

# KEYSTONE

## Extra

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## Top Five Predictions For Credit Unions In 2012

This past year was a whirlwind for the U.S. economy and credit unions trying to rebound from a lingering recession, persistent unemployment, a depressed housing market, and worldwide economic trouble, especially in Europe.

So what does 2012 have in store for credit unions?

Steve Rick, Senior Economist for the Credit Union National Association, shares his top five economic predictions for what credit unions will experience this year.

**1. Return of loan growth.** After three years of basically no growth, credit unions in 2012 will see the return of loan growth. "Loan balances will grow 3 percent next year, which is good, because we are, after all, credit unions," Rick said. "Although 3 percent is not great, it's better than zero."

Why will there be loan growth? Essentially, low consumer spending during the past three years has created substantial pent-up demand for durable goods — by definition anything that lasts three years or longer, such as cars, appliances, and furniture. "These are the types of items for which credit unions usually make loans," Rick said.

**2. A big improvement in loan quality.** Loan quality will strengthen and improve as reflected by a drop in the loan delinquency rate. For 2011, the loan delinquency rate for credit unions was 1.6 percent — which means for every \$100 in loans, \$1.60 is not performing



(paying interest), Rick explained. For 2012, the forecast is 1.35 percent.

Why the improvement? "Two reasons," Rick explained. "Strength of the economy and job growth. They will help people stay current on their loans, and those who are delinquent to get caught up on their payments."

**3. A nice drop in credit unions' provision for loan losses.** This is a ramification of significant improvement in loan quality. "We expect the provision to be down to 40 basis points of average assets in 2012 from 51 basis points in 2011," Rick said. "In 2007, it was 43 basis points. So in 2012, we predict it will be lower than — at 40 basis points — pre-recession levels."

The recession started in December 2007, Rick said.

**4. Credit unions' bottom lines should improve.** In 2012, credit unions' return on assets (ROA) — which is net income divided by average assets — should be 85 basis points, or 0.85 percent, up from 70 basis points, or 0.70 percent, in 2011, Rick said. The 15-basis-point jump is forecast because of better provisions for loan losses engen-

dered by better loan quality mentioned earlier. Also, the corporate stabilization assessment will be nine basis points of insured shares in 2012, according to National Credit Union Administration estimates. (The assessment was 25 basis points in 2011.)

“That drop will help boost credit unions’ bottom lines,” Rick said.

5. **Credit unions will have turned the corner when it comes to allowance for loan losses.** The allowance for loan-loss ratio is the allowance for loan losses account relative to total loans. In other words, out of all the loans that credit unions have on their balance sheets, what percentage of them are bad loans?

“The allowance ratio was a little over 1.6 percent in 2011,” Rick said. “It was 0.7% before the recession. For 2012, it will continue to trend downward. Because of the better credit-quality outlook for 2012, credit unions may have overfunded their allowance account and will let it run down next year.

“For the first time in five years, credit unions in 2012 will keep loan-loss provisions — because that allowance has been built up over the past few years — less than net loan charge-offs,” he explained. “That will bring down the allowance for loan-loss accounts in absolute (dollar amounts) and relative terms (percentage of total loans).”

## CUNA GAC: Powerful Cause. Positive Effect.

The CUNA Governmental Affairs Conference is the premier conference to attend for political impact, credit union networking, and industry issues. With an election year upon us, and bankers converging on Capitol Hill during the GAC, it’s more important than ever for credit unions to represent the movement in Washington, D.C.

The 2012 GAC will take place March 18-22 at the Washington Convention Center.

This year’s keynote speakers include former U.S. Secretary of State Condoleezza Rice; America’s most-famous journalistic duo, Bob Woodward and Carl Bernstein; and Washington’s most-trusted voice on political campaigns, Charlie Cook.

Carrie Wood, CEO of Timberland FCU in DuBois, has been selected as the first winner of the Pennsylvania Credit Union Association’s Paul E. Kanjorski Advocacy Scholarship to attend the 2012 CUNA Governmental Affairs Conference in Washington, D.C.

