HIGHTSTOWN, N.J. – Just as the traditional New Year song “Auld Lang Syne” ponders what should carry over into the New Year and what should be left behind, the League has also been reflecting on what successful programs and initiatives it will continue into the New Year and what—if anything—no longer serves members effectively.

2016 has been a year of change, transition, and growth for the League, with myself joining as CEO, the Web sites and Daily Exchange being redesigned and refocused, and much more. And, over the past few months, we’ve been rolling out the first wave of new initiatives for 2017—including the Legacy Series blog, free monthly compliance update Webinars, and timely and relevant education workshops, just to name a few.

As our incoming Chair Andy Jaeger pointed out in his recent blog post, the League has embraced a new focus and a new direction with renewed energy.

With this new perspective, the League has identified an initiative that we will discontinue in the New Year…what you are reading right now, the monthly Exchange newsletter. In a world of up-to-the-moment news available at your fingertips, wrapping up the last 30-or-so days of industry news seems redundant. To make it easier for our members to connect directly with the content they need, we’re instead sending relevant messages to our targeted lists (management, legislative and political, young professionals, Reality Fairs, etc.) as it happens.

You can easily sign-up for our communications lists based on your role at the credit union and your interests by filling out the communications sign-up form on our Web site.

In addition to these targeted emails, we are continuing to publish The Daily Exchange Monday through Friday, but you may have noticed its new format. You can quickly scan the headlines, find topics that interest you, and click through to the full article. These articles all live on the League’s Daily Exchange Article page of its site and are categorized: League News, Legislative & Political News, Compliance & Regulatory News, Industry News, Credit Union News, and Risk Alerts.

So, as we say good-bye to the monthly wrap-up, you can say hello to a reinvigorated and more relevant communication effort from the League that will better serve you.

I wish you all very happy holidays and look forward to helping drive your success in the New Year.

Sincerely,
David Frankil
President/CEO
New Jersey Credit Union League
A collaboration between

New Jersey Credit Union League
Pennsylvania Credit Union Association
MDiDC Credit Union Association

Credit Union Reality Check
2017
March 20-22, 2017
Harrah’s Resort, Atlantic City
www.CURealityCheck.com

Keynote Speaker
Jeffrey Hayzlett

Jonah Berger
NY Times Best-Selling Author of “Invisible Influence: The Hidden Forces that Shape Behavior” & Marketing Professor at the Wharton School at the University of Pennsylvania

Doug Duncan
Senior VP and Chief Economist, Fannie Mae & one of Bloomberg/ BusinessWeek’s 50 Most Powerful People in Real Estate

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As we reach the end of another year, you may have noticed some significant changes on the horizon. If you attended the Annual Meeting and Convention in October, you heard first-hand about the impactful workshops planned for 2017 (see below).

The League also just introduced a new Webinar partner CUWebinars.com, which brings different speakers and topics to an already robust Webinar offering that we provide through Financial Education Webinars. In addition to those Webinars, we are increasing our ability to connect with you using our event software (Cvent) as well as a new digital meetings/Webinar platform (Zoom). That and an increasingly user-friendly Web site make for some exciting times here at the League!

Our goal is to connect with you and make education attainable, affordable, and relevant. We will continue the programs that work, such as roundtables, NJ DNA, and the Small CU Collaboration Group meetings while offering new programs and opportunities to connect with us. For instance, the New Year will bring monthly compliance Webinars moderated by our VP of Compliance & Regulatory Affairs, Nicola Foggie. Keep a look out for other Webinars and updates like the recent Political & Legislative Update by our VP of Corporate & Governmental Affairs, Chris Abeel.

We will leverage this new technology to bring education to you – be it to your conference room, your desktop, or even to your phone.

Get ready for some exciting times as we look for opportunities to connect, educate, and impact your ability for growth and success!

**New, Exciting Offerings Coming in 2017**

**Education Update**

**New Workshops in 2017!**

- **Field of Membership Expansion:** Jan. 17
- **Branch Transformation Workshop:** Feb. 7
- **Core Processing Workshop:** Mar. 7
- **All Things Mortgage: Get in the Game:** Apr. 11
- **All Things Mortgage: Step Up Your Game:** June 11
- **Growth in Lending:** TBD
- **Management Development:** TBD

Sessions to be held at a Central N.J. Location TBD

*Stay tuned for more information.*
WASHINGTON – Representatives of NJCUL member credit unions joined NJCUL President/CEO David Frankil and Vice President of Corporate & Governmental Affairs Chris Abeel to advocate on credit unions’ behalf during the League’s annual N.J. Day at Credit Union House Tuesday, December 6.

