



# The Communicator

Vol. 11 No. 4

April, 2007

## Crowd of 4,000 attend 2007 GAC

The 2007 Governmental Affairs Conference (GAC), the premier political meeting of the Credit Union National Association (CUNA), was held in Washington

Capitol Hill." This was exemplified in what became the big "photo op" of the event, "Little Guy." Each attendee received a small version of the everyman cartoon cutout seen everywhere

as a sign that credit unions serve the average person. Legislators and attendees sought to have their photos taken with the three-foot "Little Guy" cut-outs.

This year's conference was one of the best-attended to date. The 2007 event of more than 4,000 attendees included a record number of first timers: 443. Representatives from Bellwether Community Credit Union; Granite State Credit Union; Northeast Credit Union; Service Credit Union; St. Mary's Bank Credit Union; and Triangle Credit Union were in attendance.

This year's line-up of speakers included a long

roster of key legislators and regulators in the credit union arena:

- Representatives Ed Royce (R-Ca.) and Paul Kanjorski (D-Penn.), who are the original sponsors of the Credit Union Regulatory Improvements Act (CURIA) will jointly introduce the 2007 bill for which, with credit unions' help, they hope to get 200 sponsors in early spring. This bill would include two significant changes from previous legislation. It will propose to:

- Allow credit unions, regardless of charter type, to serve underserved areas; and
- Boost the member business lending cap to "at least 20%" of assets, up from the current 12.25% limit.
- Addressing the Tuesday general session, House Financial Services Committee Chair-man Barney Frank (D-Mass.), backing a credit union position on data security legislation, said the

*Continued on Page 7.*



*New Hampshire credit union representatives met with Senator Judd Gregg in his office: (left to right) Jerry Gouveia, Northeast Credit Union; Claire Castanino, Bellwether Community Credit Union; MaryAnn Clancy, League Senior Vice President/General Counsel; Gordon Simmons, Service Credit Union; Senator Gregg; Ronald Rioux, St. Mary's Bank Credit Union; Peter Kavalauskas and Victor Collinino, Northeast Credit Union; Paul Roy, Bellwether Community Credit Union; and Clifford Taylor, Service Credit Union.*

February 25 to 28. The annual political gathering presented many legislators and public officials, media luminaries and concluded with credit union visits to Capitol Hill.

The annual GAC provides an important opportunity for credit union representatives from across the country to learn about and discuss the top issues facing the movement, and to participate in the decisions that will drive CUNA staff on matters of federal and state legislative and regulatory affairs.

The goal of a media campaign touted at this year's GAC was to "change the conversation on



## President's Message

*By Daniel F. Egan, Jr.*

Thomas Jefferson said that "...democracy was not ruled by the majority but ruled by the majority that participate." To be effective in the political arena you must participate in the process. It is critical for every credit union to be involved with your local state and federally elected officials. Making elected officials aware

*Continued on Page 4.*

### Inside . . .

**IRS issues three new UBIT opinions**

**New Hampshire Credit Unions reach out...Annual Convention**

**CU 4 Reality™ Financial Literacy Program continues to grow in 2007**

**Needs-based lending drives member satisfaction, bottom line. . . and more!**



New Hampshire Credit Union League



# Legislative & Regulatory Notes

## IRS issues three new UBIT opinions

The Internal Revenue Service (IRS) has released three additional Technical Advice Memoranda (TAMs), and this new batch states for the first time that collateral protection insurance would not be subject to unrelated business income tax (UBIT). The TAMs, addressed to unidentified credit unions, otherwise simply repeat information contained in TAMs released recently by the IRS, which said several products sold by two unidentified state-chartered credit unions would be subject to UBIT. Among them, the sale of:

- Credit life and disability insurance;
- Accidental death and dismemberment (AD&D) insurance;
- MEMBERS financial management services;
- Car warranties;
- Guaranteed auto protection (GAP) insurance; and

- Dental and cancer insurance.

Federal credit unions are not subject to UBIT.

