

# KEYSTONE

## Extra

July 20, 2012

Volume 43 Issue 15

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## First Quarter Data Reveals PA Growth in Assets, Loans, Savings & Members

First quarter 2012 figures show that assets in Pennsylvania's 520 credit unions annually grew by 6 percent to more than \$37 billion dollars.

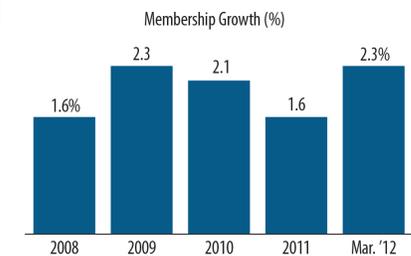
Additionally, membership in Pennsylvania credit unions grew by 2 percent to 3.7 million members. In early 2012, Pennsylvania's credit unions grew in all areas: assets, loans, savings, and members.

An analysis of the first quarter data for both Pennsylvania and national credit unions is included in the Pennsylvania Credit Union Association's new and enhanced *Pennsylvania Credit Union Profile*. The report also compares credit union statistics to commercial banks and details other economic indicators, such as unemployment rates, housing prices, and inflation rates.

First quarter data collected by the NCUA demonstrates that credit unions in Pennsylvania grew from the prior year by: 6 percent in assets, 4 percent in loans, 6 percent in savings, and 2 percent in membership. Nationally, credit unions grew by 7 percent in assets, 2 percent in loans, 7 percent in savings, and 2 percent in membership. There are 7,162 credit unions operating in the United States with more than \$1 trillion in assets and 94 million members.

"We are pleased with the new and improved Pennsylvania Credit Union Profile," said Association President/CEO Jim McCormack. "Providing statistical analysis regarding the state of an industry is an important function of a trade association. Our improved version continues to do this and also provides comparisons of credit unions to banks and other economic indicators that impact operations," said McCormack.

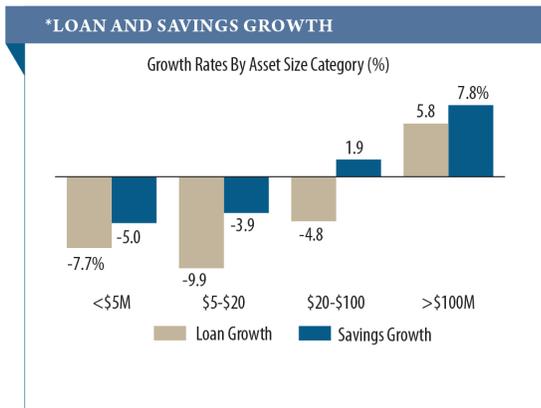
\*MEMBERSHIP TRENDS



The report says that the national economic recovery continues but is disappointing and is vulnerable to external shocks. Uncertainty related to the Eurozone debt crisis and the year-end U.S. fiscal cliff is causing many businesses and consumers to delay purchases and hoard cash.

Three months of feeble job gains suggests the recovery may be in trouble. Consumer confidence has declined recently, threatening consumer spending which makes up 70 percent of the economy. The housing sector, which for many years dragged down economic growth, is now expanding and contributing to economic growth. The headline rate of inflation is falling as retail energy prices come down, increasing households purchasing power. The Federal Reserve expanded "operation twist" at its June Federal Open Market Committee meeting. They will sell \$267 billion of less than 3-year Treasury securities and buy the equivalent amount of 6-30 year bonds in an attempt to drive down long-term interest rates and stimulate aggregate demand.