Wood has been involved in credit unions for more than 13 years, and is a member of the PCUA Regulatory Review Committee. She most recently spent time with Speaker of the House Sam Smith, to educate him about credit unions.

If you have questions about the CUNA GAC, please contact Christina Mihalik, Association VP, Governmental Affairs, ext. 5282.

For more information, visit [gac.cuna.org](http://gac.cuna.org).



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## Compliance & Operations

### Precautions to Avoid ATM Fee Lawsuits

A new wave of lawsuits have been filed against credit unions for failing to properly disclose ATM fees on signage or missing signs. The lawsuits allege violations of the disclosure provisions of the *Electronic Funds Transfer Act (EFTA)*, also known as the Federal Reserve Regulation E.

When credit unions charge a fee to a consumer using a non-credit union ATM network card or debit card, Section 205.16 of the EFTA requires:

- Posting a sign in a prominent and conspicuous location on, or at every ATM owned or operated by the credit union, stating that a fee will (or may) apply (It is not necessary to include the amount of the fee on the sign).
- Disclosing the fee on the terminal screen or paper notice before the consumer is committed to paying the fee.

Section 205.9 of the EFTA also requires the amount of the fee to appear on the receipt. A violation of Reg E could result in a fine of up to \$500,000, plus costs and attorney fees based on a class action filing.

To ensure ATMs meet Reg E’s signage requirements, credit unions should follow these recommendations from CUNA and CUNA Mutual Group:

- ATMs should be inspected at least weekly or when the ATM is serviced – whichever is more frequent. Take a photo of ATM during inspection and log it.
- Maintain a supply of signs/stickers for ATMs so that defaced or missing signage can be replaced immediately.
- Periodically test the ATMs using a non-credit union issued ATM network card or debit card to confirm the fee appears on the screen and transaction receipt.
- Consider placing a general signage notice on the ATM stating: “A fee will [or may or specify transactions to which a fee will apply, if applicable] be imposed for providing electronic funds transfer services [or a balance inquiry].”
- Confirm ATM fees are properly disclosed on the machine, screen, and on the transaction receipt.

If you have any questions about these requirements, please contact the Association’s Compliance & Operations Department.

## Education & Professional Development

### Registration Open for March CEO Leadership Workshops

The current environment has provided a spotlight for credit unions to make a far greater impact in the financial marketplace. As a credit union leader, what do you need to do to position your credit union to take advantage of the opportunity?

Jim McCormack, Association President/CEO, will lead a discussion on the emerging issues that will impact the growth of Pennsylvania credit unions in 2012 during the **2012 CEO Leadership Workshops**: March 27 in Pittsburgh, or March 28 in Harrisburg.

Additional topics include a presentation from Jane Walters, Regional Director for NCUA, who will provide an insider's view on examination hot topics and priorities in compliance. Test your skills, knowledge, and commitment to performance management during a discussion with Mike Dougal, SPHR Director, HR Consulting, and hear from the Association's Sandi Carangi, Director, Credit Union Marketing Services, as she presents inexpensive and easily implemented marketing tactics for member acquisition and retention strategies.



Reserve your spot today! Pittsburgh participants, [register here](#). For the Harrisburg session, [click here](#).

### ACH Rules Update Webinar: NSF Fees & New ACH Rule

Live Webinar Thursday, January 19, 3:00-4:00 p.m. or On-Demand Option

This webinar will bring you up to speed with the NACHA Operating Rule changes that you'll need to understand to stay in compliance with the NACHA Operating Rules, including:

- Changes making the TEL Recurring
- Expansion of the R07-Authorization Revoked return reason code
- New Return Fee entry

This webinar will examine the changes slated for 2012 and provide a sneak peek into the rule changes on the horizon. This informative session will be beneficial for ACH operations, compliance officers, and AAP candidates.

For more information and to register, [click here](#).