The Credit Union National Association (CUNA), and other members of the UBIT Steering Committee, supported the IRS exclusion of collateral protection insurance from UBIT, saying such exemptions are the only opinions that make sense based on the credit union structure. CUNA disagreed with the earlier IRS notions of subjecting the six products listed above to UBIT rules under section 511 of the IRS code. "We believe any financial product related to the credit union's business of promoting thrift is exempt from UBIT," CUNA General Counsel Eric Richard, reiterated. "CUNA and the Steering Committee will work with affected credit unions to pursue litigation, as necessary."

Richard said there are 21 more TAMs in the pipeline. The TAMs do not set a precedent for all credit unions, but they could indicate how the IRS may approach another state-chartered credit union's products and services, according to Richard. Because products, services and pricing structures are unique to individual credit unions, Richard said credit unions should work closely with their accounting firms in making any decisions related to UBIT for 2006 and 2007.

Members of the UBIT Steering Committee include CUNA, the American Association of Credit Union Leagues (AACUL), CUNA Mutual Group, and the National Association of State Credit Union Supervisors (NASCUS). The UBIT Steering Committee in 2005 and 2006 alerted credit unions to the IRS review of credit union products and services.

## Credit union comment sought on subprime mortgage lending statement

Credit unions, banks and thrifts are asked to comment on a proposed statement on subprime mortgage lending which is intended to address certain risks and emerging issues relating to subprime mortgage lending practices and which specifically focuses on some adjustable-rate mortgage (ARM) lending products.

The National Credit Union Administration (NCUA), and the four corresponding federal regulators for banks and thrifts, issued the proposed statement, in part, to address the following concerns;

- That subprime borrowers may not fully understand the risks and consequences of obtaining these products;
- That the products may pose an elevated credit risk to financial institutions.

In particular, the proposed guidance focuses on loans that involve repayment terms that exceed the borrower's ability to service the debt without refinancing or selling the property.

If adopted, the statement would support an earlier 2006 Interagency Guidance on Nontraditional Mortgage Product Risks, which did not specifically address the risks of these ARM products.

Senior Assistant General Counsel Jeffrey Bloch, of the Credit Union National Association, said, "We agree with the proposed statement that the types of loans covered should not include any of the mentioned predatory characteristics and that consumers should have adequate information about these types of loans. We will be analyzing the proposed statement in more detail to determine other impacts that this may have on the legitimate subprime loans that credit unions offer their members."

Comments are due sixty days after publication in the *Federal Register*, which is expected shortly.



### The Communicator

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# New Hampshire Credit Unions reach out...Annual Convention

New Hampshire credit unions will have an opportunity to reach out at the League's 53rd Annual Meeting and Convention to be held June 8-10, 2007 at The Balsams Grand Resort Hotel in Dixville Notch, NH. This year's theme focuses on the creation of community outreach programs that make a difference. A special line up of speakers promises an informative educational program on Friday.

The first educational program features Nancy Pierce, President of Tipton Research Group. Nancy is currently serving as a Field Coach for the National Credit Union Foundation's R.E.A.L. Solutions Program. She



will present two programs: Reaching Out to Serve More Low-Wealth Households (general session) and Payday Lending the Credit Union Way (breakout session). In the general session, attendees will gain an

understanding of how to reach out to more low-wealth households through the National Credit Union Foundation's signature program, R.E.A.L. Solutions, an initiative that provides Relevant, Effective, Asset-building, Loyalty-producing products and services for low-wealth households. Learn the REAL facts about the alternative financial sector, the REAL people who are caught in these debt traps, and the REAL success stories about credit unions who are reaching out to serve this market. During the breakout session attendees will learn the REAL facts about the payday lending industry, the REAL people who are caught in these debt traps, and some REAL solutions and success stories about credit unions that have stepped up to the plate to provide alternative and lower-cost products for their members.

A second breakout session will feature League Senior Vice President, Credit Union Training and Resource Delivery Bill Nagle who will conduct a short presentation on the history and basics of the Home Loan Payment Relief (HLPR) Program, an initiative that provides subsidized first mortgage loans to low- and moderate-income borrowers. He will also lead a panel discussion of New Hampshire credit union lenders who are actively pursuing borrowers for this product.