Open to all member credit unions at no charge, the event offered a valuable opportunity to hear from key Washington players on what to expect in the year ahead, and communicate credit union legislative and regulatory concerns and priorities for the 115th Congress.

The day kicked-off with political, legislative, and regulatory briefings by key CUNA staff followed by an economic update by CUNA Chief Policy Officer Bill Hempel and meetings with N.J. delegation members Congressmen Bill Pascrell (D-9) and Donald Norcross (D-1). Congressman Tom MacArthur (D-3) was scheduled to meet with the group but had to cancel at the last minute due a congressional vote.

A senior member of the House Ways & Means and Budget committees, Rep. Pascrell is a long-time credit union supporter who has been an MBL reform co-sponsor, and pledged publicly to support preservation of the credit union tax status.

Completing his first full term in Congress, Rep. Norcross serves on the Budget and Armed Services committees. While serving in the N.J. Senate before his election to Congress, he cast votes in favor of two NJCUL legislative initiatives: measures to allow credit unions to become eligible municipal depositories (GUDPA) and to expand the state’s Credit Union Advisory Council (CUAC) to provide for representation of federally chartered credit unions.

In addition to Frankil and Abeel, credit union professionals and volunteers participating in this year’s N.J. Day at Credit Union House included NJCUL Board Chair, Credit Union of New Jersey President/CEO, NJCUL Board Chairman, and N.J. Credit Union Advisory Council member Andy Jaeger; Credit Union of New Jersey Board Chair Gary Chizmadia; Aspire FCU President/CEO Tom O’Shea; Aspire Board Chair Jim Ostaszewski; Aspire FCU Board Vice-Chairman Neal Holtzer; Aspire FCU Board Director Manny Weiss; and Newark Board of Education Employees FCU Board Member Shirley McClinton Watson.

Pictured from left to right: NJCUL VP of Corporate & Governmental Affairs Chris Abeel; Credit Union of New Jersey Board Chairman Gary Chizmadia; NJCUL President/CEO David Frankil; Credit Union of New Jersey President/CEO, NJCUL Board Chairman, and N.J. Credit Union Advisory Council member Andy Jaeger; Congressman Donald Norcross (D-1); Aspire FCU President/CEO and CFPB Credit Union Advisory Council member Tom O’Shea; Newark Board of Ed Employees Credit Union Board Director Shirley McClinton Watson; Aspire FCU Board Chairman James Ostaszewski; and Aspire FCU Board Vice-Chairman Neal Holtzer.

Pictured from left to right: NJCUL VP of Corporate & Governmental Affairs Chris Abeel; Credit Union of New Jersey Board Chairman Gary Chizmadia; NJCUL President/CEO David Frankil; Congressman Bill Pascrell (D-9); Newark Board of Ed Employees Credit Union Board Director Shirley McClinton Watson; Aspire FCU President/CEO and CFPB Credit Union Advisory Council member Tom O’Shea; Credit Union of New Jersey President/CEO, NJCUL Board Chairman, and N.J. Credit Union Advisory Council member Andy Jaeger; Aspire FCU Board Vice-Chairman Neal Holtzer; CUNA Chief Policy Officer Bill Hempel; and Aspire FCU Board Director Manny Weiss.
The Credit Union Advisory Group at UBS
The global resources and local perspective credit unions need

With over 30 years of experience working with credit unions, the Credit Union Advisory Group understands the issues you face because we are dedicated financial professionals who focus specifically on serving your industry.

We’re backed by the global resources of UBS. Our robust open architecture allows us to provide unbiased recommendations from a wide array of non-proprietary and UBS solutions.

**Asset management and advice with no hidden fees**
Our experienced team offers asset management, strategic advice and world class insights without any hidden fees.

**The open architecture of UBS**
With access to the firm’s substantial inventory as well as the full range of products beyond UBS, we are able to look for better insights and make recommendations based solely on your best interests.

**Liquidity solutions**
A detailed liquidity policy and contingency funding plan is an NCUA requirement. With a UBS Credit Line, you can pledge eligible securities as collateral for a loan instead of liquidating securities to meet your needs.

**Your regulatory obligations**
As a cooperative, not-for-profit financial institution, you require an Advisor who fully understands the regulatory compliance responsibilities you face, while also providing an efficient and cost-effective approach to anticipating and managing risk.

