

FCUL SERVICE GROUP

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Service Group in the News

If a business partner could offer your credit union the ability to acquire a new branch at a reduced cost in a fraction of the average build time and with a proven track record of growth, would you find it of value to your membership?



Marvin M. Garland
Chief Operating Officer

To better explain, I will illustrate an issue facing credit unions today — The Lack of Member Growth and What Strategies to Employ. When attacking a challenge, one item that enters into the discussion is what resources are available. What is typically not discussed is what the cost to acquire a new member is or how much is being spent to acquire one. If you could predict with greater accuracy the profitability of new members, deciding on how much to invest for acquisition would be much easier. Many industries have mastered these costs down to nickels, and that knowledge has allowed them to focus resources with great precision.

The real point I want to make is that entering into a new market requires substantial thought, risk, and time to make it happen — all of which can impact service to existing members. Many of our current business partners face these same issues. Without the proper guidance, information, and capital, many potential companies find themselves unable to overcome these obstacles when trying to enter the credit union marketplace.

Your Service Corporation has developed a reputation among vendors as a company that helps them enter the credit union marketplace quicker and more cost effectively than they could on their own. Therefore, our credit unions have access to products and services that may not have come about without our help. We continually monitor other industries for products and services that, if offered to our members, would help them grow, be more efficient, and reduce costs.



Marvin M. Garland
Chief Operating Officer

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Finding the Right Cultural Fit

Liz Aperauch, Senior Human Resources Consultant
HRx

As the leadership needs of a credit union become increasingly complex, finding the right recruiting partner becomes increasingly important. The right professional recruiter will result in many benefits, including an established pool of potential candidates and a system for thoroughly screening applicants and assessing the cultural fit between organization and candidate.

According to a survey of more than 1,200 international executives, 9 of 10 believe that corporate culture is as important as strategy for business success.¹ Corporate culture is defined as the collection of values and beliefs that an organization follows, and that defines what it is and how it does business each and every day. An effective recruiter will start determining the credit union culture from the first contact and will look at all aspects of the organization.

9
out of
10

Believe Corporate Culture is as Important as Strategy for Business Success

¹Bain & Company's Management Tools & Trends 2007

Once the corporate culture is determined, the right recruiter will focus on bringing the culturally sound executive candidates to be reviewed. Resumes, reference checks, and personality profiles are all critical in determining motivational fit (reference Lisa Hammock's article in this issue of the Florida Credit Union News for more tips on determining motivational fit).

Replacing a CEO or other executive team member can be a daunting task. The long-term impact of the position, along with the fact that the position has the potential to affect the lives of every person affiliated with the credit union, substantially increases the emotional ante. Using a professional recruiter to assist you in the process can provide the peace-of-mind that you are getting the right person for the job.

For more information, visit www.HRx.net.

The Evolution of HR: Moving CUs to the Next Level

Anita Stoumbelis, Senior Vice President of Human Resources
FCUL Service Group, Inc.

The Human Resource area as a discipline has undergone quite a transformation since its inception.

1930s & 1940s: Saw for the first time the emergence of a separate department in the work place centered on the employee. It was called the Personnel Department and was primarily responsible for payroll and benefits, tasks previously handled in the Accounting Department.

1950s: The field of industrial psychology emerged, and for the first time behavior-based studies were conducted and integrated into the workplace, which led to the Personnel Department becoming involved in recruiting and testing applicants for jobs.

1960s: Human resource compliance came to the forefront with the passing of Title VII legislation. Personnel Managers had to become compliance specialists and record keepers to compete with the increasing number of employment laws and regulations.

1970s & 1980s: With the rising litigation climate, it became important for Personnel Departments to draft policies and develop compensation strategies to avoid costly lawsuits and settlements. It was during this time that the Personnel Department evolved into the Human Resource Department.

Present Day: Since then, the strategic importance of the human resource role in organizations has continued to expand and grow. Performance management, recruiting, and training have become more important in a highly competitive marketplace. Unfortunately, the resources provided to Human Resource Departments appear to have lagged behind the demand for increasingly complex services.