The final general session of the day will be led by Mark Treichel, Region I Director, National Credit Union Administration (NCUA). He will discuss the findings of the MSAP: NCUA Member Service Assessment Pilot Program. The program, designed by NCUA to collect data on the membership profile of federal credit unions, and the types of services federal credit unions provide their membership, was developed as a result of the questions raised by Congress and the Government Accountability Office (GAO)



relative to federal credit unions' mission and purpose.

The League encourages all credit unions to participate in the governance of their League by attending the Business Meeting on Saturday, June 9. The Business Meeting will begin at 9:00 a.m.

As always, when the credit union family gets together, participants have the opportunity to renew acquaintances and make new friends while attending the educational sessions and exploring new ideas among the exhibits.

If you have any questions, please contact Donna Bevilacqua at the League office, 1-800-842-1242. *Convention Registration brochures have been mailed.*

## When should the business loan portfolio be reviewed?

The answer to this question can depend on any one or a number of factors, including:

- *an upcoming examination by the credit union's regulatory agency, or*
- *the maturity of the credit union's program, or*
- *the size and perceived quality of the portfolio, or*
- *the comfort level of the Board and Supervisory/Audit Committee.*

An upcoming visit by the Examiners is often a good reason to engage an outside firm to review the credit union's business loan portfolio. Depending on the types of business loans the credit union has made, the portfolio may include some specialized transactions, or loans with unique reporting requirements. An overall review of the portfolio, including all aspects of servicing and administration, may help to identify any shortfalls that can be easily remedied, prior to the visit by the examiners. The outside firm should have specialized commercial lending experience and be familiar with the applicable state and federal business lending regulations, including Part 723 of the National Credit Union Administration (NCUA) Rules and Regulations. Confirming the timely receipt of financial statements and recording the annual visit to the property for real estate loans, are two examples of minor items that often catch the attention of examiners.

After the program has been up and running for a while, it is a good practice to continue with regular portfolio reviews, perhaps every 12 to 18 months. Although a credit union's

current outside audit firm can probably perform this service, they might not be familiar with recent regulatory changes. Additionally, unless they perform this service for several other credit unions, they may not be aware of the examiners' current "hot buttons". An independent firm that has experience with several such engagements may better serve the credit union's purposes.

As the portfolio grows and becomes more complex, it will become more difficult to review all the loans in the portfolio. When that occurs, an important aspect of the review will be the sample methodology that is used to identify the loans that will be examined. Typically, this methodology should be designed to identify at least 30% of the portfolio, based on the number of loans in the portfolio, their size and Risk Grade distribution. Any loans that represent a credit concentration or loans that are larger than average, should also be included in the portfolio sample for review. Summary portfolio reports should be reviewed to assess current levels and trends for delinquencies and charge-offs, criticized or classified assets, non-accrual loans, and gross and net loan losses.

The comfort level of the Board of Directors or Supervisory/Audit Committee is another reason to consider a regular business loan portfolio review. Naturally, both groups will be kept informed as the Business Services Program continues to grow, but at different

*Continued on Page 8.*



## Social Responsibility

### CU 4 Reality™ Financial Literacy Program continues to grow in 2007

The America's Credit Union Museum has enjoyed much success from its signature program, the CU 4 Reality™ Financial Literacy Program, during the last two years. The pilot program in 2005 included one credit union and fair; in 2006 there were six credit unions and four fairs which included one in Rhode Island. This year, eight credit unions will be involved with seven CU 4 Reality Financial Literacy Fairs in New Hampshire and one in Rhode Island. The first fair was held in Nashua in January. The next scheduled fair is Thursday and Friday, April 19 and 20 at America's Credit Union Museum in Manchester. Four hundred forty students from Rundlett Middle School in Concord will attend the daylong programs, hosted by New Hampshire Federal Credit Union, that are designed to help middle school students learn basic financial management skills.

The CU 4 Reality Financial Literacy Program, developed by the Financial Literacy Education Committee (FLEC) of America's Credit Union Museum and a group of teachers at Rundlett Middle School in Concord (developed the curriculum portion of the program), creates a fun and interactive learning environment where students can practice specific financial management skills. Working in partnership with the teachers, the FLEC will provide the culmination for the students' coursework with the CU 4 Reality Financial



Literacy Fair. The 440 eighth-grade students from Rundlett Middle School will participate in the hands-on event that propels them through the personal financial management process, including career selection, budgeting for housing, transportation, luxuries, and more.

