



MCUA MODERNIZATION IMPACT MODEST — SO FAR

The modernized Michigan CU Act (MCUA) took effect more than six weeks ago, but CUs are only slowly embracing the new law's expanded powers, such as greater field of membership (FOM) flexibility and providing check-cashing services to non-members.

An informal MCUL survey completed by about 25 Michigan CUs found that a slim majority of respondents are either in the process of changing FOMs or contemplating a change — results consistent with OFIS findings.

FOM activity has increased very modestly since the June 1 effective date of the new MCUA, according to OFIS Deputy Commissioner and CU Division Director Roger Little. "We expect more and more innovative applications as CU boards and management teams begin to analyze the new statute," he said.

MCUL Governmental Affairs Vice President Patrick La Pine said the slow start is not unexpected, given that many CUs are still familiarizing themselves with the new law's provisions and impact.

"The new FOM application is just now being released by OFIS, so it's not surprising that we haven't seen much activity so far," La Pine said. "As CUs begin their board planning process for next year, that's sure to begin to change. I think we're going to see a lot of activity by CUs relating to FOM and the new MCUA in the first quarter and first half of 2005."

CUs are not required to get approval from OFIS on adding check-cashing services, so the agency has no statistics. But of those responding to the MCUL survey, six indicated that they are considering offering check-cashing services for non-members.

OFIS examiners report hearing much discussion of check cashing and the other services permitted under the modernized MCUA, but few CUs appear to have actually begun offering those services, according to Little.

One CU that is out of the starting gate in offering check-cashing services is Financial Health CU (LN). "We've implemented check-cashing services for non-members at Sparrow Professional Branch, which is located in a low-income area," said President/CEO JoAnne Fillwock.

"We haven't advertised yet, but word-of-mouth is beginning to create some activity."

Some CUs indicated they are in a holding pattern until the new MCUA's final rules and forms are released.

Another new provision in the modernized MCUA allows CUs to merge while retaining their separate names and identities. LSI CU (GR) and Capital Community CU (LN) have utilized this provision in their recent merger, and are continuing to do business under the separate names familiar to their respective memberships.

The examination processes have not undergone any significant changes because of modernization, Little added. Examiners have used a risk-based examination process for several years and will continue to do so.

"We are placing more emphasis on corporate governance, including documentation of policies, procedures, business plan and decision processes," he said.

"We expect the new 18-month examination frequency requirement to allow us to allocate more resources to higher risk and problem institutions," said Little. "We will also be focusing more on evaluating information technology risk areas, including transactional Web sites." Prior to MCUA modernization, examinations were conducted annually.

Information about the MCUA is available online at www.mcul.org.

MICHIGAN CUs' WORK WITH MACEDONIA CONTINUES

The CU movement in Macedonia continued to pick up steam when MCUL representatives formally signed a partnership agreement and presented a check for \$50,000 to the Macedonia FULM Savings House during a visit to the country the week of June 21.

MCUL Executive Vice President Drew Egan and 20-year CU veteran Kevin O'Connor met with members of the Macedonian parliament, representatives from the Central Bank, the country's finance minister and government leaders, and the U.S. Agency for International Development's Dick Goldman.

The \$50,000 will be earmarked for use in marketing, technology, education, planning and public relations projects.

"The purpose of the visit was to continue our advocacy efforts with the Macedonian governmental leaders," said Egan "It was a very productive week. We are continuing our educational efforts and attempts to get a CU law passed."

Egan and O'Connor visited all five FULM Savings House branches; conducted four newspaper interviews; filmed four, one-hour public information television

programs and three commercials; and attended a five-year celebration hosted by FULM Savings House.

At the celebration attended by some 200 guests, Goldman praised FULM for its progress during the past five years, and said he is looking forward to attending the 10-year celebration, according to Egan.

“Macedonia’s CU movement had a bit of a setback when Macedonian President Boris Trajkovski died in a plane crash earlier this year,” said Egan. “He was pro-FULM Savings House and wielded a lot of weight.

“However, the Macedonian CU movement is building up a following and has the backing of several government leaders. Our involvement has been a tremendous help to their new CU movement. Without our involvement, it is difficult for them to hold a meeting with high ranking elected officials or members of the administration.

“Government officials realize what we’re trying to accomplish is beneficial to the country and they are trying to find a way to accommodate the CU movement into their laws.”

O’Connor’s major efforts focused on public relations efforts and facilitating a STAR Collections Module at a strategic planning meeting.

“There are domestic banks for the wealthy and commercial organizations in the large cities, but the outskirts are clearly under banked,” said O’Connor. “Drew and the World Council of CUs’ Martha Ninichuk have done a lot to make it happen. But the commitment is incredible from the Macedonian CU movement pioneers Stevo Androvich and Jorde Jakimovski, as well as Eli Zgonjanin-Petrovik. Seeing what they have accomplished in five years is outstanding.”

