Contributed by Dick Radtke
Four Lakes Consulting
Madison, WI

Robbery Prevention Resources

- Local police department or FBI office
- State credit union league
- CUNA *www.cuna.org*
- NAFCU *www.nafcunet.org*
- CUNA Mutual *www.cunamutual.com* risk management department for a free risk analysis
- *www.aba.org* for a free robbery toolbox
- *www.armedrobbery.com*
- *www.bankersonline.com*
- *www.bankrate.com*

HEARD IT ON THE LISTSERV

The CUNA Operations, Sales and Service Council listserv has been enhanced, and now features a user-friendly format to help you communicate with your colleagues. The listserv is an excellent resource through which to obtain advice and on pending issues, and to network with fellow members. Following is a digest of some of the subjects recently discussed by members. Check it out for yourself for a more complete review of comments and suggestions.

Floater position

A council member reports that her credit union recently created a floater position that covers all branches. The position consists of being a backup teller and a member service consultant. She asks for guidance regarding job title to use. "We are looking for something a little more creative than member service floater," she says.

One responding credit union has used the floater position for 3 years, and it has worked well. The credit union calls the position an FSR, because the majority of the work is in the FSR role.

Another credit union with a similar position calls it a Regional FSR. "It has helped us to have this position to fill in for vacations, employees calling in sick and vacant positions," the council member reports. "Our Regional FSR covers our branches in one area and is also required to cover for extended absences in other branches located outside the area."

Credit reports

A consultant has recommended that the credit union run credit reports on each new member, whether or not they are applying for credit. The purpose for the credit report would be for cross selling loans. The credit union management team is split on this issue, with some thinking that running a report when the member is not applying for credit is an invasion of privacy. The member technically would be giving permission, since the clause is contained in the membership agreement. But many members do not read the entire agreement.

What do you think? This inquiry has generated many responses. Log on to the council listserv to express your opinion.

Teller balancing

A council member reports that her credit union has seen a rise in teller outages. She asks if other credit unions have developed practices to reduce outages.

One respondent finds that when tellers are out of balance, it is because they are going to fast and not paying attention to the cash in or out on the receipt. To slow them down, they are required to indicate on the receipt the denominations of cash in and cash out, and to run an adding machine tape. That usually does the trick!

At another credit union, tellers have the option of using a calculator to deduct denominations but this is not mandatory. If a particular teller has a high volume of outages, they are sent to the in-house trainer to learn new organizational skills and are then required to use the calculator.

Cash withdraw limits

A council member inquires whether others have cash withdrawal limits at their credit unions, and if so, the maximum amount of cash a member can withdraw at the teller window.

One credit union limits withdrawals to $2,000 cash without supervisory approval. The credit union suggests a money order at no fee if the request is higher. The reasoning is that:

1. scams against older members are usually cash withdrawal transactions;
2. the credit union tries to help the member who needs cash for a large purchase understand that a cash only vendor may not be as reputable as one that will take a money order
3. the credit union tries to manage its cash vaults to maximize return, and explains to members that it needs to prepare for major unplanned cash withdrawals.

If the member insists and funds are available, the credit union honors the request (with a CTR if over $10,000 is withdrawn).

Another credit union has a $2,500 per day cash withdrawal limit. Larger withdrawals can be made with a 48-hour notice. The justification is to be sure that the credit union has enough cash on hand. ◆

LEADERSHIP DEVELOPMENT

Seven Steps to Effective Meetings

If you were asked by a pollster to express your opinion on business meetings, what would you say?

