



NEWS

JULY 1999



AN ELECTRONIC REPORT FROM THE CUNA CHIEF FINANCIAL OFFICER COUNCIL

AND WHAT A GREAT CONFERENCE IT WAS

By Judith Hillock, CFO, Research FCU

The fifth annual CUNA CFO Council Conference and Roundtable, designed to provide educational classes and an open discussion forum for financial professionals from all across the United States, opened on May 12th in San Antonio, Texas. The event assembled savvy credit unions execs that look beyond the dusty dogma for new and innovative ways of setting, developing, and implementing goals, fresh solutions, and creative perspectives.

Though attendees came from vastly different professional backgrounds, each bringing a distinct view to the conference, a single trait was inherent to all—a penchant for embracing change. Our annual conference was intended to provoke intellectual and career growth by challenging its participants with a variety of educational sessions and networking time.

Joel Zeff, motivational speaker and comedian presented his theory of “creative thinking” which challenged us to develop a rich imagination. After he told us that creativity is the capacity to make connections that no one else has ever made, he recruited a few volunteers to stretch their imagination. A comedy skit followed in which two spontaneous creative participants won \$50.00 for demonstrating their creative talents.

Our investment gurus attended a workshop that presented new ideas on boosting portfolio performance. Attendees were encouraged to read FASB 133 which will likely allow a one time transfer of investment securities from Held to Maturity (HTM) to Available for Sale (AFS) or Trading in connection with the upcoming release of FAS 133. This one time transfer would occur at the time of adoption of FAS 133, which has been postponed until after we survive Y2K.

Judging from your evaluations, the board package presentation was a smashing success. Larry Hoffman, CFO and executive committee member reviewed the financial board package information from eight different credit unions. The board packets added a new dimension to standard financial reporting. Financial information was integrated with creative displays of graphs and charts which consisted of: electronic & manual transactions trends; audio and web usage; member service usage on all products; interest margin trend analysis; investment yield vs. market rates; and change in fair value of investment by type of investment. Copresenter, Paul Lakind, COO of United States FCU, shared his credit unions electronic board package. Board members obtain their entire board package on the Internet from the credit union home page. Board members have special access codes and are able to obtain reference material, bylaws, newsletters, code of conduct, full disclosure, Y2K updates, expense reports and NCUA letters.

The roundtables’ greatest virtue is contained within the all-encompassing philosophy of “people helping people”. In keeping with that motto, the conference brought together peers willing to work together, to network and share ideas.

Next year’s conference is scheduled for May 21-24, 2000 at the Wydham Palace

Resort & Spa at Lake Buena Vista, Florida. Pete Sainato and I will be co-chairing the conference. Your input would be greatly appreciated. Help

us make next years conference a success. E-mail your ideas on educational sessions, speakers, or offer your assistance to: jhillock@researchfed.com. ♦



THE FED FINALLY ACTS!

By Vince Market, Philadelphia Telco CU

The long and widely anticipated rate increase finally materialized at the last FOMC meeting held on June 29 and 30. The Fed raised its target on overnight fed funds by 25 basis points to 5.00%. It left the discount rate unchanged at 4.50%.

Because the move was widely expected and most market instruments discounted a tightening by the Fed, there was not as much volatility as seen in previous Fed actions. Moreover, Chairman Greenspan, in speeches and testimony leading up to the most recent FOMC meeting, indicated that although the Fed was leaning towards a tightening, it was not representative of a long-term policy stance. In other words, Greenspan was telegraphing

to the market that the Fed intended to act, but not to expect a series of rate hikes in the near-term.

As a result, the markets digested this recent series of events without much fanfare. The bond market, in particular, despite a sizable sell-off since year-end and more recently higher rates, has rallied somewhat in the wake of the Fed action. As we all look forward, it appears that the Fed will need compelling data indicating increases in inflation before any additional rate changes are considered.

