

# V.I.P. Solutions

A Quarterly Publication of Professional Services Group

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## LoanWell Financial Corporation

**L**oanWell Financial Corporation, headquartered in Clearwater Florida, specializes in servicing the 62 year old and older client by utilizing the many options available via the Reverse Mortgage product. We have developed an affinity program that allows Credit Unions to establish a substantial additional stream of income while serving and meeting the needs of this large, ever growing and possibly most sophisticated segment of your client base.

### Benefits to the Client:

- **A Safe, Proven Choice.**  
A HECM reverse mortgage is a government-protected financial tool that has helped over 150,000 seniors enjoy better lives. Many safeguards are built into the program to protect seniors from predatory lending practices.
- **The Best of Both Worlds.**  
A reverse mortgage can be the right choice for senior homeowners who need additional income without having to sell their homes to raise cash. With a reverse mortgage, the homeowner can get a monthly payment, a line of credit or a lump sum distribution without having to move or give up title to the home.
- **Ideal Liquidity Tool.**  
A reverse mortgage is an ideal way to create liquidity from a real estate asset. This liquidity can enable seniors to pay bills, make home repairs, retire an existing mortgage, or to purchase such health-related services as long-term care insurance.
- **Tax-free\* Money.**  
Since a reverse mortgage taps into existing home equity, the proceeds are not taxed as income.



### Benefits to the Credit Union:

- **Additional Profit Center.**  
The fee income derived from offering this product to your entire client base should be substantial.
- **Marketing Material.**  
Available for your location, technology and training for your staff all offered free of charge.
- **An Account Executive.**  
Assigned specifically to your location, to either visit you at prescheduled times or be assigned there full time if you feel it necessary.
- **Never Lose a Member.**  
The ability to not "lose" a member to a banking institution that offers this product as well as other conventional services.

For more information about LoanWell Financials Reverse Mortgage Affinity Program please contact:  
Michael Banner – 877.700.0555 or  
[Michael.banner@loanwellfc.com](mailto:Michael.banner@loanwellfc.com) ■

### CU Solutions is published quarterly by:

Professional Services Group,  
a New Jersey Credit Union  
League Service Corporation.  
Subscription is included in  
League dues. Postage Paid at  
Hightstown, NJ



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# Boost CU Employee Benefits by Introducing Roth 401(k) Accounts



One of the latest employee benefit options available to credit unions also may be among the most significant ones institutions can add to their benefit selection. In addition to offering employees more flexibility in managing their retirement savings, ensuring a higher payout when those funds ultimately are taken, recent research indicates that companies with an employee base the size of most credit unions are more willing to offer this option than other companies.

The Roth 401(k) option offered in a traditional 401(k) plan, much like the more familiar Roth IRA, allows employees to deposit after-tax funds that earn tax-free interest while being held within a qualified plan. This ensures a higher payout level when the employee retires, since no further taxes are taken either from the funds deposited or the interest earned. The Roth 401(k) was introduced in 2001 with a delayed effective date of 2006 was originally set to sunset in 2010. When Congress enacted its pension reform initiatives in 2006, Roth 401(k) accounts were granted permanent status. CUNA Mutual added Roth 401(k) accounts to credit union employee benefit options earlier that year.

The uncertainty until last year of the new option's status has kept some credit unions from adding Roth 401(k) accounts to their 401(k) plans. Changes in the law just discussed, backed by recent research, show that public acceptance of the option has increased significantly.

According to research done by the Profit Sharing/401(k) Council of America (PSCA), small businesses with an employee base roughly the same as that of most U.S. credit unions appear to be the primary market for the Roth 401(k). Data collected from 429 retirement plan sponsors from among various industries and geographic locations show that the largest percentage of Roth 401(k)s were offered by companies with less than 200 employees. More than 36% of companies with less than 50 employees offered the option and more than 32% of firms with between 50 and 199 employees offered the option. As companies grew in the number of employees, the demand by employees and the willingness of employers to add the Roth 401(k) feature diminished, said survey respondents.

CUNA Mutual does not charge existing client credit unions extra to add a Roth 401(k) feature to their 401(k) plan. From the credit union standpoint, an added cost may be incurred in accounting for the additional payroll deduction. Be sure

to check with your payroll provider before adding the option to your plan. From an employee standpoint; however, there may be benefits to diversifying their retirement savings strategy depending on the employee's current situation as well as what they expect their tax situation to be in retirement.