Each student will receive a folder detailing his/her personal information, specifically his/her career choice and monthly gross income. The students must calculate their "take-home pay," and then progress to booths, representing various categories, throughout the museum to create a monthly spending plan. Students make decisions about how much to allocate for such expenses as food, clothing, housing, transportation, insurance, home furnishings, savings, investments, entertainment and credit, based on their lifestyle scenario, the alternatives provided and their own values, goals and resources.

Upcoming fairs scheduled are: Credit Union Central Falls (Rhode Island)/Gallagher Middle School - May 15; Service Credit Union/Boynton Middle School - May 16; Bellwether Community Credit Union and St. Mary's Bank Credit Union/Wilton Lyndeboro Middle School and Milford Middle School - May 18; Woodlands Credit Union and Guardian Angel Credit Union/Berlin Jr. High School - May 23; and Service Credit Union/Portsmouth Middle School - May 31.

### President's Message - Continued from Page 1.

of the positive impact that credit unions have on their constituents' financial lives provides the basis for their understanding and appreciation of credit unions.

In late February, credit union representatives visited with our Congressional delegation in Washington, D.C. during CUNA's Governmental Affairs Conference. On March 28<sup>th</sup>, the League held its annual Legislative breakfast for members of the House and Senate at the

New Hampshire Historical Society in Concord. Both of these events provide the League with an opportunity to make elected officials aware of the growing importance of credit unions to their local communities.

As heavily regulated entities on both the state and federal level, credit unions must ensure that the laws allow credit unions to serve their members with the most relevant and efficient services in the financial services marketplace.

## Credit union people...

### Paul Colangelo

Vice President of Human Resources  
Northeast Credit Union

Northeast Credit Union recently announced that Paul Colangelo has joined the organization as its new Vice President of Human Resources.

Paul has more than 20 years experience working in human resources. He joins Northeast Credit Union from his previous position as an independent consultant and recruiter providing on-site HR consulting services to a select group of clients. Prior to that, he held senior level HR positions at Muro Pharmaceutical, Platinum Audio, LTD., and Insta-Care Pharmacy Services, Inc.



Paul's key areas of responsibility include employee recruitment, training and development and overall compensation and benefits leadership for Northeast Credit Union. "Paul's background and experience will be a great asset to Northeast Credit Union, said Peter Kavalas, president/CEO. "His knowledge and vision will help to direct our efforts to align a human resource strategy with the business objectives of our organization. We are pleased to have Paul join our management team."

Paul holds a BA in Psychology from the State University of New York and has completed coursework towards a Master's in Industrial/Organizational Behavior from the University of Wisconsin. He is a member of the Society for Human Resource Management and the Bureau of National Affairs Human Resources Policy and Practice Forum. Paul resides with his wife in Windham.

In order to be sure that laws keep pace with members' needs, credit unions must keep elected officials informed of the current status of their products and services. As legislative changes are necessary, credit unions must be prepared to make their elected officials aware of those legislative changes and seek their support. To all of you who have contributed to this ongoing effort to have your elected officials involved with your credit union, thank you.

# Guardian Angel Credit Union holds 78th annual meeting

Guardian Angel Credit Union held its 78th annual meeting on February 27 at the White Mountain Chalet in Berlin. The meeting was attended by 130 members. Elections for directors and supervisory committee members were held. Karl Nelson, a Berlin police detective, was elected as a new member of the supervisory committee.

Special guests in attendance included Bank Commissioner Peter Hildreth who read a letter from Governor John Lynch congratulating the credit union on its 78th annual meeting. The Governor stated in his letter that "credit unions play an important role in New Hampshire's economy and that Guardian Angel Credit Union has made a difference in the lives of its

members." Also in attendance were Mr. Aime Nadeau and his wife of 65 1/2 years, Jeanne. They are two of the credit union's oldest and longtime members.

Door prizes were raffled throughout the night.