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Pennsylvania credit union financial performance indicators showed broad-based improvements in the first quarter:

- Loan balances increased 0.2 percent in the first quarter of 2012, up from a -0.9 percent decline in the first quarter of 2011. A 1.6 percent growth in the first mortgage loan portfolio was the major driving force for the increase in loan balances. Consumers continued deleveraging their home equity loan balances which fell -0.6 percent.
- Pennsylvania credit unions reported strong net membership growth in the first quarter. Net memberships grew by 22,000 to reach 3,676,000 in the first quarter, a 0.8 percent increase.
- Asset quality continued to improve. Overall, 60+ day dollar delinquencies declined to 1.07 percent in the first quarter — a 0.12 percent decline compared to the fourth quarter of 2011. Net charge-offs declined to 0.52 percent in the first quarter — a 0.11 percent decline compared to the fourth quarter. Furthermore, the Pennsylvania credit union delinquency rate is almost less than one-half that reported by Pennsylvania banking institutions.
- Pennsylvania credit unions reported first quarter earnings of 0.84 percent, as a percent of assets. But with savings and assets growing quickly the net worth-to-asset ratio fell to 10.5 percent, slightly above the national average of 9.9 percent. The percentage of Pennsylvania credit unions considered “well capitalized” (with PCA net worth above 7 percent) fell to 95.0 percent from the 95.2 percent reported in the fourth quarter of 2011.

Looking ahead, weak economic growth is expected for the remainder of 2012 due to consumers and businesses taking a wait and see approach to spending. With this backdrop, credit union operating results should generally reflect modest improvement.

The *Pennsylvania Credit Union Profile* is a dues-supported publication from your Association.

## Education & Professional Development

### Understanding the Power of Tweets, Blogs, Status Updates, & Video

**Social Centric Conference**  
October 10-11, Harrisburg

Today’s tech-savvy consumers have created an environment where members interact with not only their friends and family, but also their credit unions — from anywhere!

With so many tweets, status updates, blog posts, and videos circulating, it can be a challenge to learn how to effectively use social media, let alone the idea of finding and interacting with the influencers within the virtual world. It’s no wonder so many of us feel overwhelmed by the task of integrating all media channels into one cohesive marketing strategy.

The speakers at the Social Centric Conference will discuss some of the major trends occurring today, what’s emerging, and how credit unions can harness the



power of a strong social media strategy. You’ll hear from experts, both in the credit union movement and in the marketing industry, including Kristen Christian, founder of Bank Transfer Day, who will join us for a Panel Discussion, and also share her story: *Partnership for Prosperity*. Kristen will examine the values and goals of a new, social generation, and how your credit union not only reaches them but positively impacts their buying decisions.

Matt Hodson, a volunteer on the CUNA Marketing and Business Development Council, will put a “punk rock” spin on social media strategy. The Social Centric Conference covers a wide array of topics including:

- Social media overview, marketing integration, and emerging technologies
- Social media optimization & monitoring
- Do’s & don’ts: rules of engagement
- Social media mindset: bridge the gap
- Legal considerations
- In-depth look at LinkedIn
- Lunch & learn sessions with Bob

For more information and to register, visit [www.pcu.org](http://www.pcu.org) and select the Education link, or contact the Education department at [education@pcua.org](mailto:education@pcua.org).

## Products & Services

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### Independent Financial Advisors Give Credit Unions a Double-Booster Shot to Capital

If your credit union's capital ratio has taken a hit from increasing deposits and slow loan growth, you're undoubtedly ramping up your pursuit of non-interest income. You may also be offsetting the cost of deposits through bonds and other investments. But if you don't offer members access to a financial advisor affiliated with your credit union, you're sacrificing a way to meet both objectives — generating income while moving deposits off your books — at the same time.

When credit union capital ratios routinely averaged above 11 percent to 12 percent and loan growth was steady, some credit unions considered financial advisors an unnecessary drain on deposits. Even credit unions that saw the wisdom of this valuable member service couldn't always generate enough business to support an advisor, either as an employee or a contractor.

These barriers, however, aren't standing up to today's economic realities and tomorrow's growing wave of baby boomer retirements. More members will need qualified financial guidance every year. And even smaller credit unions now have options for providing this service.

#### Create a strong advisor alliance

Credit unions and independent financial advisors face the same struggle for income. By now, advisors operating as sole proprietors who generate all of their own leads are either among the best in their business, or they're out of business. Conditions are perfect for an alliance that will benefit these proven survivors, a credit union, and its members.