**Safekeeping**
In today’s uncertain financial markets, risk-conscious credit unions require a stable provider of settlement and safekeeping services for their securities.

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Contact us today to learn more about our team and start the conversation.
CFPB Compliance Bulletin on Production Incentives: What You Need to Know

In light of the recent Wells Fargo enforcement action where the bank was fined $185 million for illegal cross-selling, the CFPB recently published a compliance bulletin on “Detecting and Preventing Consumer Harm from Production Incentives” to compile previous guidance from the Bureau issued in other contexts and to highlight examples where such production incentives posed a threat to consumers.

The bulletin provides a non-exhaustive list of specific examples of problems related to production incentives, which includes the following:

- Sales goals that may encourage employees to open accounts or enroll consumers in services without their knowledge or consent (like in the Wells Fargo case)
- Sales benchmarks that could encourage employees to market a product deceptively
- Paying compensation based on terms or conditions of transactions (such as interest rate) that could encourage employees to overcharge customers
- Paying more compensation for some types of transactions than for others that could have been offered to meet consumers’ needs, which could lead employees to steer consumers towards certain transactions not in their interests; and
- Unrealistic quotas to enroll consumers in services that may incentivize employees to achieve the result without the consumer’s actual consent

It is clear from the bulletin that the activities described in the above list are the types of activities the CFPB is keenly looking out for, especially in light of the Wells Fargo matter, so credit unions should ensure that they are not setting benchmarks or tying compensation to sales goals or quotas that could incentivize their employees to engage in UDAAPs or violate other consumer financial laws.

According to the bulletin, the Bureau has found incentives to be especially at issue in the marketing of credit card add-on products, in overdraft opt-in matters and in the opening of unauthorized credit card and deposit accounts in attempt to meet sales goals.

Furthermore, whenever there are employee incentives, the CFPB expects supervised entities to have proper controls in place and monitoring of the program to ensure that the type of deceptive activities described above are not occurring. A robust compliance management system (CMS) is necessary to detect and prevent such violations. The bulletin lays out what CFPB considers to be the elements of an effective CMS based on the Bureau’s supervisory experience. An effective CMS often includes the following:

- Board of Directors and management oversight;
- Compliance program, including policies and procedures, training, and monitoring;
- Consumer complaint management program; and
- Independent compliance audit

Lastly, the bulletin lists suggested steps that institutions should take to ensure their CMS is effective. It is worth reviewing the bulletin to see if there are any significant gaps between the CFPB’s expectations and the CMS protocols at your particular credit union. As we know, the CFPB’s expectations tend to set the tone for the prudential regulators as well, so it is important for all credit unions to ensure that they have an effective CMS as well as proper controls in place for production incentives.
How Does IRS Form 1099-MISC Affect Credit Unions?

The Internal Revenue Service collects information annually on miscellaneous income (generally $600 or more) paid to persons in the ordinary course of business. Miscellaneous income includes such things as prizes, awards, attorney fees, some services, royalties, and rents. A credit union must file IRS Form 1099-MISC each year for each person to whom the credit union paid at least $600 in miscellaneous income.

IRS Form 1099-MISC must be filed once each calendar year, and must reflect the miscellaneous income the credit union paid during the previous calendar year to a person in the ordinary course of business. Therefore, the credit union will need to keep track of any payments it makes during the year that qualify as miscellaneous income. (Note: If the credit union did not pay any reportable miscellaneous income during the calendar year, it need not file Form 1099-MISC.)

Again, miscellaneous income includes such things as prizes, awards, attorney fees, some services, royalties, and rents. For example, if the credit union gives more than $600 in prizes to a member, it must report that on IRS Form 1099-MISC. However, it is important to note that when giving a prize or award, the credit union must determine whether it is considered taxable wages and reported on Form W-2, or miscellaneous income and reported on Form 1099-MISC. There is a distinction between awards or prizes given to employees and awards or prizes given to non-employees. Any award or prize given to a non-employee is miscellaneous income and must be reported on Form 1099-MISC. If the prize or award is given as a result of an employer-employee relationship, such as employee suggestions to improve efficiency, it is considered taxable wages and must be reported on Form W-2.

In addition, any payment made by a credit union in exchange for performance of services by non-employees is considered non-employee compensation and reported on Form 1099-MISC. This means that if a credit union pays $600 or more in fees in a year to a lawyer, for example, it must report the total amount on Form 1099-MISC.

For additional information, click here for the topic.
Review the information today to help your credit union remain in compliance.