*Pictured left to right at Guardian Angel Credit Union's 78th annual meeting are Aime Nadeau and his wife Jeanne (two of the credit union's oldest and longtime members); Jerry Dumoulin, president; Holly Hildreth; Bank Commissioner Peter Hildreth; and Leo Paradis, chairman.*



## CUDL – you've come a long way

CUDL® was the nation's first indirect lending platform for credit unions. Originally founded by the Golden One Credit Union (California) in 1989, it was developed around the simple idea of credit unions and auto dealerships working together.

Today, CUDL is the nation's leading provider of automotive lending technology products and services for credit unions. CUDL is a CUSO owned by 80 credit unions and credit union organizations throughout the country and enjoys a client list comprised of 580 credit unions representing over 18 million members and 8,000 auto dealerships. In 2006, CUDL credit unions funded over \$18 billion in automotive loans and were collectively ranked as the sixth largest auto lender in the US.

CUDL products and services are developed specifically for credit unions. They are designed to improve processing efficiencies, improve risk management capabilities and create more marketing opportunities for credit unions.

CUDL provides a web-based portal between automotive dealers and credit unions, allowing credit union members to get credit union financing right at the dealership. In order to improve risk management and cost efficiencies, credit unions can utilize CUDL's own automated decision engine or can utilize their existing decision engines. Integrated solutions have also been developed with credit union data processing systems allowing for improved processing and cost efficiencies.

For credit unions that prefer a "complete" solution to their point-of-purchase auto lending

needs, Credit Union Auto Finance (CUAF) of Rochester, New York, is the answer. In partnership with CUDL, CUAF offers complete processing services to credit unions including underwriting, quality assurance, compliance, funding and all back-end processing. CUAF is an excellent solution for credit unions that want to take advantage of the many benefits of providing point-of-purchase auto financing to their members without hiring additional staff.

[www.cudlautosmart.com](http://www.cudlautosmart.com)

According to J.D. Powers & Associates, 67 percent of new car buyers use online research tools before purchasing their next vehicle. Credit unions have embraced this concept, and based on data from Callahan & Associates' 2006 Auto Lending Report, 79 percent of all credit unions surveyed offer online auto buying to their members.

CUDL's AutoSMART product for credit unions is a state-of-the-art auto buying research and shopping tool. Designed specifically for credit unions and their members, the site provides members a complete library of automobile shopping resources available online. This service offers members a robust, information-rich vehicle shopping and research experience, providing the very latest car reviews, articles, tips, and advice to assist them with their vehicle buying needs.

A customized AutoSMART website helps strengthen and reinforce a credit union's brand and identity. AutoSMART, unlike other online

automotive research sites, does not permit competing lenders from stealing members financing on the credit union's website!

The AutoSMART website product is available to all credit unions regardless of their point-of-purchase program status with CUDL. This website is a "stand-alone" product now available through CUDL and can be customized in many ways to fit a credit union's needs. AutoSMART keeps members coming back to the credit union's website and reinforces the credit union's commitment to keeping its members informed.

### National Lending Network

CUDL continues to grow and develop technology-related products and services aimed at improving credit unions' ability to compete in the point-of-purchase lending arena. CUDL credit union clients are always in control of their own programs, their own underwriting guidelines and their own marketing activities. If you are interested in improving processing efficiencies, improving risk management capabilities or creating more marketing opportunities for your credit union, please contact CUDL today. For more information about CUDL, go to our corporate website at [www.cudl.com](http://www.cudl.com). For more information about AutoSMART, go to [www.cudlautosmart.com](http://www.cudlautosmart.com). To discuss how CUDL can help you, please contact Tom Sawvelle, New England Area Manager at (774) 249-4690, or Tom Garvey, Senior Credit Union Sales Consultant at (508) 965-0969.



# Agency Update

## Solutions

### Needs-based lending drives member satisfaction, bottom line

Credit unions exist to foster and grow the financial well-being of their members. That is the mission and vision of every credit union ever chartered. Fulfilling that mission means credit unions must strengthen their lending strategies by whatever means possible—always working to develop a staff of true lending consultants.

Consider the case of a member who requests a car loan. The loan officer who simply does his or her due diligence and then grants the loan has lost an opportunity to help both the member and the credit union. The officer has satisfied the immediate request—but may have failed in showing the member how to maximize his or her individual situation to meet more than just the stated need.