For your benefit, here are the dates for remaining 1999 meetings:

Tuesday, August 24
Tuesday, October 5
Tuesday, November 16
Tuesday, December 21 ♦

GET THE LATEST ECONOMIC TRENDS BY ATTENDING THE 1999 ECONOMICS & INVESTMENT CONFERENCE



If you haven't already done so, you may want to consider attending this year's Economics & Investments

Conference August 29—September 1, 1999 in Toronto, Canada. Co-sponsored by CUNA, CNBS and your league, this year's conference content is structured to keep you informed about critical issues. You will have an opportunity to attend several general sessions as well as

choose from breakouts that provide you with the information you need to take your credit union into the 21st century. Here's a sample:

- How the global and U.S. economic forecasts will affect your credit union
- Top economic issues facing credit unions
- New loan products that help increase your Return on Assets

- Key issues in bankruptcy
 - Risk Management policy issues
- And Toronto is an exciting location to boot!

Top 5 Reasons to Visit Toronto:

5. Niagara Falls is a mere 85 miles away with numerous tour options for a post-program trip.
4. The Canadian-U.S. exchange rate is an excellent way to take advantage of the many shopping venues nearby the hotel.
3. The Canadian National Exhibition (runs Aug 20-Sept 6) with exhibits, rides, music, carnival games, and a grade finale air show. (See their Web site www.theex.com)
2. Toronto has more golf courses per capita than any other North American destination. and of course the NUMBER ONE REASON TO VISIT TORONTO...

1. CUNA's ECONOMIC & INVESTMENTS CONFERENCE

For more information see our Web site (www.cuna.org) or contact Bonnie Loether at 800.356.9655 ext. 4139. ♦

FINANCIAL INSTITUTION DATA MATCH - A SUMMARY

By Roger Wooten, Baxter Credit Union

Data Match is a program that was implemented by the State of Maryland to discover the assets held by financial institutions which belonged to parents that are not paying child support. Touted as a highly successful program, the Federal Government passed legislation (Public Law 104-193 Personal Responsibility and Work Opportunity Reconciliation Act of 1996) that all states would adopt such a program. The Federal mandate called for the implementation in 1998. Most states are just now beginning implementation as the Federal Government is threatening to hold back certain funds this year if implementation does not take place.

Privacy Rights

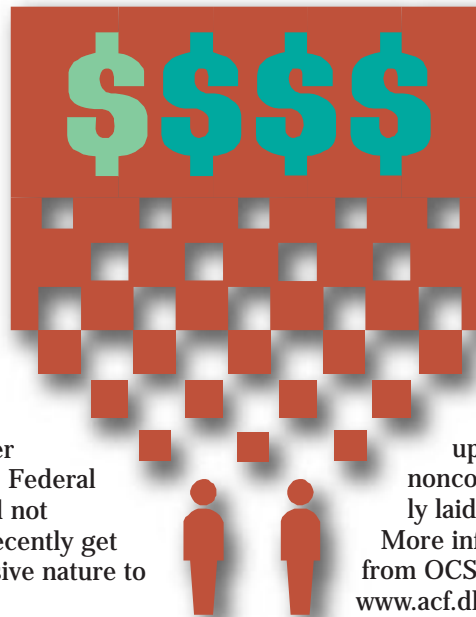
Not that Data Match is an unworthy endeavor on its face, but is it the proper function of financial institutions to disclose account information of their members? Do Data Match requirements, therefore, violate privacy laws? Disclosure of information, if required by statute, should exempt privacy laws. Therefore, disclosure for Data Match will not likely be a violation of privacy rights. Credit unions are approaching the time when they will need to respond to the requests made by the states in which they have a physical presence. Differing states call for a varying range of information to be disclosed. The Federal Office of Child Support Enforcement (OCSE) has sent out an agreement, in which institutions would report just to them, relieving the institutions of the multi-state burden. An institution's data would presumably be accessible to all 50 states at that point. Would this option not be the basis for further fishing expeditions by the Federal Government? Indeed, did not "Know Your Customer" recently get repealed for its very invasive nature to privacy rights?

Computer Matching

The Federal Office of Child Support Enforcement (OCSE) has sent out an agreement in which institutions could run a file with all fifty states' information (Method 2), disclose all of their information to them and OCSE would handle distributing that information to the states. Another option is state to state compliance. Data Match itself, along with the requirements of other states, has fields for account balances, which would indicate that balances might be required. In the "B" record, line 361, an institution may choose "0" "Not Provided", but will this put the institution in violation with the state that they are reporting to? If all of the fields are filled out completely (i.e. complete disclosure), this may run counter to the law of the state in which a credit union may be domiciled (i.e. only Tax ID Numbers required). Therefore, should credit unions modify the agreements that other states may send to them in answer to this concern and will these modifications be accepted by these other states? Or should credit unions only be required to sign an agreement with the state in which they are domiciled? Ultimately, to avoid the state to state requirements, do you choose the path of least resistance and sign up with the Federal program?

