Your online connection to important information, service updates, and happenings for Pennsylvania credit unions

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# Tatural disasters such as flood, fire,

Make Your Credit Union's Disaster Recovery Plan Work

Natural disasters such as flood, fire, earthquake, and tornados affect thousands of people and businesses every year. It's easy to think it won't happen here, but disasters can occur unexpectedly and anywhere.

July 18, 2014

Families should have their own plans of what to do in the event of an emergency, how to prepare in advance – including assembling a supply kit, what action to take during a situation, and what steps to take after the event. Refer to www.Ready.gov for more information.

The NCUA requires every credit union to have a disaster recovery plan in place. But a plan is just a string of words unless you take three important steps, suggested by CUNA Mutual Group.

## 1. Practice the Plan—and Practice Adapting to Changing Events

If your employees have never seen and practiced implementing your disaster recovery plan, chances are it won't work when disaster strikes. (See page 2 for three effective training exercises.)

Your credit union's disaster recovery plan should explain how to orchestrate the actions of all of your employees, board members, and key allies in a situation where normal operations are interrupted.

But for a moment, think about your plan through the eyes of a single employee, any employee.

What would that one person do if he or she was suddenly thrust into the role of carrying out a key part of the plan with little or no assistance? This is why practicing your plan must be more than walking through a set sequence of events. Help employees envision reacting



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to changing circumstances, because, in an emergency, any one of them may end up having to make quick, important decisions.

#### 2. Set up an Emergency Communication Procedure

When disaster strikes and your insurance provider has been informed, your top priority should be communicating with employees to see who's available and who needs help. Then you need to share the plan for restoring service.

This means that before disaster strikes, employees must have an idea how to get in touch with the credit union in these situations. Every employee should have a "cheat sheet" to have at home that details the first steps to take: who to contact; whether to come to work (assuming it's safe to do so); and alternate locations at which to gather if offices/branches aren't accessible. The "cheat sheet" should include phone numbers and emails of other employees.

#### 3. Work Closely with Your Insurer

Working closely with your insurer after a disaster can make a huge difference in the time it takes your



credit union to recover. Each year, review coverages that relate to disaster recovery with your insurer. If your policy doesn't provide 100 percent replacement value for property, be sure the credit union is prepared for the co-pay. Also, take into account any property improvements made since the last time you updated your policy limits.

Look closely at your coverage limits for extra expenses involved in providing member service during disaster recovery. It's difficult to over-estimate what it will cost to run a credit union when a branch or main office has been damaged or destroyed.

Adequate "Extra Expense" and other coverage limits for buildings, business personal property, and data processing can be the major factor in how quickly and completely you can recover from severe damage and the indirect losses.

#### **Three Disaster Recovery Training Exercises**

Your credit union's disaster recovery plan isn't ready to do its job until you've tested it and worked out the bugs. These three training exercises can do that, and also make the plan real for the employees who may be implementing it under difficult circumstances.

Consider conducting at least one of these three practice methods every year:

#### 1. Preliminary structured walk-through:

Involve all the employees who play critical roles in conducting your credit union's business interruption procedures. Read through the plan together, step by step. Note any issues that arise during the walkthrough, and clarify them before moving on to the following simulations.

#### 2. Disaster simulation:

The most practical type of simulation may be the "table-top" format, where the exercise is conducted in a conference room or series of rooms, where employees can gather in functional groups. It generally takes two to four hours. You need a credible disaster scenario fully written, including a series of events that happen in timed segments. A facilitator explains the hypothetical events as they happen, and employees must carry out key elements of your business interruption plan.

#### 3. Technical "hot site":

Your plan should include procedures for running operations from alternate sites. The term "hot site" refers to a pre-determined facility where the credit union will have access to its data, and the ability to conduct transactions. This is a demanding test to set up, but it provides critical hands-on experience. A hot site test should require employees to mobilize in the remote facility, establish communications with the necessary employees and vendors, and perform actual processing.



#### **MBL** Conference

September 22-26, 2014 Eden Resort, Lancaster

If you are a branch manager, CEO or any other credit union staff member who has a desire to learn more about business lending, don't miss this opportunity to learn from Jeff Judy, Principal, Jeff Judy & Associates. Judy is in demand as a trainer as his practical, down-to-earth approach consistently wins him high ratings from participants in his seminars and workshops.

During his presentation, Judy will cover all the ins and outs of commercial lending basics. Participants will find themselves immersed in balance sheet and income statement basics, cash flow and debt service calculations to determine if the borrower can repay, business loan documentation basics, and portfolio management best practices.

What you'll learn in these three days include:

#### Day One

- Introduction of Credit Risk Issues
- Assessing Individual Credit Risk (PFS/1040 Tax Return)
- Accounting Review
- Introduction of Financial Analysis Process (Common Size, Ratios, and CF)

#### **Day Two**

- Financial Analysis (cont'd from Day One)
- Qualitative Risks (Industry, Business, Management)
- Anticipating the Future
- Credit Structure

#### **Day Three**

- Credit Structure (cont'd from Day One)
- Ongoing Monitoring/Relationship Enhancement

You are invited to come for part of the week-long conference or stay for the entire week. Find out more information about the MBL Conference or register today.

Tweets @PCUA #MBLConference

#### Products & Services \_

## Make Borrowing from Your Credit Union Easier with Point-of-Sale Financing

Is your credit union looking to deepen relationships with your existing select employee groups or with local retailers in your community? Many of these businesses have products that are easier for them to sell when they offer financing options. These businesses are looking for a better deal on the financing they offer to their customers. Your credit union can be their go-to lender for the majority of their point-of-sale loans with a lifestyle lending program using the tools from CRIF Lending Solutions.

