

All aboard for orientation

New board members require guidance and support.

Most credit unions welcome new board members each year. Because credit union boards are active, hard-working bodies, new members must come up to speed quickly.

They need to be able to participate in strategic discussions and decision-making immediately. The best practice to ensure new board (and committee) members aren't overwhelmed and can contribute from the start is a thorough orientation program.

Upon arriving at orientation, each new board member should receive materials with key background information about the credit union and its related entities. This includes a list of the current board and leadership, with names, titles, work and home addresses, email addresses, and preferred phone numbers.

Other materials to include:

- » **Recent financial statements** and/or the last audited financial statement.
- » **Literature** about the organization the board can use for community outreach.
- » **Publications** the credit union provides.
- » **Calendar** of events and meetings for the coming year.
- » **Bylaws**, articles of incorporation, standing rules, and policies and procedures.
- » **Mission statement** and strategic plan.

Officers, committee chairs, and key staff typically conduct the orientation, which should include a walk-through of the information provided. Most board

member orientations include:

- » **History** of the credit union and its purpose or mission.
- » **Discussion** of strategic plan and goals for the current year.
- » **Review** of financial statements, including an explanation of financial projections, risk areas, and any unique accounting considerations.
- » **Discussion** of the regulatory environment.
- » **Expectations** from the board and leadership.
- » **Presentations** by committee chairs about their committee responsibilities, including their focus for the coming year.
- » **Introduction** of key staff, who explain their areas of responsibility.

“**THE ORIENTATION** should include plenty of time for **QUESTIONS AND ANSWERS.**”

Cynthia JARBOE

Most importantly, the orientation should include plenty of time for questions and answers. Explain all of the acronyms every organization seems to create.

At \$5 billion asset Virginia Credit Union in Richmond, Va., we offer new board and supervisory committee members a tour of the operations center. The supervisory committee orientation goes into more detail about the audit process, and committee roles and responsibilities. We also discuss ongoing training opportunities.

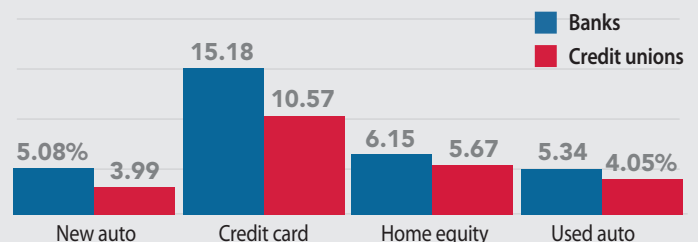
»continued

QUICK TAKE for your next board meeting

Credit union difference by the numbers

Credit unions charge consistently lower interest rates than banks across loan products, according to a data set CUNA acquired from Equifax. CUNA economists analyzed the data, revealing the price advantage credit unions provide consumers.

Average loan rates: banks vs. credit unions



Source: Credit Union National Association, 2022

Fiduciary responsibility may be a new concept to incoming board or committee members. It's probably the most important guiding principle of board service. Board members should never do anything that is or may be perceived as violating fiduciary responsibility or duty, or the legal obligation to act solely in another party's interest.

Parties owing this duty are called fiduciaries. Fiduciaries may not profit from their relationship with their organization unless they have the organization's express informed consent. They also have a duty to avoid any conflicts of interest between themselves and their principals.

As a reminder of their fiduciary responsibility, board members should sign a conflict-of-interest statement annually that indicates they have no conflict of interest, or asks them to list potential conflicts of interest. If, for example, their brother is a partner with the law firm the credit union uses, the board member should disclose that fact.

Each new board member should have a mentor to guide them through their first year. Usually, this is someone with similar interests who has served on the

board for a few years. A good mentor will:

- » **Ensure** new board members are introduced during meetings and social functions.
- » **Make** contact regularly during the first year to answer questions and keep new directors informed.
- » **Encourage** active participation.
- » **Ensure** board membership meets the new volunteer's expectations.
- » **Report** to the board chair any variances between expectations and experience.

New members may also have some idea of what committees they would like to serve on. Encourage new members to sit in on any committee that strikes their interest.

By the end of the orientation the new board member may feel a bit overwhelmed. However, they'll at least have some background and a mentor before going into your meetings.

CYNTHIA JARBOE is supervisory committee chair at Virginia Credit Union in Richmond, Va., and author of "A Guide to Nonprofit Board Success: Answering the Call of Leadership."

The evolving fraud landscape

Event examines today's top risks and detection strategies.

The importance of cybersecurity continues to grow as the world becomes more intertwined with technology. What's going on in the cybersecurity landscape? What types of fraud are affecting credit unions? How can they mitigate risks?

Security leaders addressed those questions at the 2023 CUNA Cybersecurity Conference with NASCUS.

A panel of credit union security leaders examined how the industry can close the cybersecurity talent gap.

Moderated by David Zuleski, chief information security officer at \$7.5 billion asset MSU Federal Credit Union in East Lansing, Mich., the group identified several ways to meet the challenge: flexible

work arrangements, investments in training, job automation, collaboration with other credit unions, the elimination of college degree requirements, and a focus on credit union culture.