Obviously, some lenders go a step further. The member needs a loan? Ask if there is a broader need: perhaps instead of a simple car loan, the member is offered a home equity loan which allows for cash back to pay off high-interest credit cards.

But credit unions that really want to grow the financial well-being of their members will take a highly holistic approach. These credit unions will focus on a needs-based lending strategy, engaging in conversations that educate the member about their broader, perhaps-unperceived needs. In other words, what else does the member need to be thinking about?

In the payment protection arena—debt cancellation or credit insurance—a needs-based approach teaches the member about protection factors he or she may not be aware of. When the member comes in for a car loan, for example, the needs-based lender will uncover other aspects of his or her financial picture, including the need for loan protection: what happens if the member dies before the loan is satisfied? There may be life insurance in place, but does the member want the proceeds of the policy used to pay down loans, or rather to meet the

critical needs of the family?

Disability is another significant risk that members need to be educated about. According to 2004 research by America's Health Insurance Plans, 75-80% of disabilities are caused by illness, not injury. When you consider some of the more startling statistics—every 26 seconds an American has a coronary attack—offering a loan to a member without having these discussions almost becomes contrary to the mission of meeting member needs.

Payment protection driven by needs-based lending enables credit unions to do several important things simultaneously. Not only are member needs more fully met, but the credit

union's overall financial position is strengthened. This is accomplished, obviously, by protecting the credit union's loan portfolio through less risk of default, and also through an increase in non-interest income streams. But there is yet another facet to the diamond: credit unions who learn and practice a needs-based approach

usually find that their entire business takes a turn for the better. Good behavioral lending strategies naturally result—affecting cross-sales of credit cards, deposit products, CDs, and other opportunities.

Needs-based lending strategies require a level of critical thinking, evaluation, and judgment that often comes through years of experience. It requires that lenders talk about a whole-needs approach with the member. Does that mean that only senior loan officers can rise to the level of a needs-based lending strategy? Not at all. Staff at all levels can participate in and support a needs-based lending strategy. By implementing an effective needs-based culture,

the credit union can support that lending strategy, meet enhanced member needs, strengthen the bottom line, and achieve specific training goals that impact the entire organization.

In order to succeed, such a training approach sets specific goals, has committed and involved leadership, invests heavily in staff development and support, provides positive motivation, and includes powerful sales tools. CUNA Mutual offers a program that touches every one of those key elements, offering credit unions a methodology that better meets members' full financial needs, as well as those of the credit union.

The Lender Development Program® (LDP) trains credit union staff and coaches them through the stages of developing needs-based lending strategies. The result is that members' financial needs are more fully met (fulfilling the credit union's mission), and, by protecting more members, the credit union's loan portfolio risk is decreased while at the same time non-interest income is increased.

In fact, CUNA Mutual research has shown that credit unions participating in LDP see not only an almost immediate 20 percent participation lift in payment protection products, but also positive growth in other credit union product lines including loan growth, deposit growth, cross-sales, and referrals to their Members Financial Services or other financial services program. That is a very compelling reason to consider the program.

Perhaps even more compelling? Knowing that the development of a needs-based culture is a win-win situation. The member's financial position is strengthened, and so is the credit union's. For more information on developing and energizing a holistic needs-based lending approach in your credit union, please contact your CUNA Mutual Sales Executive.

“...the development of a needs-based culture is a win-win situation. The member's financial position is strengthened, and so is the credit union's.”



## Office Closed

The League office will be closed on Monday, April 16. The League's regular office hours are Monday through Friday 8:00 a.m. to 5:00 p.m.

# *Siewwright to lead April 11 Lender's Network Focus on the Future*

Mark Siewwright, FiServ Corporate SVP for Market Development, will lead a day-long program focusing on two issues of vast importance to credit unions in this nation. His understanding of technology, national and international financial markets and consumer trends will help seminar attendees gather vital insight into the challenges that credit unions face in today's marketplace.

The first portion of the program will deal with how credit unions can "compete to win." Mark will address the ways that credit unions can build share through deepening member relationship, improving distribution and delivery as well as reaching new important demographic segments. After lunch, Mark will lead the group through a "state of the industry" analysis of the current lending market.