According to O’Connor, CU professionals from the U.S. can open doors for the Macedonians. “Lobbying for favorable CU laws is going to be an ongoing endeavor,” he said.

The MCUL’s partnership with Macedonia is now in its third year. The goals for 2004 include continuing advocacy and legislative support; assistance with

public relations, marketing, education and training; and technology and fixed-asset support.

“Michigan CUs should be proud of the efforts the MCUL is putting toward the international CU movement and should continue to support this important endeavor in Macedonia and worldwide,” said O’Connor.

For more information on how to get involved, visit www.mcul.org, keyword search MCFU.

PAC FUNDRAISING GETS MID-TERM REPORT CARD

Most Michigan CUs and chapters are doing a credible job reaching their 2004 fund-raising goals for MCULLAF/MCULAF — but much more needs to be done between now and the end of the year.

That’s the view of MCULLAF/MCULAF Chairman Howard Spencer, who recently released the mid-year PAC fund-raising totals for CUs and chapters.

As of July 1, a combined total of \$147,542.22, or 49 percent of the annual goal of \$300,000, has been raised for MCULLAF (federal) and MCULAF (state). Breaking the total down by state and federal, CUs have raised \$48,256.74 or 32 percent of the \$150,000 MCULAF goal and \$99,285.48 or 66 percent of the \$150,000 MCULLAF goal.

Four chapters had already raised more than 100 percent of their federal PAC goal — Blue Ox, Blue Water, Grand River and Mid-Michigan. Leading the way in state PAC fund-raising at mid-year was the Jackson Chapter at 92 percent.

Spencer also singled out for special praise 12 CUs that have already achieved 100 percent of both their state and federal PAC Goals — Berrien Teachers CU (SW), Central Macomb Community CU (NE), Dearborn Village Community CU (MW), Dowagiac Resource FCU (SW), Financial Health CU (LN), Frankenmuth CU (MM), Frankfort Community FCU (PB), Northland Area FCU (BO), South Central State Emp. CU (JA), T&C FCU (OC), Thunder Bay Area CU (BO) and Westwood Area Community FCU (JA).

“On behalf of the MCULLAF/MCULAF Board of Trustees, I’d like to thank those CUs that continue to actively participate in PAC fund raising — especially the efforts to rebuild MCULAF, our state PAC,” Spencer said. “Overall, we’re pleased with the mid-year totals, but it’s also clear that much still needs to be done for our PACs.

“This is an election year, and there are plenty of challenges facing CUs in Lansing and Washington. We can’t afford to rest on our laurels.”

Spencer noted that the popular MCULAF lapel pins remain the most effective way to raise funds for the state PAC, but also cited three fund-raising programs that CUs can utilize immediately to attain their MCULAF goals — casual days, state PAC raffle envelopes and charity match programs. All three programs were detailed in a letter sent July 9 to CEOs at all MCUL-affiliated CUs.



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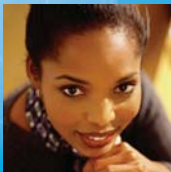


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Spencer added as a reminder that state law requires including the contributor's name and address and the contribution amount and date for all donations to the state PAC.

Questions about PAC fund raising should be directed to MCUL Grassroots and Political Action Manager Todd Stabenow at 517.482.1062, Ext. 16, or tds@mcul.org.

POSTCARDS SENT TO CUs LINKED TO FLORIDA INVESTOR

A Florida man with alleged ties to the Florida Bankers Association has been linked to numerous postcards sent to CUs around the country requesting information on opening \$5,000 share certificates.

Six Michigan CUs were among those reporting having received postcards addressed from Florida, according to MCUL Regulatory and Legal Affairs Director Michael DeFors. CUNA has indicated that as many as 1,200 CUs nationwide may have received similar postcards, including one as far away as Honolulu.

According to the Florida CU League, the alleged postcard sender is Mark Dern, a principal and co-portfolio manager at Dern Capital Management Corp., located in Boca Raton, Fla. Dern and Alvin Dern are listed as the firm's two principals on its Web site.

Dern Capital Management has filed paperwork with the Secretary of State's Division of Corporations annually, as required by law, since at least 1996. Each filing lists Leonard H. Bloom as the firm's registered agent. Bloom is an attorney with Akerman Senterfitt, a law firm that has offices in most Florida cities and Washington, D.C., according to the law firm's Web site.

According to the firm's Web site, the firm, "as general counsel to the Florida Bankers Association, has been involved in drafting many of Florida's banking laws. Members of the practice regularly interface with legislative and regulatory officials in shaping domestic and international banking policy."

Florida League Communications Vice President Mark Ivester contacted Mark Dern to inquire why he was involved in the postcard effort. Ivester stated that, after a short pause, Dern said he had no comment. When asked why he didn't simply contact a local CU, Dern again declined to comment.

"The circumstances are certainly suspicious," DeFors said. "We suspect the postcard campaign may have been an effort to test CU membership policies. If Mr. Dern wanted to join a CU, it's curious that he would be inquiring at CUs hundreds and thousands of miles away, instead of simply contacting any of the CUs near his home."