A. Meetings are a necessary, but inefficient use of company time.

B. Meetings are a good place to catch up on sleep.

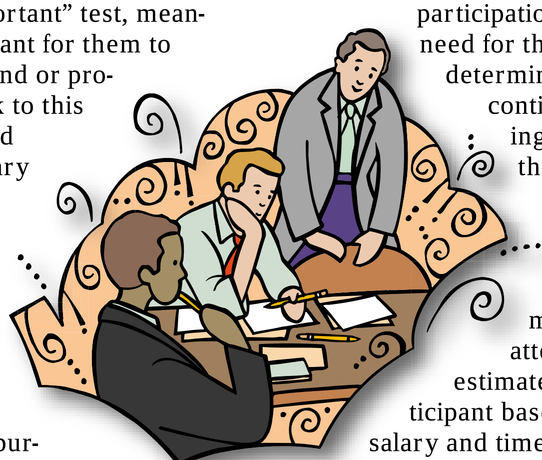
C. Meetings are a total waste of productive time.

D. I love meetings!

Most people would likely answer A, B, or C. That's why organizing a meeting is a challenge many people try to duck.

Next time you're responsible for planning a meeting, follow these seven basic steps to help make your meeting an effective one.

1. **What's the point?** Before calling a meeting, ask yourself if it is necessary to have one. What are you trying to achieve? Are you looking to have a discussion with the audience or are you planning to simply disseminate information? If the meeting is informational, what is the expected response from your audience? If you expect that they will have questions, then a meeting is probably in order. If the likelihood of questions is low, a memo would probably suffice.
2. **Develop a VIP list.** Only invite people that meet the "very important" test, meaning that it is very important for them to hear information first hand or provide valuable input. Stick to this criteria and you will avoid spreading the unnecessary meeting plague.
3. **Have an agenda with an agenda.** It's important that your agenda focuses on achieving specific meeting objectives. Put together an agenda that focuses on the meeting purpose and define the time allotted to achieve the desired result. Don't let your meeting be hi-jacked by others. During the meeting, make sure that people stay on topic and quickly note and sweep away issues that should be addressed at other meetings. Keep your agenda flexible enough for surprises, but work throughout the meeting to stick to the time allotted.
4. **Everyone is responsible for a good meeting.** Don't put responsibility for having a good meeting entirely on your shoulders. Share the agenda in advance and ask attendees to be prepared by providing information in advance, bringing information to the meeting, or simply thinking about an issue in advance. Ask every participant to make a contribution at the meeting and give them the opportunity to do so.
5. **Summarize.** At the conclusion of the meeting, develop a summary of what you have accomplished, including actions agreed upon, follow-up required and who is responsible for it.
6. **Minutes.** Follow the summary promptly with meeting minutes. There's no need to provide a complete transcript of the meeting. Focus on the general information shared, what was agreed on and any follow-up actions required. Ask attendees to let you know if they disagree or are confused by anything in the minutes.
7. **Mix it up.** Keep your meetings fresh. Change the order of the agenda, rotate the chairperson, lead a brainstorming session. When you notice a routine meeting getting stale with lack of enthusiasm and participation, reevaluate the need for the meeting. If you determine that you need to continue having the meetings, ask for input from the participants and change something in the way the meeting takes place.



Think about recent meetings you have attended and place an estimated value for each participant based on an estimated salary and time spent. It's probably a pretty significant number. So like any other significant investment, meetings require that you do your homework, monitor the effectiveness of the meeting and measure the results. ◆

Tom Alter
Executive Vice President
USA Federal Credit Union

New Group to Tap Potential of "Next Generation" Leaders

The Filene Research Institute and the Center for Credit Union Innovation have announced the formation of an association dedicated to stimulating innovation and leadership development of "next generation" of credit union leaders. Filene is soliciting candidates to fill out a 25-member roster to form I^3, a group of aspiring credit union leaders from across the nation. The name I^3 stands for Credit Union Ideas, Innovations and Implementation. The group will be charged with identifying and evaluating projects that meet member needs; lower costs and increase operational efficiencies; build member loyalty; and meet the special needs of member segments.