To learn more about this valuable educational opportunity, being held at the Sheraton Milford Hotel, contact Suzanne

Knapik at [sknapik@cucenter.org](mailto:sknapik@cucenter.org) or (800) 842-1242.

## *"Tying It All Together" Marketing and Sales Conference – April 26*

The League will host a marketing and sales seminar on April 26 at the Sheraton Hotel in Milford, MA, in conjunction with both the Marketers Network and the Business Development Network. This program presents the issues, concepts, and strategies that should be driving credit union marketing decisions today.

This day-long program will bring together some very thoughtful and successful marketing

and business development professionals to discuss marketing and business development synergy, overcoming obstacles to building successful sales programs, using new media to promote the credit union, and the opportunities and challenges faced by credit unions that are considering a name change.

You can see the complete brochure as well as register for the conference online through the League's website [www.nhcul.org](http://www.nhcul.org).

## *Crowd of...2007 GAC* - Continued from Page 1.

party responsible for an information breach has to bear the full responsibility to fix it. Also, he noted that credit unions are an important asset to helping immigrants and people of modest means, and he called upon his credit union audience to help immigrants avoid the harsh realities of payday lenders and check cashers. "One of the best things we can do is to get immigrants into the credit union movement," Frank said, "because you won't be profiteering at their expense."

- Strengthening opportunities for all U.S. citizens is one priority of Senator Christopher Dodd, Chairman of the Senate Committee on Banking, Housing, and Urban Affairs. The Connecticut Democrat believes that predatory lending creates an "opportunity gap" for those affected and "Credit unions are a way to bridge this opportunity gap."

- Senator Joe Lieberman told credit unions that he will stand with them "in the fights ahead." A member of U.S. Senate FCU, he said, "I give you my word that I will fight any attempt to take away the tax-exempt status of credit unions." He also pledged to support credit union regulatory improvements legislation to "allow you to do what we members want you to do, which is to make more loans."

- National Credit Union Administration (NCUA) Board Chairman JoAnn Johnson told the credit union audience that NCUA is conducting a "common sense evaluation of what it does regularly." The three targeted areas are: prompt corrective action; the CAMEL (capital adequacy, asset quality, management, earnings, and asset/liability management) matrix; and NCUA's role in enforcing federal credit union bylaws.

- NCUA Vice Chairman Rodney Hood said he opposes Community Reinvestment Act-like reporting requirements for credit unions. "Excessive regulation slows innovation," Hood told the credit union representatives.

- NCUA Board Member Gigi Hyland urged credit union representatives to attend a meeting this year of the agency's Outreach Task Force to ensure that everybody gets the kind of information it needs to assess how to enable credit unions to best serve their members. "I want you to roll up your sleeves and give me the feedback we need," Hyland told them. The Boston Outreach meeting has been scheduled for April 23 at the Omni Parker House in Boston.

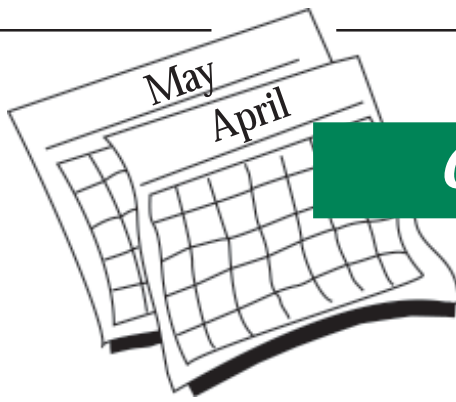
Other notables on the program included:

- Representative Roy Blunt, (R-Mo.), House Minority Whip;

- Representative Rob Bishop, (R-Utah)
- Representative Steny Hoyer, (D-Md.) House Majority Leader and longtime supporter of the credit union tax status;
- Representative James Clayburn, (D-SC), House Majority Whip;
- US Treasurer Anna Escobedo Cabral;
- SBA Administrator Steven Preston;
- Fox Anchor Brit Hume;
- Political sparring partners, James Carville and Mary Matalin; and
- Actor/activist Martin Sheen.