In a recent survey conducted by HRx, Florida credit union CEOs and CFOs identified the areas of recruiting and training as the biggest challenge in the management of their human resources. Ironically, in the same survey HR managers said they did not have enough time to devote to these areas.

One of the solutions for this predicament is to automate the transactional duties of Human Resources, including payroll, benefits administration, and employee information management. The increased efficiency will allow HR professionals to concentrate on strategic concerns such as recruiting, retention, and training.

While the technology is available to automate these duties, it can be quite expensive to maintain expensive payroll systems and administer complicated benefits programs in-house; so many companies are choosing to outsource these functions. The Human Resource Outsourcing (HRO) companies that manage these functions for businesses are part of the fastest growing service industry in the United States at the present time.

Making the decision to partner with a qualified HRO will allow the Human Resource Department to become more efficient by streamlining and automating its processes, giving the Human Resource professional more freedom to devote to the activities that will help the credit union evolve to the next level. For more information, visit www.HRx.net.

New Business Solutions Announcements

Corporate Business Solutions - goes beyond the scope of ordinary by providing outsourced human resource solutions that allow HR Managers to focus on more strategic business initiatives.

CU Lending Solutions - lending strategy and operations firm assisting credit unions with indirect auto lending while minimizing risks.

KG & Associates - provides compensation and performance improvement consulting services and now endorses HRx Executive Recruiting services.

Kohl Advisory Group - a nationwide carrier that specializes in measuring, analyzing, and explaining risk and profitability levels of lending and deposit products, as well as balance sheet positions overall.

Sprint Nextel - provides preferential rates, saving members and credit unions, nationwide, with 10 percent discounts on all monthly recurring charges.

Five Ways to Improve Your Bottom Line

John M. Floyd & Associates

Because today's narrow margins generate less interest income, credit unions need to concentrate on other ways to enhance their margins, such as increased fees and improved member relations. Here are five additional suggestions on how to help your credit union thrive:

1. **Fee Income** — Find new non-interest income streams to offset negative market influences.
2. **Process Improvements** — Operational efficiency translates into bottom-line improvements.
3. **Checking Account Growth** — Controlled expenses and non-interest income growth through process improvements allows CUs to be more competitive with provided services.
4. **Loan Growth** — Competitive lending offers help potential borrowers recognize the value of your credit union.
5. **Fast and Personal Member Service** — Simply put, if you can keep your members happy, they'll stay.

The Bottom Line

Margins are only going to continue to get tighter. By making these areas a priority, improving your credit union's bottom line will be much easier. For more information, www.jmfa.com.

Did You Know...

The FCUL Service Group was one of the first to offer these services to the credit union industry:

- Outsourcing HR Functions through a PEO
- Telecom Recovery for Disasters
- Chargeback Services
- Internet Disposal of Repossessed Collateral

When the Phones Go Dead: Disaster Recovery for FIs

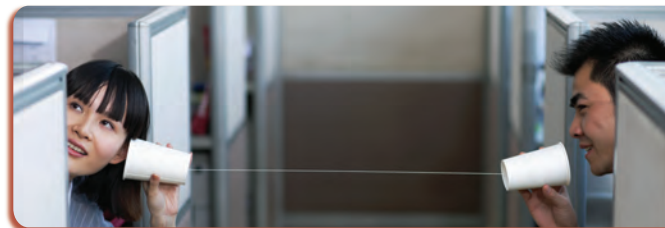
Telecom Recovery

A telecom outage is typically more damaging to a financial institution than to any other type of business. For most businesses the 'disaster' in 'disaster recovery' refers to earthquakes, floods, hurricanes, and tornadoes. In a financial institution, any time the phones go down is a disaster.