- Contributions to a Roth 401(k) account and the interest earned will not be taxed if the funds are withdrawn after the participant turns 59½ on account of death or disability as defined by Social Security disability guidelines; and five years after the first deposit is made to the account.
- Depositors who fail to meet the above criteria, yet withdraw their fund, still won't be taxed on their initial deposits, since those deposits were made with after-tax funds. However, interest earned will be taxed at the normal rate and may be subject to a ten percent early withdrawal penalty, since the qualifying conditions aren't being met.

For many employee depositors, the added flexibility of a Roth 401(k) makes the plans very attractive, a characteristic that may outweigh the credit union's additional administrative requirement. And offering a Roth 401(k) account as part of a standard 401(k) plan adds greater flexibility to retirement account selection.

*For more information about CUNA Mutual's Roth 401(k) program, contact your CUNA Mutual representative by dialing 1.800.356.2644, or go to [www.cunamutual.com](http://www.cunamutual.com). ■*

*CUNA Mutual Group 2007. Used with permission.  
PEN-0507-C359*

# Meeting the Challenge of Asset Liability Management (ALM)

Today's credit unions face the challenging task of managing their assets and liabilities. Asset liability management (ALM) requires credit unions to continually rearrange and review both sides of the credit union's balance sheet in order to maintain profitability, minimize risk and provide adequate liquidity. This requires credit unions to frequently review, monitor and revise strategies to achieve these financial objectives.

Mid-Atlantic Corporate Federal Credit Union understands the importance of proper asset/liability management. That's why we have added Fisher-Rager Consulting and FIMAC Solutions LLC as ALM partners, to help credit unions identify the asset/liability management tools that best suit their individual and unique credit union needs.

**Fisher-Rager Consulting** - Fisher-Rager Consulting is a credit union asset/liability management advisor. Fisher-Rager Consulting works with credit union boards, management, and regulators in providing clients with independent risk measurement, ALM advisory services, and balance sheet strategy formation. Fisher-Rager Consulting works for a flat fee determined up front under a short or long-term contract. They are totally independent and strive to help the credit union balance risk with reward. Services offered individually or by group:

- Board Education
- ALM
- Independent A/L Assessment
- Independent A/L Advisory Services
- Measuring Interest Rate and Market Value Risks
- Basic and Advanced Model Support
- Model Validation
- Policy Formation or Update
- Hedging Interest and Market Risks
- Designing Credit Union Balance Sheet Strategies

Currently, Fisher-Rager is offering Mid-Atlantic members an Interest Rate and Market Risk Snapshot for just \$200.



This analysis is completed based on information derived from the credit union's NCUA 5300 report. Data is shock tested up and down 300 basis points. While the snapshot is not intended to be used for making critical decisions, it's a great tool for determining if there are problem areas in your balance sheet that should be examined further.

**FIMAC Solutions LLC** - We can also offer services to credit unions through FIMAC Solutions LLC. FIMAC Solutions LLC provides their credit union clients with the Risk Analytics® interest rate risk model, Balance Sheet Manager™ "what if" tool, as well as the Leading Light Budgeting Model. The Interest Rate Risk management report allows credit unions to understand how changes in interest rates and the resulting change in cash flows of balance sheet items affects future earnings and Net Equity Value. Armed with this information, management can perform its own dynamic "what if" analysis using FIMAC Solutions' Balance Sheet Manager™ (BSM) software. Lending Light is their recently released budget tool designed to work with data produced by the interest rate risk model and Balance Sheet Manager™. Other reports available include Back Test and Sources of Risk.

Effective ALM practices are as important in today's environment as they have ever been. If your credit union would like more information on Fisher-Rager Consulting, their snapshot special or the services offered by FIMAC Solutions LLC, contact your Corporate Account Manager, toll-free at 800.622.7494. ■

## FOURTH ANNUAL NEW JERSEY CREDIT UNION FOUNDATION GOLF OUTING

Knob Hill Golf and Country Club

September 4, 2007

The proceeds from the NJCU Foundation will support the Foundation's mission of funding financial literacy programs and education in New Jersey schools and local communities.

Sponsorships available - for information call Yvette Segarra at 800.792.8861 x103.

# How Home Purchase (Mortgage) Loans Are Made:

The home financing process is usually a member's largest financial transaction and can affect their financial future for the rest of their lives. The process requires the expertise of a caring professional who will guide your members through the process so that it is part of a wonderful experience. Your members wouldn't go into an operation without a doctor, don't let your members undertake a financial operation without a professional.