While your credit union provides an advisor a stream of referrals, the advisor shares a portion of revenues from members with the credit union. Your credit union also enhances its profile as a primary financial institution, especially if the advisor is in a branch at least part-time. [CUNA Brokerage Services](#), through CUNA Mutual Group, is the tool to create a strong advisor alliance.



#### If you don't offer this service, a competitor will

How much of your members' retirement planning dollars are flowing out of your credit union to competitors? Beyond the leverage an allied financial advisor gives you over your capital ratio, this is simply a member-service issue. Providers of retirement and investment services are likely to be cross-selling loans, loan protection packages, credit cards, and other products your credit union offers.

Philip Lambing, Jr., is the Independent Advisor Manager for CUNA Brokerage Services Inc. Member FINRA/SIPC. He recently completed his 30th year in the investment services business and resides in Doylestown, PA.

For more information about partnering with an independent financial advisor, contact him at [phil.lambing@cunamutual.com](mailto:phil.lambing@cunamutual.com), or at 215-340-1856, or reach out to your [Association Account Executive](#).

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### Putting Your Credit Union's Interest Rate Risk Policy into Practice

Has your credit union documented its IRR Policy? Do you have an ongoing IRR program that will meet NCUA's specifications?

NCUA's new Interest Rate Risk regulations prescribe the development of a full IRR policy and an ongoing program of IRR measurement specific to each credit union in order to control credit unions' collective risk and ensure future NCUSIF coverage. Examiners will be evaluating IRR programs with attention to factors such as your methods and schedule of IRR measurement, identification of acceptable risk levels, internal controls for measuring and managing

IRR, and development of corrective actions if risk limits are exceeded.

[AdvantEDGE Financial Services™](#) assists credit unions in the process of understanding NCUA's new regulations and developing an IRR policy and management program. They can help you implement an IRR analysis method, understand results, and develop best practices for managing IRR that are consistent with NCUA's recommendations.



To learn more about AdvantEDGE's policy review and development services for ALM, IRR, and portfolio investing, please contact your [Association Account Executive](#).



Members of Sun East FCU's Board of Directors and management, along with officials from Concord Township, pose outside of the newly-constructed Concordville branch.



Participants had fun making a splash into 700 gallons of gelatin at the 19th Annual Gelatin Olympics, sponsored by American Heritage FCU, which raised \$25,000 for the Children's Seashore House at the Children's Hospital of Philadelphia.



Traci Donahue (center), CEO of Horizon FCU, presents the 2012 scholarship awards to Leah Winner, a graduate of Montoursville Area High School, and Daniel Hamm, a graduate of Loyalsock Township High School.



Cross Valley FCU recently celebrated the grand opening of its Pittston Branch with a ribbon-cutting ceremony. Participants included credit union management, board directors, and Scottie Saver.



Kayla Lewis, First Capital FCU MSR and Book Nook volunteer, stamps hands as people enter the York Hospital Auxiliary's Book Nook Bonanza sale.



Diamond Credit Union raised over \$10,000 in its Seventh Annual Bingo Event to support the American Cancer Society Relay For Life. More than 230 players had a choice between Vera Bradley or Coach bags for prizes.

## Events Calendar

### August

5-9  
Judge/Bradley Leadership School, State College

23-24  
Big Ideas Conference, Bedford

### September

3  
Labor Day  
Federal Reserve Bank Holiday

6-8  
Fall Leadership Conference & Expo, Seven Springs

26-27  
Payment Systems Conference, Pittsburgh

### October

10-11  
Social Centric Conference, Harrisburg

18  
International Credit Union Day

18-20  
Volunteer Development Conference, Skytop (Poconos)

Keystone Extra is published bi-weekly online by the Pennsylvania Credit Union Association  
4309 North Front Street, Harrisburg, PA 17110-1618  
800-932-0661 • [www.pcua.org](http://www.pcua.org)

President/CEO: Jim McCormack  
Managing Editor: Diane Powell, Director, Communications  
Editor: Janet Johnson, Communications Specialist

News stories and photographs are welcome. Submit information for publication to [janet.johnson@pcua.org](mailto:janet.johnson@pcua.org).



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