

THE CREDIT UNION REFLECTION



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FOCUS ON CREDIT UNION DIRECTORS: EQUIPPING DIRECTORS FOR EFFECTIVENESS

A director points directions.

This statement is a simple and basic concept. In it are action (“points”) and goal setting (“direction”). The effectiveness of a credit union’s board of directors in managing a successful operation depends on these two concepts operating together. If no one points out the action to take, nothing gets done. If directions are not set, you can not get where you want to go.

Directors provide direction, and managers execute and carry out directives. When managers exercise too much power and responsibility, directors have abandoned their duty to point direction. Certain duties directors can not delegate.

Credit union directors must organize and equip themselves with the skill and information needed to do the job. Training and education in required board duties and credit union operations are necessary to be effective. Good board organization promotes education and competence.

Credit union directors decide the purposes of the credit union and set goals. Directors are representatives of the credit union's membership, so the directors alone are responsible for deciding what the credit union will do. Without written and approved goals the credit union has nothing to judge or measure itself against in terms of achievement of success. While the manager can provide information and guidance, his or her personal partialities can not prevail at the expense of the members' interests. Short and long term goals should not be etched in stone. They should be reviewed periodically, and changed according to shifts in the social and economic environment the credit union operates in.

Credit union directors must decide policy. Policy shapes the character of the credit union and makes it function according to the interest of its members whose money and necessities are at stake. Policy must be decided by the board, who represents the membership. The manager may inform and guide, but the ultimate decision belongs to the board.

Credit union directors must provide management and facilities. No board can do the managing. So one of the board's most important jobs is to hire the chief executive officer or manager, and to terminate the CEO or manager if he doesn't achieve desired results. While providing management is important, the members' interests must still come first. The manager must be constantly rewarded, motivated, and provided staff and facilities to operate the credit union efficiently.

Credit union directors must review and appraise results. "What have we gotten for our money?" is the question that should be asked at each monthly board meeting, at each annual meeting, and each time the manager's performance is reviewed. Review and evaluation are valuable conclusions after deciding the credit union's purpose and setting objectives. Without purpose and objectives, there is nothing to evaluate, and the members have not gotten their money's worth.

If these five vital and perpetual duties of credit union directors are exercised faithfully, lesser tasks of the board will become simple and uncomplicated. Credit union directors may be motivated to have a seat on the board for a variety of personal reasons. But without attention given to these five duties, directors will not be effective, personal motivation will not be fulfilled, and the members' interests will not be served.

(The foregoing is a summary of chapter 1 of Credit Union Directors: A Focus on Power by Kent W. Francis and Ray P. Bauschke, © 1971, CUNA Supply Cooperative, Inc., Madison, Wisconsin. Reprinted with permission from CUNA Center for Professional Development.)

**BUREAU
MAKES
PLANS FOR
FIRST
CREDIT
UNION
DIRECTORS
COLLEGE**



An educational opportunity for all directors of each Virginia state-chartered credit union will be available early this fall. Watch for details within the next two months.

To conserve costs for directors and thereby promote attendance, this event is planned to take place over one day. It is scheduled to take place in Richmond since this location is about equidistant from credit unions in the Tidewater area, Danville/Martinsville, Lynchburg, Waynesboro, and Northern Virginia.

A concentrated focus will be made on credit union directors' duties and responsibilities in leading a 21st century financial institution. Resource people from the credit union industry are also expected to present current topics of importance and interest to directors. This will also be an opportunity for directors to meet the Commissioner and ask questions of him.

**BUREAU NO LONGER TO
FILE IRS CONSOLIDATED
FORM 990**

For many years the Bureau of Financial Institutions (Bureau) filed a consolidated Form 990 return with the Internal Revenue Service (IRS) on behalf of all Virginia state-chartered credit unions. Recently, however, the Bureau set a policy to no longer prepare or assist in the preparation of the IRS Form 990.

The Bureau filed the consolidated Form 990 return for 2006 before the May 15, 2007 deadline. Virginia state-chartered credit unions will be responsible for ensuring that IRS Form 990 is properly filed for the 2007 tax year and each tax year thereafter.

Questions concerning the Bureau's new policy should be addressed to Deputy Commissioner George Latham at 804-371-9657.

REGISTRATION REQUIREMENTS FOR CUSOS INVOLVED IN THIRD-PARTY BROKERAGE ARRANGEMENTS OR NETWORKING ARRANGEMENTS

State-chartered credit unions that have an outstanding loan or investment in a credit union service organization (CUSO) that is engaged in a third-party brokerage arrangement, networking arrangement, or other broker-dealer activities should ensure that the CUSO is in compliance with all applicable legal and regulatory requirements. This includes state and federal (Securities and Exchange Commission) registration requirements.

It is the Bureau's understanding that the Securities and Exchange Commission has updated its position regarding the need for CUSOs engaged in such arrangements or activities to register with the Securities and Exchange Commission as a broker-dealer. If you have any questions, please consult with your legal counsel.

SEG, FIELD OF MEMBERSHIP, AND MERGER ACTIVITY

During the first half of 2007 the Bureau approved 14 small employee groups (SEGs). The three credit unions requesting these groups added 2,027 new potential credit union members. The average size of the approved SEGs was 145 members, which is well below a threshold of 600 the Bureau has determined is necessary for a new credit union charter to be feasible. Since formal legislation to permit SEG expansion went into effect on July 1, 1999 there have been 420 SEGs approved for total new potential membership of 114,717.

Since the beginning of 2007 Tidewater Telephone ECU changed its name to *membersTrust* CU. Fort Monroe CU merged into *membersTrust* CU. This was the first time two relatively large and equal sized state-chartered credit unions merged in Virginia: Tidewater Telephone ECU had \$29.8 million in assets at year end 2006, and Fort Monroe CU had \$20.4 million. Over the years the average size of the merging credit union has been about \$2 million in assets. Also, in February 2007 P.W.H. ECU, located in Manassas, merged into HealthCare Systems FCU in Fairfax; after 37 years in business, P.W.H. ECU had \$2.5 million in assets. Thus, at the end of the second quarter of 2007 there are 56 state chartered credit unions. Total assets for these 56 credit unions at the end of the first quarter of 2007 were nearly \$4.6 billion, up \$141 million from \$4.4 billion at year end 2006. Therefore, annualized asset growth in 2007 is 12.7%. This asset growth is up significantly from asset growth in 2005 and 2006 of 3.7% and 5.7%, respectively.

In the first half of 2007 there have been no community or underserved area field of membership requests. There are still nine Virginia state chartered credit unions operating with community fields of membership.

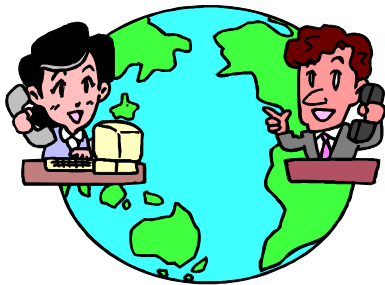
The mission and purpose of the Credit Union Section is to effectively and efficiently supervise, regulate, and assist credit unions chartered by the Commonwealth of Virginia in order to:

1. Protect the financial interests of credit union members.

2. Ensure compliance with applicable laws.

3. Ensure adherence to safe and sound operating procedures and principles.

These three objectives are to be pursued so as to safeguard a financial environment within Virginia worthy of the public's confidence in credit unions and the financial system as a whole.



CONTACT US AT OUR WEBSITE:

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(applications or notices for mergers, relocations, name changes, and branch openings and closings)

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**IMPORTANT
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