The steps to obtaining home financing are:

- 1. Pre-qualification** – Lenders are encouraging buyers to get pre-qualified for a mortgage even before they begin looking for a house. This way, buyers know ahead of time how much house they can afford.
- 2. Loan Search** – Although buyers often use a lender recommended by their Credit Union or Real Estate agent, some prefer to do their own comparisons. Borrowers may choose to contact a mortgage broker who has access to a wide variety of loans.
- 3. The Hunt** - At this point, the buyer begins shopping for a house. When the right one is found, the terms of the sale are negotiated, including the sale price and often the type and conditions of the loan being sought.
- 4. Loan Application** - It's crucial to supply the lender with as much information as possible, as accurately as possible. All outstanding debts as well as assets and income should be included.
- 5. Documentation** - Paperwork supporting the application must also be submitted. Information commonly sought includes pay stubs, two years' tax returns, and account statements verifying the source of the down payment, funds to close and reserves.
- 6. Appraisal** - Lenders require an appraisal on all home sales. This step could jeopardize a deal if a big discrepancy were to exist between the home's sale price and appraised value.
- 7. Title Search** - This is the time when any liens against the property are discovered. A lien may have been placed on a property to ensure payment of outstanding debts by the owner. All liens must be cleared before a transaction can be completed.
- 8. Termite Inspection** – Most purchase loans require an inspection for termite and water damage. Some problems may need to be repaired before finalizing the sale.
- 9. Processor's Review** - The lender's loan processor packages all pertinent information to be sent to the lending underwriter, including any explanations that may be needed, such as reasons for derogatory credit.
- 10. Underwriter's Review** - Based on the information put together by both the loan executive and the processor, the underwriter makes the final decision on whether a loan is approved.
- 11. Mortgage Insurance** - Many lenders require private mortgage insurance when borrowers put down less than



20 percent on a loan. Even if a loan meets the standards of a lender, a mortgage insurance company could choose to deny coverage.

- 12. Approval, denial or counter offer** - In order to approve a loan, the lender may ask the borrowers to put more money down to improve the debt-to-income ratio. The borrower may also need a bigger down payment if the property appraises for less than the purchase price.
- 13. Insurance** - Lenders require fire and hazard insurance on the replacement value of the structure. Flood insurance will also be required if the property is located in a flood zone. In California, some lenders require earthquake insurance on condominiums.
- 14. Signing** - Final loan and escrow documents are signed.
- 15. Funding** - The lender sends a wire or check for the amount of the loan to the title company.
- 16. Close of Escrow** - Documents transferring title are recorded with the County Recorder.
- 17. Confirmation of Recording** - The title company then authorizes the escrow company to draft a check to the seller.
- 18. Buyer Begins Making Mortgage Payments**

At AMERICAN CAPITAL MORTGAGE SERVICES assigning a personal mortgage banker for your members will provide them with a trusted advisor to guide them through the process and keep your members loyal to their credit union!

The mortgage programs we offer are as diverse as your members. We offer a program for any type of home-buyer or for re-financing. Whether your member is a first time home-buyer, has had credit problems, is buying their dream home at the beach or is buying a four unit investment property, we have a program that is the right one based on their needs.

The member assigned AMERICAN CAPITAL PERSONAL MORTGAGE ADVISOR will work with them from the time they start looking at homes through their move-in day. Our Personal Mortgage Bankers:

- Provide Pre-Approval Letters.
- Are available to answer questions at the times your member needs answers (including nights and weekends).
- Give personal attention to your members to determine what program is the best for their financial situation.
- Keep your member informed during the underwriting and commitment process.
- Arrange the details and **attend the closing of your members loan.**
- Follow up with your members after the loan has closed.

*Continued on Next Page*

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## Branching in 2007

**L**ong live the credit union branch! That's how credit union directors and executives continue to view the opportunity to maintain and grow their community membership franchises. With an eye toward growing community-oriented and affinity-like franchises, credit unions are looking to maintain their ROA (return on assets) in a slowing economy.

During the 80s and 90s many industry observers predicted the slow demise of the branch due to technological advances. What those predictions did not factor was the need to stay current with customer lifestyles and a renewed retail presence for community credit union branches. Many of New Jersey's credit unions have responded by looking at branch development, new locations or renovating existing ones, as an investment versus as an expense.

The challenge facing the front office of credit unions is how to stay current with market trends as you present your financial service brand to an evolving customer base while effectively managing the cost of doing so. While communities are changing, the decision to build a new branch, relocate an old one, or renovate the existing space is one that must consider the dynamics of today's member, especially those who continue to be loyal to the credit union.

Consideration of merchandising and retail branding starts at the preliminary site facility design stage. The way a facility is designed must do more than improve efficiencies; it must also help you establish your brand identity, support your marketing efforts and represent the reputation and personality you want to promote.

