



## FASB Advisory Council chooses Scott Waite



*Scott Waite enjoys historic Williamsburg, the political and economic center of the Virginia colony. Eighth Annual CUNA CFO Council Conference and Roundtable.*

CUNA CFO Council Chairman Scott Waite has become the first credit union representative ever chosen to serve on the high-powered Financial Accounting Standards Advisory Council (FASAC).

Waite is senior vice president and chief financial officer (CFO) for Patelco Credit Union in San Francisco. As a member of

FASAC, Waite will advise the Financial Accounting Standards Board (FASB) on how issues related to Generally Accepted Accounting Principles (GAAP) will affect credit unions.

"Credit unions have never been represented on the advisory council, and Scott Waite will make a great contribution for the credit union system," says Mary Dunn, CUNA senior vice president and associate general counsel. "His background and experience have given him the depth the advisory council is looking for."

In the application to nominate Waite, CUNA noted that Waite "is an active credit union CFO at the local, state, and national levels and is a frequent speaker at numerous industry events."

In addition to chairing CUNA's CFO Council,

Waite co-founded the California Credit Union League's CFO Leadership Council and the San Francisco CFO Roundtable. He was also a guest speaker at the latest CUNA Financial Management School.

CUNA emphasized in the application that Waite understands "how accounting issues impact not only the financial but also the strategic and operational aspects of an organization, based on significant senior management experience in multiple companies." For example, Waite also serves as CEO of his credit union's investment brokerage and insurance subsidiary. And he worked with Esurance.com to create the nation's first integrated auto loan and insurance Internet platform.

FASAC members are selected from the ranks of high-powered corporate CEOs and CFOs, senior partners of public accounting firms, executive directors of professional organizations, and senior members of the academic and analyst communities. FASAC will meet as a group four times in 2003.

"All have an interest in the integrity of full and complete financial reporting and disclosure," FASAC maintains. The only other financial institution representative is the CFO of J.P. Morgan.

"It is important to convene the council members as a group," says Chairman Richard Swift, "so that the board can hear the individual views of those members and so that the members can hear and respond to each other's views."

The council provides an important sounding board to help the FASB understand what constituents are thinking about a wide range of issues."

*This article is excerpted from CUNA's News Now*

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## 2003 Conference agenda focuses on success

Ninth Annual CUNA CFO Council  
Conference and Roundtable  
The Flamingo Hilton  
Las Vegas, Nevada  
May 18-21, 2003.

The CUNA CFO Council conference committee is working diligently on the agenda and details for the Ninth Annual CUNA CFO Council Conference and Roundtable. The theme of the 2003 conference is “Improving the Odds of Success.”

Committee Chair Christina Brown, along with committee members Alan Wade, Belinda Burke-Thacker, David Atkinson, Jay Scungio, Jean Herron, and Mark Caverly, and CUNA administrative manager, Pam Frey, are creating a compelling conference schedule.

The agenda for this exciting conference will be available soon on the CFO Council website. Keynote speaker Bill Strickland will deliver a message of changing distressed communities through education, cultural development and social enterprise. Strickland is president and CEO of Manchester Craftsmen’s Guild and the Bidwell Training Center.

The committee is planning a pre-conference workshop on the topic of Member, Household and

Product Profitability. Other conference topics:

- pricing business loans;
- ALM;
- secondary market options for mortgage loans;
- cash management;
- cost accounting;
- employee incentive plans;
- top 10 technology trends;
- investment strategies;
- current accounting issues;
- risk-based exams;
- participation loans;
- economic outlook;
- strategic thinking.

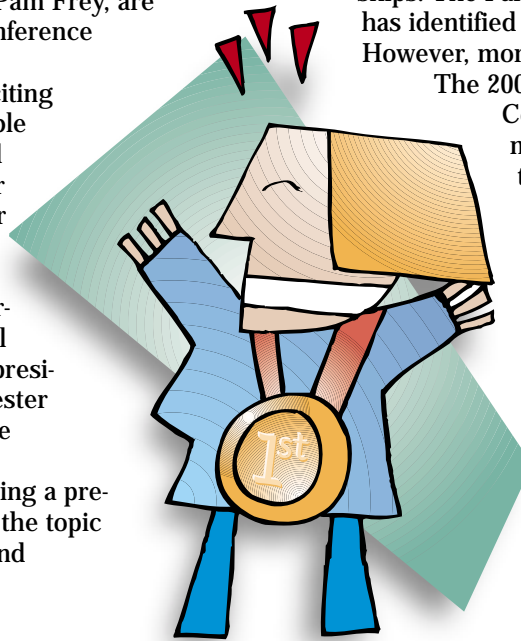
The committee is also pursuing sponsorships. The Partners in Finance program has identified several key vendors.