DeFors added that there could be another explanation for the postcard queries, however.

"We've heard reports of limited speculation by individuals who want to become CU members in order to cash in should a CU decide to convert to a stock-based

financial institution," he said. "In that context, it's intriguing that a capital management firm may be connected to these membership queries from Florida."

DeFors encouraged Michigan CUs to continue to report suspicious membership queries to the League. In the report, CUs should ascertain if the applicant is indeed within the CU field of membership; provide the name of the CU, name of the person making the report and contact information, date the postcard was received and a brief description of the action the CU took in response to the postcard.

To report a suspicious request, contact the MCUL's Matthew Beard at mob@mcul.org.

BRIEFS

...The **Grand River Chapter** will hold a golf outing benefiting the **Children's Miracle Network CUs for Kids** on Tuesday, Aug. 3, at Thornapple Pointe in Grand Rapids. Registration, including a hot buffet breakfast, begins at 8:15 a.m. followed by a shotgun start at 9:15 a.m. A clubhouse luncheon is slated for 2:30 p.m. All are invited to participate and the registration deadline is Friday, July 23. For information, contact Janelle Higginson, 616.336.4901.

...**Grand Rapids Federal Emp. CU (GR)** changed its name to **FEDCom CU** effective July 1. "Our former name no longer describes our field of membership," said President/CEO **John Thornton**. "As a newly formed community charter CU, we wanted to create a new business name that our existing members could relate to, while at the same time reaching out to thousands of new potential members across western Michigan." FEDCom CU has assets of \$45 million, serves four counties and has the distinction of being one of Michigan's oldest CUs.

...The **Forum Finance and Economic Meeting** will be held Thursday, Aug. 12, from 10 a.m.-3 p.m. at the Michigan CU Center in Northville Township. The featured presentation will be "The Three Greatest Challenges CUs Face in Creating Member Value" with Rick Wiczorek, executive vice president of the Callahan Trust for CUs. Wiczorek has extensive CU experience that includes CFO at NRL FCU, account executive at First Empire Securities and finance manager at Northwest FCU. The program will define member value and differentiate the value proposition between CUs and banks. Following the presentation, participants will exchange and discuss ideas through roundtable networking sessions. Participants are encouraged to bring ideas and samples to share with the group. The reservation deadline is Aug. 6. For more information, visit www.mcul.org. Keyword: Forum.

...**Huron River Area CU (HV)** is among the local organizations holding fundraisers for Green Oak Township Officer Pat Moll and Brighton Officer Mike Zaccagni who were critically wounded while on duty May 29. "These two officers were dedicated to serving

and protecting our community,” said Branch Manager **Christie Lucas**. “When we heard of the tragedy, we really wanted to help.” Lucas asked other police officers for ideas and was told the family could use pop, bottled water, gas cards, fast food gift certificates and other non-perishable items. The CU placed a box underneath a sign listing the suggested items in its lobby. The CU also allowed staff to pay to dress down on Fridays, with all the proceeds donated to the families of the officers. To date, in addition to the non-perishable items, dress-down days have raised almost \$225. “The last update we have is that both officers are home from the hospital but have a long road to recovery,” she said.

...The **MCUL CU CEO Roundtable** is scheduled for Tuesday, Aug. 17, from 10 a.m.-3 p.m. at the Michigan CU Center in Northville Township. The CU Roundtable is an informal network for CEOs to discuss pressing issues, case studies, benchmarks and best practices as they relate to CUs. Topics include employee performance appraisals and loan volume. Registration is \$35 and includes lunch, refreshments and meeting materials. Registration is required online at www.mcul.org, Keyword: Roundtable.

...The MCUL’s **Forum Technology Meeting** scheduled for Aug. 13 has been cancelled.

...The **2004 MCUL CU Compensation Survey Report** is now available. The report is designed to help CUs determine appropriate salaries, benefit packages and other compensation for employees and includes salaries of chief executive officers and staff members in both management and non-management positions. The report also offers a detailed review of staff turnover, health benefits and specific characteristics of CUs of all asset sizes. The report is based on results from the 2004 Michigan CU Compensation Survey, conducted by

the CUNA Marketing Research Department and sponsored by the MCUL. Some 50 percent of Michigan CUs took part in the survey this year. The cost for the report is \$35 for participating CUs and \$85 for CUs that did not participate in the survey. CUs interested in ordering the 2004 Michigan CU Compensation Survey Report can contact Carol Zane, MCUL Ext 225.

...**Russell Kotila** has joined **Co-op Services CU** (MW) as marketing vice president. Kotila has more than 10 years experience in the financial services industry and previously served as marketing director at **Telcom CU** (MW). “Mr. Kotila is a great addition to our already strong management team,” said President/CEO **Anthony Carnarvon**. “He understands both the challenges of this competitive marketplace and our commitment to providing superior member service.”

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