Product awareness is more important than ever and credit unions are using LCD/Plasma and light panels to convey important sales and marketing messages, while LED Text and TV screens communicate everything from stock prices to sports scores.

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*"Building Confidence Since 1910"*

In site selection planning, it will be most helpful to seek out expert advice from a firm that is proficient in all aspects of zoning and permitting and has experience in dealing with local governmental and environmental agencies. It's certainly not all about the building; understanding how to minimize your risk, along with the marketability and build-ability of the site brings a good 'check and balance' process to such a milestone project.

Greeters are now prevalent at peak transaction times at the front entrance, ready to serve a member on a moment's notice. Conference rooms are replacing traditional offices and desks to give members a comfortable and private place to discuss their financial needs with credit union personnel. Some branches are creating member convenience areas, featuring everything from interactive coffee bars to social areas and video kiosks. Ample drive-throughs and convenient ATM drive-ups meet the needs of members who don't want to leave their cars.

We can be sure that tomorrow's credit union branches likely won't look much like today's innovative designs, thanks to the ever-changing demands of the savvy consumer. And that's why credit union executives need to stay ahead when it comes to giving every member a reason to remain one.

*The author of this article can be reached at 1.800.253.7430 or [Jim.Caliendo@PWCampbell.com](mailto:Jim.Caliendo@PWCampbell.com). ■*

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## How Home Purchase (Mortgage) Loans Are Made:

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When you partner with AMERICAN CAPITAL MORTGAGE SERVICES for your member's needs you are partnering with an organization who is as dedicated as you are to providing your members with courteous and efficient service at competitive rates, while promoting thrift and maintaining financial soundness.

*American Capital Mortgage Services a preferred vendor for NJCUL and NJAC, is a full service Mortgage Banker licensed in New Jersey, Pennsylvania, Delaware and Maryland among others to serve your members needs, for more information please contact Greg Moffett at American Capital Mortgage Services in Swedesboro, NJ at 888.672.9898. ■*

# *CU Abstract...the title agency for credit unions and their members!*

**I**s your credit union in need of a reliable title agency, then CU Abstract is the solution!

CU Abstract, the title agency serving credit unions and their members throughout Pennsylvania and New Jersey, provides clients access to state-of-the-art title insurance services. We have created an environment for real estate closings that is conducive with the credit union philosophy of exceptional member service... *minimizing hassle while maximizing client satisfaction!*

Home buyers want to be free of debt or obligations not created by them. As their credit union, you can help buyers protect themselves against loss from past claims or disputes and CU Abstract can help. CU Abstract works with the mortgage lending department of the credit union to seamlessly coordinate all facets of the closing process. We utilize the latest technology for credit unions to access and status their title report applications. For example, CU Abstract is



streamlining the recording process by now offering electronic recording for home equity and first mortgage documents (where available).

*Ian Katz is the President of CU Abstract, a CUSO owned by Freedom Credit Union. He has been in the title insurance business for over thirty years and brings with him a wealth of pertinent, up-to-date information surrounding title insurance and its importance to credit unions. To learn more about CU Abstract, please visit [www.cuabstract.com](http://www.cuabstract.com), or call 267.803.5000. ■*

## *Thanks to the Sponsors of the 19th Annual NJCUL Golf Tournament*

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**CUDL**

**CU National Mortgage**

**Enterprise Car Sales**

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**Membership Marketing Support Services**

**Members United Corporate FCU**

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**Shields Business Solutions**

**Specialized Recovery Service**

**The Curchin Group**

**TRANS UNION**

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# What's so scary about Home Loans?

**I**n the 12 plus years we have been working with our credit union alliance members, the common thread among credit union front line teams is the fear of mortgages and home equity lending. Home loans seem to instill a fear in folks who have never worked directly with them, especially loans for properties located nationwide!

Who knows? Maybe it stems from the fact that the word MORTGAGE has a silent "T" right there in the middle – perhaps that in itself is sub-consciously disconcerting. But seriously, what is it about a loan that is tied to a member's home that causes such discomfort in staff member's minds? Many of us have heard horror stories about lengthy and difficult processes in order to obtain a home loan. There seems to be a common opinion that obtaining a mortgage or home equity loan is vastly different from any other loan product because it requires a lot more documentation and effort from both the member and the CU staffer. This couldn't be farther from the truth! Today's technological advances and common-sense loan approval requirements have streamlined the process for mortgage and home equity loan originations, processing, closing and servicing!