However, more sponsors are needed!

The 2003 CUNA CFO Council

Conference is sure to be a memorable one. Don’t miss this excellent opportunity to network with your peers. And be sure to consider participation in the event as you budget for next year’s activities. ♦

*If you have suggestions for potential sponsors, please forward them to Conference Committee Chair Christina Brown: [cbrown@xfcu.org](mailto:cbrown@xfcu.org).*



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## Regional Roundtable scores a bull’s-eye

A CFO Council-hosted one-day conference on economic outlook at the New Jersey League office has received exceptionally high marks from participants. “This was an excellent opportunity for credit union financial officers to compare their assessments of appropriate financial management strategies, and to be briefed by topnotch industry experts,” says Brian McVeigh, senior vice president/CFO, State Employees Credit Union, Lansing,

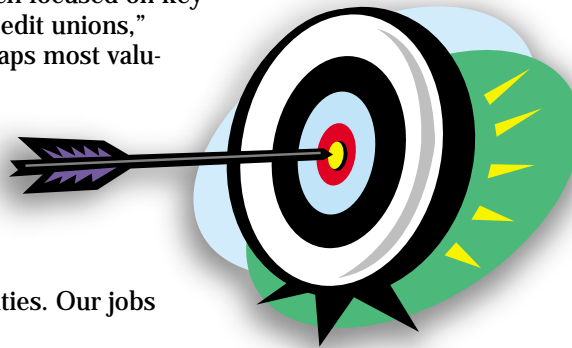
Michigan, and CFO Council executive committee member. McVeigh facilitated the conference, which was co-sponsored by the New Jersey and Oklahoma Credit Union Leagues.

The conference featured panel discussions on regulatory issues with NCUA supervisory examiner Hal Krause; and economic and investment insights with Brad Stewart, vice president, Mid-Atlantic Corporate FCU. Participants also received an overview of ALM

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strategies from Bart Salazar.

“We were particularly gratified by the enthusiastic response to the briefing we received from the NCUA, which focused on key financial issues for credit unions,” says McVeigh. “Perhaps most valuable in a meeting like this one is the opportunity to network with fellow CFOs, and discuss common challenges and opportunities. Our jobs



become more and more complex every day, and a one-day conference like this one gives us an extremely valuable resource at a very small investment in time.”

The credit unions in New Jersey, Pennsylvania, Connecticut, Maryland, New York and Delaware participated in the conference. ♦

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## HEARD IT ON THE LISTSERV

Hot topics and interesting conversations:

**Mid-term budget review:** Is it necessary? One member reports that his credit union is reviewing capital purchases, income and expense items, and growth rates; and establishing new projections and rate scenarios at mid-year.

The positive responses to this question come from credit unions that perform

- quarterly reviews and revisions, in consideration of current economic times;
- a mid-year revision that doesn't take as much effort as the full year budget;
- a full mid-year budget review depending how far loan and share growth and interest rates are off target.

The majority of respondents oppose a comprehensive mid-year budget revision. Instead they

- explain to the board any major variances to the budget;
- update forecasts each month;
- track for major variances to budget and report them on a monthly or quarterly basis;

Council member David Ness, MERCOCredit Union, suggests the following steps to a successful budget process:

1. Develop a strategy;
2. Develop a plan or budget based on that strategy;
3. Accumulate actuals as they occur;
4. Develop a forecast at least quarterly based

on current knowledge and recent actuals;

5. Explain to senior management and the board of directors significant variations to budget/plan, forecast and prior actuals.

“That way,” says Ness, “you don't mix apples and oranges. You aren't constantly changing the plan, merely updating your forecast. This will satisfy your CPA, examiners and the board. It also doesn't require you to go through all of the gyrations of a full budget process.”

**Fee income:** How to increase? The major contributors to most credit unions' fee income is NFS checks. One credit union charges \$22 per bounced check, another charges \$25, and a third cites loan late fees and NSF fees as its major sources of fee income.

Other contributors to fee income include

- one-time fees, such as loan origination fees of \$5.00;
- overdraft transfer fees;
- over-limit fees on Visa accounts;
- late fees;
- cash advance fees;
- charges for ATM withdrawals from savings accounts;
- fees for debit card orders;
- fees for various collection services;
- monthly charge on certain checking accounts.