## Products & Services

### CO-OP Network: Your Link to Surcharge-Free ATMs Everywhere

Popular Pennsylvania retailers and cities across the nation may not be the first places that come to mind for Pennsylvania Credit Union Association-affiliated credit unions seeking stronger ties to their members. With the extensive reach of CO-OP Network ATMs, CO-OP Financial Services has demonstrated just how productive these locations can be when they connect consumers to an ATM fleet that provides exceptional access and convenience.



CO-OP Network has been called the best-recognized, highest-quality network of its kind. With more terminals than any bank in the nation, its fleet of 28,000 ATMs provides surcharge-free access in all 50 states and 10 countries. CO-OP Network also includes surcharge-free ATMs at 7-Eleven, Cumberland Farms, Costco, Publix, and Walgreens locations coast to coast. This further expands the relationships between credit unions and their members, by allowing easy transactions at secure locations where members already shop.

A suite of locator tools lets credit unions offer members a variety of ways to make full use of CO-OP Network ATMs, and reinforces relationships with tech-savvy users. These tools include:

- Free iPhone downloads from Apple's iTunes App Store
- Receive text directions by texting a current address, intersection, or ZIP code
- Download a complete database of all 28,000 surcharge-free ATMs to a personal GPS device
- Use online and 24/7 automated telephone locator tools

CO-OP Network offers credit unions a marketable advantage, by leveraging the individual efforts of participants to build awareness and recognition of their network-linked ATMs. The CO-OP Ad Lab, a turnkey marketing communications service, offers a full complement of materials, including a high-visibility signage program that brings a professional and consistent look to all network terminals. Credit unions can receive subsidies of up to \$400 per terminal toward the cost of display, topper, and adjacent banner signage.

The benefits of CO-OP Network are easy to add. Turnkey implementation services provide all the technological expertise required, and complete management support minimizes operational concerns. CO-OP Network makes it possible for even the smallest credit union to offer this benefit to members.

For more information, visit [www.co-opfs.org/grow](http://www.co-opfs.org/grow) or contact your PCUA Account Executive.



Patti Columbe (left), CEO, Keystone United Methodist FCU, and Mark Griffith (right), Board Vice President, present a check for \$10,000 to Greg Cox, Director of Connectional Ministries of the Western PA United Methodist Conference, and Pat Morris, Treasurer. The funds were raised through the credit union's Mission Visa program and are designated for the New Church Start Program.



Members 1st FCU officials and business partners break ground for a new full-service branch to be located in Duncannon. The credit union's 51st branch is expected to open in early spring.

**January**

14-18  
CEO Summit,  
Key West, Florida

16

Martin Luther King, Jr. Day  
Federal Reserve Bank  
Holiday

**February**

20  
Presidents Day  
Federal Reserve Bank  
Holiday

**March**

18-22  
CUNA Governmental  
Affairs Conference (GAC),  
Washington, D.C.

27  
CEO Leadership Workshop,  
Pittsburgh

28  
CEO Leadership Workshop,  
Harrisburg



AmeriChoice FCU employees participated in Project Giftbox through the Mechanicsburg School District, and provided Christmas gifts for 20 needy children in the Southcentral PA community.



TruMark Financial Credit Union employees sponsored a food drive and donated 1,420 pounds of food to the Pennel Food Pantry in Lower Bucks County. From left: Wanda McConnell; Cheryl Verros; Michael Manorowitz; Zakee Parker; and Michael Olenick, Manager of the Pennel Food Pantry.



LANCO FCU employees Amy Good, Cathy Stening, Stacey Remick, Nicole Jones, and Patty Findley, volunteered at the United Disability Services gift wrapping booth at Park City Center, helping to raise more than \$850 in just four hours.

Below: Service 1st FCU Security Specialist Dave Shope (left) and Branch Manager Tom Rambo (right) present a \$250 check, along with donated clothing, to Danville Community Christmas Tree Program Chairman Red Swank.



Left: Clearview FCU CEO Mark Brennan (left) and former President/CEO Joseph Cirelli (right) present the Joseph C. Cirelli Community Service Award to Mary Czemerda. The \$2,500 award will be donated to the Lower Burrell Meals on Wheels, where she volunteers.



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