Credit Union National Association President Dan Mica challenged credit unions to double their attendance numbers for 2008 when the event moves to the Washington DC Convention Center. "It is time for those in Washington – our federal regulators and legislators – to see more of us," he said. He deemed that his call to increase attendance is needed due to the growing intensity of banker anti-credit union activity.

Credit union attendees also met with members of the New Hampshire Congressional delegation. Issues such as data security and CURIA were discussed and were favorably received.



## Calendar of Events

### Introduction to Supervision and Management

April 3, 2007 - Part I  
 April 10, 2007 - Part II  
 Credit Union Center  
 Marlborough, MA

### QUICKBITES

#### (one hour telephone conferencing)

April 3 - Check Fraud  
 May 9 - Internet Security: Spoofing, Spamming, and Phishing  
 May 31, ALM (Two Hours)  
 June 5 - Payday Lending the Credit Union Way  
 June 14 - Making Better Loan Decisions (Two Hours)  
 June 19 - Why Members Sue Credit Unions and Win

### Webinar

April 5 - Make Business Lending Work for Your Credit Union  
 June 26 - Third Party Vendor Negotiations

### Monadnock Chapter of Credit Unions Meeting

April 5, 2007  
 National Grange Mutual Lunch Room  
 Keene, NH  
 Program: Bank Secrecy Act Training  
 Speaker: Bill Nagle, NHCUL  
 Meeting Sponsor: NGM Employees FCU

### Lender's Network

April 11, 2007  
 Sheraton Hotel  
 Milford, MA

### Bankruptcy

April 24, 2007  
 Sheraton Hotel  
 Milford, MA

### Collections

April 25, 2007  
 Sheraton Hotel  
 Milford, MA

### Marketing & Sales Seminar

April 26, 2007  
 Sheraton Hotel  
 Milford, MA

### Monadnock Chapter of Credit Unions Annual Meeting

May 3, 2007  
 PapaGallo's Restaurant  
 Swansea, NH  
 Meeting Sponsor: Cheshire Health FCU

### Merrimack Valley Chapter Annual Meeting

May 8, 2007  
 Puritan Backroom Restaurant  
 Manchester, NH  
 Program: Staff Development  
 Speaker: Del Gilbert, Director of Education & Training, St. Joseph's Hospital

### Credit Union Employee Boot Camp

May 9, 2007  
 America's Credit Union Museum  
 Manchester, NH

### New Hampshire Credit Union League Annual Meeting and Convention

June 8-10, 2007  
 The Balsams Grand Resort Hotel  
 Dixville Notch, NH

## When should...be reviewed? - Continued from Page 3.

points in time, it may be helpful to have some additional information to pass along.

Every portfolio review will be tailored to the specific needs of the credit union, but the following items should always be examined:

- A review of the loan application, loan officer worksheets and notes;
- A documented analysis of the credit-worthiness of the borrower and the adequacy of cash flow to repay the loan;
- An accurate valuation of any pledged collateral, including any required appraisals and environmental reports, if appropriate; and
- Completed note, security agreement, guarantees and other documentation, including evidence of a perfected lien and insurance.

In addition, a brief summary report should be prepared on each loan in the sample, including pertinent descriptive information, along with specific comments on the adequacy of collateral and the financial condition of the borrower. Any deficiencies, with regard to financial performance or documentation should be noted and specific recommendations made for remedial action. An overall findings report should also be prepared, outlining the findings of the review, assessing the condition of the portfolio, the credit union's general adherence to policy and the adequacy of the underwriting and approval process, as observed. Very often, policies and procedures have been well

established but the everyday practices are found lacking.

Engaging an outside firm to review the credit union's business loan portfolio may seem like "belt and suspenders", but the additional attention will confirm the quality of the portfolio and the adequacy of safeguards that have been established to protect the credit union from an undue risk of loss.

*The League provides business loan portfolio review services through a special engagement with Hill Creek Consulting, LLC, an independent firm that specializes in helping credit unions launch and improve their business lending programs. For more information, contact [auditsolutions@cucenter.org](mailto:auditsolutions@cucenter.org) or Kathy Enderlin at (800) 842-1242.*