Credit unions can improve fee revenue by annually reviewing existing fees and comparing them to the competition's fees.

**Delinquent Members:** Make their names public? Respondents said “no” because:

- Making the names of delinquent members public would compromise member confidentiality;
- Today’s privacy laws make it a precarious situation to reveal any information about anyone.

One member shared a different approach: encouraging members who are considering filing for bankruptcy to re-affirm instead. They do this by instituting a “reduced services policy for any member who caused a loss,” says the CFO. “We take away all their services, including check cashing, except for a regular share account. If the member reaffirms 100% of their debt, they do not lose their services and the credit union looks favorably on future credit requests. We find that by approaching

the member or his attorney with a positive attitude and explaining the benefits of reaffirmation, we accomplished much more than trying to punish the member.”

The biggest factor in turning the bankruptcy problem around has been changing the underwriting policies to shift more towards secured loans, and requiring co-signers on unsecured loans when the borrower has weak or poor credit. The credit union now also limits a member’s total unsecured debt (including all unsecured debt balances outside the credit union, and balances plus available balances on lines of credit) to the lesser of \$30,000 or 25 percent of annual income. As a result this credit union has decreased its provision for loan loss expense by almost \$2 million over the past four years. ♦

## E-Scan points to opportunities

### Small business services rank high

Providing small business services to members is one of the top ten insights chronicled in the 2002-2003 issue of CUNA’s *Environmental Scan*. The *E-scan* points out that there are 11 million U.S. enterprises at \$10 million and less in revenue, and that these small businesses account for 47 percent of all U.S. sales, employ 53 percent of the private nonfarm work force, generate 51 percent of the nation’s gross domestic product, and produce 55 percent of its technological innovations. In short, the market is enormous.

Providing financial services to these businesses may be the next great growth market for credit unions. Over the years, a number of service offerings have propelled credit union growth—notably share drafts and mortgage lending. Today’s small business market generates \$200 billion per year in financial services revenue.

Tapping the impressive and growing small office/home office (SOHO) market is critical to success, according to the *E-scan*. There are seven million businesses with annual revenues

between \$50,000 and \$500,000. Many SOHO entities are looking for financial services because current providers are not serving their needs.

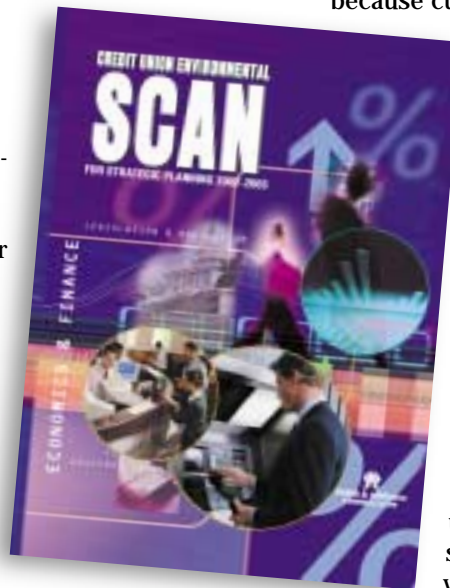
Additionally, credit unions have opportunities to provide these services to SEG groups.

But providing services to the small business market is more than making loans or attracting deposits. It is providing true business services—cash management, checking accounts, and payroll processing, for example—and being committed to servicing those accounts in good times and bad. Larger credit unions are already looking to serve this market, and others will soon follow suit, says the *E-scan*. ♦

### Seven service opportunities emerge

In addition to offering services to small business members, CUNA’s 2002-2003 *Environmental Scan* identifies seven additional opportunities for credit unions to expend their service delivery to members.

The *E-scan* sees a challenge to create services aimed at a broad spectrum of market segments, and an intense need for conscientious,



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focused, long-term educational programs. Members perceive credit unions as friendly, non-exploitive, high-touch organizations, which positions credit unions to acquaint vast numbers of people with the virtues of the movement.

Emerging service areas identified by the e-scan:

- Payday loan alternatives;
- Individual Development Accounts (IDAs);
- Retirement planning and savings services;
- Insurance programs;
- Trust services;
- Member education;

- Relationship banking.