There is still a vast plethora of unanswered questions, hidden lawsuits, and class actions to consider. It now appears that institutions will be required to answer the challenge of Data Match in the very near future. Federal reporting is to begin this quarter (3rd quarter 1999). Boards and compliance staffs need to gain an understanding of what is at stake as, up until now, the penalties of noncompliance have not been clearly laid out, but could be severe.

More information can be obtained from OCSE's web site at www.acf.dhhs.gov/programs.cse or call (410) 277-9312. ♦



WELCOME NEW MEMBERS

The CUNA CFO Council would like to thank and welcome our 1999 new members signing up in January - March 1999 for membership. April through August will appear in the next newsletter.

January

Raeann Love, Illinois CU System,
Naperville, IL

Jeffrey Benson, MSU FCU,
East Lansing, MI

Donald Berra, First Community CU,
Ellisville, MO

February

Dennis Kristof, Florida CU,
Gainesville, FL

Karena Jors, CP FCU,
Jackson, MI

Bill Schirmer, Grand Rapids Teachers CU,
Grand Rapids, MI

Charles Otto, Firstel FCU,
Brooklyn Center, MN

Sheila Ponder, Telhio CU,
Columbus, OH

Kevin Haffner, CUNA Mutual Group,
Eugene, OR

Joseph Grech, Heritage Trust FCU, N.
Charleston, SC

Karol McBride, Shell FCU,
Deer Park, TX

March

Thomas Martin, Salt River Project CU,
Tempe, AZ

John Meeker, Caltech EFCU,
La Canada Flintridge, CA

Scott Bolster, Redwood CU,
Santa Rosa, CA

Ted Duffy, Sacramento CU,
Sacramento, CA

Harold Deguzman, Santa Clara County CU,
San Jose, CA

Kay Even, TRW Systems FCU,
Manhattan Beach, CA

M.J. Coon, ENT FCU,
Colorado Springs, CO

Debra Cosson, Members First CU of Florida,
Pensacola, FL

Harold Dobbel, NCSC FCU,
Panama City, FL

Dale Beard, Scott CU,
Collinsville, IL

Amy Sink, Teachers CU,
South Bend, IN

Shawne Siebert, C-Plant FCU,
Paducah, KY

Gerald Freitas, Jeanne D'Arc CU,
Lowell, MA

Judy Robinson, Montgomery County
Teachers CU, Gaithersburg, MD

Donald Jarboe, US Postal Service FCU,
Clinton, MD

Teri Keegan, General Mills FCU,
Minnetonka, MN

Robert Lockyer, American Heritage FCU,
Philadelphia, PA

David Obarowski, Sun East FCU,
Aston, PA

Wendy Pieper, Old Hickory CU,
Old Hickory, TN

Paul Johnson, US Courthouse CU,
Nashville, TN

Jeri Wood, Houston Postal CU,
Houston, TX

Timothy Allsup, Vought Heritage FCU,
Grand Prairie, TX

Brady Cole, Navy FCU,
Vienna, VA

Debra Hodous, Fort Lewis Community FCU,
Fort Lewis, WA

Marlene Boone, Qualstar CU,
Bellevue, WA

Randall Fleiger, Spokane Teachers CU,
Spokane, WA

Christopher Howe, State Capitol CU,
Madison, WI



CFO News is fax broadcast bimonthly by the CUNA Council. Send news and CFO Council information to Vince Market, CFO, Philadelphia Telco CU, Trevoise, PA, phone 215/953-5369; fax 215/953-5388 or Harry Jacobson, Asset/Liability Manager, Navy FCU, Merrifield, VA, phone 703/206-3606; fax 703/255-7755. For council membership and administration information, call Cheryl Sorenson, manager of CUNA council administration, at 1-800-356-9655, extension 4393 or e-mail her at csorenson@cuna.com.

© 1999 Credit Union National Association, Inc. All rights reserved.



HOLD OVER

HOLD OVER