Lifestyle lending goes by many names: Merchant lending, on the spot financing, point-of-sale financing, etc. All of it can be done when your credit union partners with local retailers (furniture stores, orthodontists, landscapers, to name a few), and is one very effective way to diversify your credit union's loan portfolio. With lifestyle lending services from CRIF Lending Solutions, credit unions can:

- Offer point-of-sale consumer financing for your members purchasing anything from ATVs to braces to appliances
- Increase loan volume and income from a new market
- Develop relationships with local businesses
- Deepen relationships with existing business members
- Engage new member relationships for cross-selling
- Build a pipeline of unsecured and secured loans
- Add new, profitable members
- Offer installment financing or interest free same as cash periods

A successful merchant lending program requires a successful start. Download your copy of the CRIF Merchant Lending Getting Started Checklist, and start expanding your lending market today. For more information, contact your Association Account Executive.

## Q&As: How Credit Unions Can Say 'YES' to More Small Businesses

By working with Newtek, The Small Business Authority, your credit union has more ways to say "yes" to members looking for loans to buy, grow or finance businesses. These Q&As explore the possibilities.

## Q: My credit union doesn't have the time or money to build business lending expertise. Plus, we're not able to take on more risk. Any ideas?

A: Yes, Newtek can offer your members small business loans from \$50,000 to \$5,000,000 and will pay you a substantial fee for directing that business to Newtek. Best of all, you can do that without credit risk or additional staff.

# Q: We're active in commercial lending and have a relationship with a CUSO to process our business loans. A number of loans have come in that just don't fit our box. Is there a way to satisfy more members and get the loans approved?

A: Absolutely. You can send these loan inquiries to Newtek. As an SBA-licensed non-bank lender, Newtek will help you get these deals done using its wider lending box. If Newtek funds a loan, you will earn a handsome referral fee. Even in today's tough economy, Newtek is providing small businesses with millions of dollars in financing, helping them thrive and grow.

## Q: What will it cost to offer member business services through Newtek?

A: There is no cost to the credit union. When you work with Newtek, it's as easy as asking members, "Can I tell you about the small business products we offer?" You submit a referral and Newtek does the rest — while keeping you informed every step of the way.

Learn more about Newtek, The Small Business Authority. For more information, contact your Association Account Executive.

#### **Five Decades of Volunteer Service Honored**

The Supervisory Committee of ARC FCU, Altoona, was honored recently by CEO Vic Gioiosa and Board of Directors President Richard Haines for their many years of voluntary service and deep-rooted commitment to ARC. Honored were Ted Adams, a Charter member of ARC who has served on various volunteer positions within the Credit Union since 1956; the late Jim Ziegler, who was one of the first Member Service Representatives for ARC and had also served on various volunteer positions since 1956; and John Valentino, who has been a long standing volunteer member of the Supervisory Committee.



Pictured from left to right: Ted Adam, Former Supervisory Committee Member; Gerald Ziegler, son of Jim Ziegler; John Valentino, Former Supervisory Committee Member; Vic Gioiosa, CEO; and Richard Haines, Board President.

#### Credit Unions in the News



For the the Erie SeaWolves "Good Deeds Day," Team Erie FCU raised over \$1,500 for the "Embracing Our Veterans" organization and collected a vanload full of food and supplies for "Project Support Our Troops." EOV Representative Kim Lengling and SeaWolves staffer are pictured with Erie FCU CEO Brian Waugaman, who also threw out the ceremonial first pitch.



White Rose Credit Union recently made a \$1,000 contribution to the York Rescue Mission from donations raised at its Annual Meeting. Pictured at the presentation is Mark Zigler, VP of Accounting, and received by Rev. Paul Gorog, Executive Director for the York Rescue Mission.





First Capital FCU staff prepare to stain buildings at Camp Echo Trail in Felton as part of the United Way Day of Action. From left: Wendy Bixler, Wendy Spangler, Kevin Linden, Alicia Venable, Tara Houser (front), Chuck Burkhardt (directly behind), Sue DeStephano, CEO Dennis Flickinger, Becky Braun, Bill Pacacha, Sharon Miller, Lisa Day, and Ed Fadely.



GCAFCU Shred Day 2014 — \$450 raised for the food pantry!



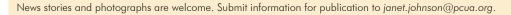


Grove City Area FCU recently held its annual Community Shred Day. Business Records Management provided a mobile shredding unit and an operator for three hours. Members of the community were invited to bring sensitive documents for secure shredding and recycling. During the event, non-perishable food items and monetary donations totaling \$450 were collected to benefit the Grove City Community Food Pantry.

LANCO FCU presented the Make-A-Wish Foundation of Philadelphia & Susquehanna Valley with a check for \$300. Pictured at right, Stacey Remick, President/CEO presents donation to Christine Dombrosky, Regional Events Manager for Make-A-Wish Foundation of Philadelphia & Susquehanna Valley.

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### Events Calendar

July

23 NCUA Workshop, Pittsburgh

#### **August**

10-14 Judge/Bradley Leadership School, State College

19-20 Big Ideas Conference, Bedford

#### **September**

4-6 Fall Leadership Conference, Seven Springs

22-26 Member Business Lending Conference, Lancaster

#### **October**

21-22 IRA Workshop - West, Mars

23-24 IRA Workshop - East, Grantville

Visit www.pcua.org
or contact the
Association's Education
Department for details
on education programs
and webinars.