Taken together, these product and service opportunities represent a tremendous opportunity to serve a market that includes 76 million baby boomers, and an even larger group of younger members in generations X and Y. The stakes are high, but so are the potential rewards. ♦

*This article is excerpted from the 2002-2003 Credit Union Environmental Scan for Strategic Planning. You may order this as a report, PowerPoint presentation or video by calling CUNA Customer Service, (800)356-8010, 4157.*

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## Council Membership Hits All-Time High

Membership in CUNA's CFO Council has reached an all-time high at 441. That compares to 382 in 2001, and reflects the growing value of council membership. Membership committee chair Jennifer Lehn says the council is well on its way to achieving the committee's goal of 460 members. "We're working hard to personally contact individuals who have attended past council events but are not currently members," says Lehn. "We also plan to contact former members to encourage them to reinstate their membership in this important peer group."

Current council members will receive renewal notices beginning in November for their 2003 membership. New members enrolling during November will benefit from

fourteen months of membership privileges for the price of twelve months. The membership committee includes Miles Strickland, Wilma Wells, Alan Wade, Derrick Peterson, and Pam Finch.

"The growth in council membership speaks well about the role we play in the professional lives of members," says Lehn. "In a business environment as competitive as we have today, having access to networking opportunities such as conferences and regional roundtables, and electronically through the council's listserv is invaluable to those of us intent upon helping our credit union's grow and succeed." ♦



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## WELCOME NEW MEMBERS

Thirty-five new members are on the CUNA CFO Council's roster. Join us in welcoming these expert lenders who have demonstrated their commitment to promoting professionalism among credit union leaders. We look forward to networking, freely exchanging ideas, and improving the overall effectiveness of our credit union's operations.

**Bonnie Humphrey Anderson**

OSU FCU  
Corvallis, OR

**Jacqueline Barner**

NationsHeritage FCU  
Attleboro, MA

**Renee Bouchee**

IBM Texas EFCU  
Austin, TX

**Carol Brown**

American Airlines FCU  
Dallas, TX

**Paul Christensen**

First Metropolitan CU  
Concord, CA

**Robert Falso**

Westerly Community CU  
Westerly, RI

**Virginia Farmier**

Northern Schools FCU  
Fairbanks, AK

**Joel Gallon**

IBEW Plus CU  
Las Vegas, NV

**Henry Garcia**

Robins FCU  
Warner Robins, GA

**Randy Graber**

Heritage FCU  
Newburgh, IN

**Kari Hassa**

LOC FCU  
Farmington, MI

**John Hendrix**

Santa Ana FCU  
Santa Ana, CA

**Robin Holtz**

Bragg Mutual FCU  
Fayetteville, OR

**Richard Jones**

TMB FCU  
Cabin John, MD

**Patricia Koriath**

CU of Texas  
Dallas, TX

**Timothy Kranz**

Vermont Development CU  
Burlington, VT

**David Larson**

Brainerd BN CU  
Brainerd, MN

**Dan Leclerc**

Park Side FCU  
Whitefish, MT

**Barbara McGuigan**

Anderson FCU  
Anderson, SC

**Donnelle Mihalik, CPA**

Kansas CU Association  
Wichita, KS

**Elizabeth Monroy**

First Educators CU  
Houston, TX

**Nicole Morris**

Vermont FCU  
Burlington, VT

**Karen Pellow**

Charlotte Metro CU  
Charlotte, NC

**Steven Potts**

Santa Ana FCU  
Santa Ana, CA

**Jennifer Quinn**

Justice FCU  
Chantilly, VA

**Joyce Rowles, CCUE**

Wheatland FCU  
Lancaster, PA

**Earle Shelner II**

Educ.Community CU  
Kalamazoo, MI

**Theresa Sherry**

Coors CU  
Golden, CO

**Carolyn Simmons**

Shell Community FCU  
Wood River, IL

**Kendall Speed**

Mutual Savings CU  
Birmingham, AL

**Michelle Stricklin**

Northwest Georgia CU  
Rome, GA

**Glenn Styer**

Bucks County Schools FCU  
Bristol, PA

**Gloria Thomson**

Kemba Indianapolis CU  
Indianapolis, IN

**Kerry Thurman**

BECU  
Seattle, WA

**Kit Wan**

California Bear CU  
Los Angeles, CA



*CFO News* is a web-based newsletter published bimonthly by the CUNA CFO Council. Send news and CFO Council information to Scott Waite, SVP/CFO, Patelco CU, San Francisco, CA, phone (415) 442-7158; fax (415) 442-7193 or Mike Lord, SVP/Comptroller, State Employees CU, Raleigh, NC, phone (919) 839-5084; fax (919) 839-5100. For council membership and administration information, call Pam Frey, manager of CUNA council administration, at 1-800-356-9655, extension 4141 or e-mail her at [pfrey@cuna.com](mailto:pfrey@cuna.com).

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