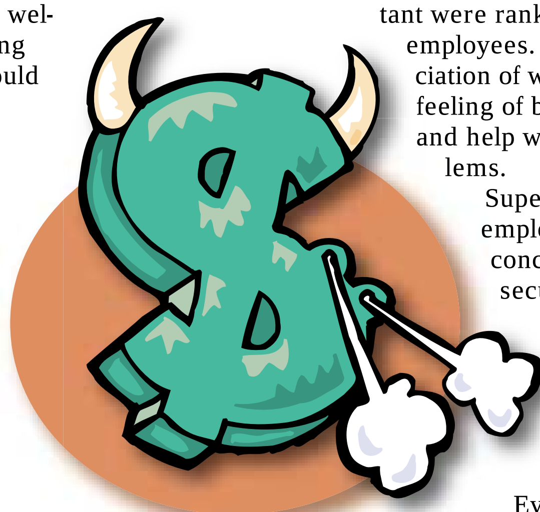
Successful candidates will excel in innovation ability in tests by an independent third party. They will meet application requirements established in conjunction with a third party. They will have experience in innovation and possess overall background and experience in the financial services industry. And their application will be reviewed by an independent third party and Filene Research Institute staff.

Members of I^3 will serve staggered three-year terms. The initial group of successful candidates will begin serving in 2004, with a second group joining the program in 2005.

For more information on I^3 or to submit an application, contact Mark Meyer at (608) 231-8554; or visit the Filene Web site at *www.filene.org* for full application details. ◆

HUMAN RESOURCES

CUs Face Tough HR Issues Despite Improving Economy



"The improving economy is welcome news, but renewed hiring and job growth nationwide could create challenges for credit unions trying to attract and retain good employees, says Yvonne Evers, president and CEO of HRValue Group, Middleton, WI. Evers discussed this and other emerging human resource trends at CUNA's Future Forum in November 2003.

During the recent down economy, employee recruitment and retention hasn't been a problem for credit unions," Evers says. "But as the economy improves, businesses will shift to a hiring mode, which will create more turnover and greater competition for credit unions trying to hire and keep good employees."

She had session participants rank 10 job aspects they thought employees valued from most to least important, and compared the results to a WorldatWork research study. Surprisingly, the three items supervisors thought employees would rank as least important were ranked highest by employees. They are: Full appreciation of work being done; a feeling of being in on things; and help with personal problems.

Supervisors thought employees would be most concerned about job security and high wages. While important, employees ranked these items fourth and fifth, respectively.

Evers suggests credit unions try to improve compensation by establishing levels within jobs to allow for advancement, bonuses for project completion and job retention, variable pay scales, and paid sabbaticals.

Other human resource trends credit unions need to be ready for include rising costs of employee benefits and health care costs; CEO succession planning; and changing dress codes.

Excerpted from The Point for Credit UnionResearch and Advice

Attracting and Keeping the Best

Attracting and retaining good employees is a constant issue at credit unions whether the economy is booming or not. The average employee turnover rate is 14.4 percent annually, according to the Bureau of National Affairs. The University of Missouri Department of Business Development Programs has a good article on reducing employee turnover at *www.missouribusiness.net/cq/2002/reducing_employee_turnover.asp* and a series of newsletters and articles on employee retention at *www.missouribusiness.net/cq/index.asp*

To help you calculate the cost of employee turnover for your company, check out the University of Wisconsin Cooperative Extension Online Employee Turnover Calculator at *www.uwex.edu/ces/cced/publicat/turn.html.* ◆

LOOKING FORWARD

Mark your calendars now for the 2004 Operations, Sales & Service Council Conference September 26-29 in New Orleans. To whet your appetite for "The Big Easy," go to *www.neworleansonline.com* or *www.thingsto-do-neworleans.com.* ◆

NEW MEMBERS

By joining their colleagues on the council, these individuals have demonstrated their commitment to developing superior professional skills. In addition, they join others in networking for the exchange of ideas and improving the overall effectiveness of their credit union's operations.

Jon Carlson
AVP – Financial Center Delivery
Meriwest CU
San Jose, CA

Regina M. Colbert
VP – Operations
Otero FCU
Alamogordo, NM

Brenda S. Evans
VP – Operations/Lending
Panhandle Educators FCU
Panama City, FL

Lorrie A. Henning
SVP/COO
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CUNA Operations Sales & Service Council
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CUNA Credit Union National Association