Disaster recovery planning for a financial institution is comprised primarily of effectively handling telecom outages of any kind or duration, whether caused by a hurricane, power outage, equipment or carrier failure, or a careless backhoe operator working nearby. Since telecom outages are far more common than natural disasters, a financial institution's disaster recovery plan must be faster, more flexible, and more telecom-focused than typical disaster recovery plans. The plan must also be cost-effective or it may never see the light of day.

Since there is no way to predict what kind of disaster or outage will occur—or which facilities, networks, or devices might be available to aid in the recovery—it's impossible to know in advance which recovery options will be best. Because every financial institution depends on reliable telecom service, it's prudent to cover as many bases as

YESTERDAY'S TELECOM BUSINESS CONTINUITY PLAN



possible by implementing as many of the available options as financially feasible.

It's also important to understand that no plan, even if it included every available option, will offer a 100% guaranteed recovery; there will always be vulnerabilities. A good plan simply improves your odds of recovery. Telecom Recovery continues to look at all available telecom recovery options for financial institutions, their respective strengths, and weaknesses, and explore new technologies that enable multiple options to be cost-effectively implemented for all financial institutions.

For more information, visit www.telecomrecovery.com.

Minimize Indirect Lending Risk

CU Lending Solutions

Non-prime lending is emerging as a target market for many credit unions. The terms non-prime, sub-prime or mid-prime lending describes credit that is extended to borrowers exhibiting higher delinquency or default risk characteristics than those of traditional prime borrowers.

When credit unions engage in indirect lending, management must conduct comprehensive due diligence, have a well-developed business plan that acknowledges the increased risk levels, allocates the necessary resources, and establishes the controls necessary to manage the risks.

The following safeguards need to be in place and effectively maintained prior to any credit union entering the non-prime lending market:

- Detailed policies and procedures for originations, collections, and risk management.
- Guidelines that set limits on amount of risk that will be assumed, and addresses how portfolio quality will be controlled.
- Risk management processes and analyses that will promote understanding of the portfolio and early identification of adverse quality/performance trends.
- Ensure effective portfolio servicing activities; including collections, default management, and collateral document management.
- Reporting systems that provide the detailed information necessary to assess adherence to established underwriting, operating, pricing, accounting, and appraisal guidelines, as well as the effects of those guidelines.
- Controls to ensure compliance with fair lending and other consumer protection laws and regulations.

A non-prime lending program requires specialized expertise, sound planning, and comprehensive analysis and systems to control the elevated risks associated with these activities. The absence of such safeguards in a credit union that is materially engaged in non-prime lending may constitute an unsafe and unsound practice. For more information, visit www.culendingsolutions.com.

SecureWorks Blocks Over 37 Million Web Application Attacks

SecureWorks

SecureWorks, the largest managed security services provider safeguarding 1,600 clients, blocked over 37 million web application hacker attacks attempted against its banking, credit union, and utility clients in 2006.

Defending an organization from web application attacks not only requires a comprehensive Intrusion Prevention System, but a thorough assessment of the organization's application code. "When SecureWorks is hired to check the security of an organization's web applications, we go in and audit their application code looking for any and all security flaws, and then we advise the organization on how to fix them and how to prevent future flaws," said Erik Petersen, VP of Professional Services for SecureWorks.

How to Prevent Web Application Security Holes:

- Secure Coding Techniques – Integrate documented procedures to address SCT within the software development lifecycle.
- QA Process for Security – Ensure that the QA Process includes security testing before the application goes live.
- SLAs Covering Security – If an application is being developed by a third party, make sure the vendor is adhering to a Service Level Agreement (SLA) which also includes Secure Application Development and that there is a contract which enforces the SLA.
- Outfitting Software Developers – Make sure that your software developers receive ample training and tools to develop a secure code.
- Checks and Balances – Have a 3rd party validate the security of your web applications. The third party must be up on the latest attack exploits and emerging threats plaguing applications.

A Network Intrusion Prevention System and Host Intrusion Prevention System can offer many of these protections, especially if they are being monitored by a 24x7x365 security team that can deploy countermeasures for the newest types of attacks, as variances are released. For more information, visit www.secureworks.com.