Sean Murphy, senior vice president and chief information security officer at \$28 billion asset BECU in Tukwila, Wash., describes the five qualities of top cybersecurity staff:

1. Scalable. They must be willing and able to grow their skills to meet changing needs.

2. Transformative. "As a team, we need to develop the mindset that what got us where we are won't be good enough going forward," Murphy says.

3. Trusted. That's the core value credit unions provide members. "They need to trust that you'll handle their data appropriately," he says. "It all starts with trust."

4. Engaged. Employees must be involved, proactive, available, and curious. They must actively participate in business discussions and take initiative.

5. Agile. "Be flexible and adaptive to change because it's our only constant," Murphy says.

Jessica Cartrette, fraud specialist at \$1.1 billion asset REV Federal Credit Union in Summerville, S.C., says fraud and cybersecurity functions are better when they work together.

"We need to carry collaboration across departments," she says. "Fraud touches every area of the credit union. Make sure all departments are involved and aware of what's going on. We should work together and share information across the industry."

“

Fraud touches every area of the credit union. Make sure all departments are involved and aware of what's going on.

Jessica Cartrette

”

“Excellent conference to network, keep up to date and improve your impact as a board member.”

Bettina Tucci Bartsiotas
Director
UNFCU

**JAN 14-17, 2024
PUNTA CANA,
DOMINICAN REPUBLIC**

*CUNA Members save \$200
through Dec 14, 2023*



Immerse yourself in networking and insights for boards

CUNA

Credit Union Board of Directors

CONFERENCE

Experience a unique blend of networking and learning in a beautiful locale. Focus on the future of your credit union by gaining:

- Keys to maximizing board effectiveness
- New ideas and perspectives to share in the boardroom
- Insights from CUNA and other industry experts
- A solid network of credit union board members

Pack your bags for transformative insights and tropical tranquility!

2023-2024 CUNA Environmental Scan is available in these formats:



PDF: comprehensive report; combines industry insights with expert analysis



PowerPoint: complements the full PDF report; provides clear representation of data and report



Streaming Video: complements the full report and adds analysis, insights, context and background



Invaluable insights on trends that affect credit unions

CUNA Environmental Scan

Prepare for your strategic planning with the best industry trend information available. CUNA Environmental Scan (E-Scan) provides crucial analysis for navigating challenges and seizing opportunities.

Organized into 10 trend-based chapters, CUNA E-Scan outlines actionable insights from industry experts and practitioners, so you can keep your credit union ready to meet member needs.



GROW

your business.

And your relationships.

As a business, you want to grow the bottom line—for you as well as for your members. At TruStage™ we can help. With nearly a century of strength and expertise, our insurance, investment, and technology solutions will help you generate new revenue streams. And grow beyond.

Learn more at www.trustage.com/learn-more

Confidence at every stage

Insurance | Investments | Technology



TruStage™

TruStage™ is the marketing name for TruStage Financial Group, Inc. its subsidiaries and affiliates.

CORP-5613521.1-0423-0525

FedNow, RTP, and instant payments

New payment developments demand strategic responses.

The payments world is rarely boring, but a series of currently in-flight events offer the basis for important strategic conversations suitable for credit union boardrooms.

Modern commerce models are often enhanced by real-time money movement. Instant access to earned wages is a common example. The U.S. has long lagged on these capabilities, but changes are underway.

The Federal Reserve's long-awaited FedNow real-time payments system went live in late July, joining The Clearing House's real-time payment (RTP) solution in market. RTP launched in late 2017 and has gradually built volume, having processed more than 500 million instant, irreversible transactions.

“

Credit union leaders have a brief window to determine how they want to engage in this space.

Glen Sarvady

”

The Clearing House reports 350 participating financial institutions—including more than 75 credit unions—in its RTP network. Although the network is open to all financial institutions, The Clearing House is owned by 22 of the largest U.S. banks. This situation has presumably given pause to many of the country's roughly 9,000 smaller banks and credit unions.

The arrival of FedNow, which offers similar functionality but isn't directly compatible with RTP, is poised to alter that equation. Implementation for most credit unions will run through their core service providers, most of which are already integrating with the Fed and The Clearing House.

FedNow vs. RTP isn't necessarily an

either/or decision. Credit union leaders have a brief window to determine how they want to engage in this space before larger competitors and nonbank players accelerate active promotion of such features.

Financial fraud is always ripe for headlines, and defending against perpetrators requires eternal vigilance. Credit-push fraud has become the latest front in this battle.

The majority of consumer automated clearinghouse (ACH) transactions are debit pull, meaning that the consumer authorizes the payee (typically a business such as a utility or credit card issuer) to initiate a withdrawal. The payments can be reversed if a dispute is initiated, a relatively simple process with established biller relationships.

With credit push, another flavor of ACH, the payer issues the payment instruction, creating a loophole for fraudsters who can deceive a consumer into issuing such orders. These transactions can be reversed, but crooks usually withdraw the funds and close the account before the consumer realizes they've been duped.

Regulation E protects consumers against unauthorized transactions. While these payments were indeed authorized, it's no different from a victim handing \$20 bills to a con artist.

Regardless of a credit union's level of responsibility or ability to remediate, these negative experiences can erode member satisfaction. Some institutions opt to refund such payments as a goodwill gesture even if they can't be recovered—which arguably gives rise to further moral hazard.

Member education is one clear avenue of defense. But credit unions should set policy for dealing with these situations—especially with instant payments poised to increase such incidents.

GLEN SARVADY is managing principal at 154 Advisors. Contact him at glen.sarvady@154advisors.com.

Resources



▶ **CUNA board and committee solutions:** cuna.org/board



▶ **CUNA News Podcast:** news.cuna.org/podcast



▶ **CUNA Supervisory Committee and Internal Audit Conference, Dec. 4-6, Las Vegas:** cuna.org/sciac



▶ **2023-2024 CUNA Environmental Scan:** cuna.org/escan

Report outlines shortfalls of Durbin 2.0

Consumers would bear the financial impact of interchange regulation.

As big box retailers push Congress to impose government mandates on credit card payment systems and interchange, a new study from Cornerstone Advisors reveals how this would fragment competition within the credit card market: artificially pushing down interchange fees, affecting the viability of credit union credit card programs, and exposing consumers to more fraud.

“The True Impact of Interchange Regulation: How Government Price Controls Increase Consumer Costs and Reduce Security” focuses on the impact of the 2010 Dodd-Frank Act’s Durbin Amendment on debit card interchange. It also details how the Credit Card Competition Act of 2023—referred to as Durbin 2.0 in the study— would lead to the same types of problems as the original bill.

“Congress should not double down on a bad idea,” says Jason Stverak, CUNA’s deputy chief advocacy officer. “The first Durbin Amendment didn’t result in savings for consumers, and the exemptions for small financial institutions didn’t work. Consumers want safe, secure, and accessible credit.”

Glenn Grossman, director of research at Cornerstone Advisors and the report’s author, says the intent of the Durbin Amendment to lower prices didn’t work, with only 1% of retailers giving a price break to consumers. It created costs in banking services for the same shoppers who were supposed to receive cost savings from merchants.

Many financial institutions responded to revenue shortfalls with higher monthly fees and increased minimum-balance requirements.

“Think of it as regulatory ‘whack-a-mole,’ where a reduction in revenue from government regulation in one category forces multiple fee-generating categories to rise,” writes Grossman. “Debit and credit card price controls harm both consumers and the banking system. Given their much more limited resources, community financial institutions and the people they serve will suffer disproportionately from these rules.”

Another significant concern with Durbin 2.0 is increased fraud. Studies show 79% of consumers choose credit cards as a payment option because of their data security.

However, allowing merchants to choose a routing payments system based on the lowest cost, rather than the level of security it provides, puts consumers at risk. A more fragmented fraud landscape will likely result in increased fraud operating costs for payment networks and issuers, as using multiple payment networks will force fraud detection to the endpoints of the payment process—merchant acquirers and the issuing bank. This adds risk and cost.

Merchants would feel the pinch, too, especially smaller businesses. Consumers will likely spend less as they lose access to rewards programs and pay more in annual fees as card issuers look to recoup their revenue shortfalls.

“This bill would benefit big box retailers while creating difficulties for everyone else,” says Stverak. “We’ve seen the unintended consequences from the Durbin Amendment for more than a decade. These government mandates hurt consumers, small businesses, and the community financial institutions that work every day to help them succeed financially. Simply put: interchange works.”

“Congress should not double down on a bad idea.”

Jason Stverak

CREDIT UNION DIRECTORS NEWSLETTER

(ISSN 1058-1561) is published monthly for \$100 per year by the Credit Union National Association, 4703 Madison Yards Way, Suite 300, Madison, WI 53705. (Multiple-copy discounts available.) Also available as a downloadable PDF for an annual subscription rate of \$773. Periodical postage paid at Madison, Wis.

POSTMASTER

Send address changes to CREDIT UNION DIRECTORS NEWSLETTER, 4703 Madison Yards Way, Suite 300, Madison, WI 53705. Advertising is accepted only from reputable firms, but inclusion of advertising does not imply endorsement by the newsletter or CUNA Inc.

© 2023 Credit Union National Association Inc. All rights reserved.

EDITORIAL STAFF

MICHELLE WILLITS // publisher, mwillits@cuna.coop
BILL MERRICK // deputy editor, bmerrick@cuna.coop
RON JOOSS // senior editor, rjooss@cuna.coop

DESIGN AND PRODUCTION STAFF

CARRIE DOYLE // senior publications & digital design specialist, cdoyle@cuna.coop

CONTACT INFORMATION

EDITORIAL // 608-231-4076
SUBSCRIPTIONS // 800-356-9655, or cuna.org/directors