All that being said, we are proud that here at CUMAnet we have developed some common-sense practices to ease the minds of our alliance member credit union's management and staff while providing their members with the best possible home loan options. Several basic principles we continue to use and build upon have served both CUMAnet and our alliance members very well since we opened our doors in 1995. They are:

Sharing common philosophies and goals – like you, we strive to consistently exceed member's expectations via superior member service, help increase the credit union's membership, and retain existing members. Sharing that commitment we can build and grow a mutually beneficial relationship that helps members. We help members; we don't "sell" them!

"If I can do it, anyone can do it" is the motto we use to break the ice with CU staff and management with trepidations regarding home loan financing. In order to take the fear out of "mortgages" we make sure that we provide both credit union staff and management a comfort level with the products and services we partner with them on.

Help the credit union reach its goal of becoming the member's primary financial institution. We offer innovative and progressive home loan products while insuring the credit union's compliance with their investment goals as well as governmental regulations. All home loan functions CUMAnet provides are conducted in the credit union's



name for the life of the loan; our services are transparent to members. We also cross-sell the credit union's other products and services to their members and we do not sell name and address lists to any other entity.

"No Question is Silly" is the philosophy we instill in the credit unions we serve. We strive to build a professional and consultative bond with the credit union's management and staff. They all need to feel comfortable coming to us with any home loan related questions and issues.

There should be no surprises! We truly become the credit union's back office home loan department and keep the credit union's management informed of member's likes/dislikes throughout the process; we insure that the credit union is in the loop at all times. Conversely, we encourage the CU to share with us the feedback, comments and suggestions they receive from their members as well.

Asset and liability goals of each of the credit unions we serve are paramount to our mutual successes and we work closely with them to determine what course of real estate lending will best suit them today as well as in the future!

With this formula and the collaborative spirit of our entire staff of credit union professionals, we look forward to expanding our network of credit union mortgage alliance member credit unions. Please call us today to discuss how CUMAnet can best serve your credit union's home loan needs as well as those of your members.

*CUMAnet, LLC (Credit Union Mortgage Alliance Network) is a 100% Credit Union Owned and Operated Real Estate Lending CUSO offering fully customizable and transparent Mortgage and Home Equity services nationwide. We have been serving the credit union community exclusively since 1995. Our management and staff are seasoned credit union professionals who understand the unique nature of the relationship between members and their credit union. We are 100% committed to exceeding their expectations by providing the highest possible level of member service. For more information, please contact our Credit Union Relations Team: Leo O'Donnell at 908.860.7104 or Rob Ghigliotti at 908.860.7106 or visit us at [www.cumanet.com](http://www.cumanet.com). ■*

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# Rethinking Fraud Protection

The Check Clearing for the 21st Century Act (Check 21) and emerging electronic payment mechanisms are changing the way financial institutions protect themselves from transaction fraud and loss. It is crucial to safeguard transactions, regardless of whether they are paper checks or next-generation electronic payments, such as automated clearinghouse (ACH) and debit cards.

Gone are the days of randomly reviewing checks against signatures kept on file. In fact, that strategy was never truly effective. Today, institutions must consider safeguards for all incoming checks and electronic payments. To thwart crooks and limit losses, financial institutions need to put adaptive fraud protection systems in place that combine continuous payments monitoring, intelligent evaluation and authentication capabilities.

The stakes are high. Annual losses from check fraud in the United States are pegged at between \$10 and \$20 billion, and the cost of fraudulent electronic transaction attempts are steadily rising. What's more, the financial industry's migration to electronic check clearing and payment processing relies on its ability to safeguard transaction integrity, regardless of the payment type.

Financial institutions recognize they face fraud threats from any and all transactions. That's why a growing number are taking an aggressive, all inclusive, "Swiss Army Knife" approach to fraud protection. Many institutions like the idea of having safeguards for all transaction types furnished by a single solutions provider. And, most are in a position today where they're being forced – by cost, risk management policies, and service issues – to consider this approach seriously.

## The Case for Integrated Protection

To help battle transaction fraud on multiple fronts, institutions should have an arsenal of detection and response mechanisms in place – such as payment pattern analysis and positive pay in operation – preferably using a single fraud software solution for ease of integration, management and tracking.

JMFA FraudMANAGER<sup>SM</sup> evaluates every incoming check and ACH transaction for traits that would indicate fraud or a need for special handling or review. Based on each organization's unique parameter settings, the software performs a wide battery of tests on each transaction including: reviewing the physical size of paper checks; checking the payment method or transaction type; screening the amount; looking at the account's historical activity and ownership relationship; checking the time the account has been open; and verifying the ACH originator.



Using the results from the screening criteria, JMFA FraudMANAGER<sup>SM</sup> flags potential counterfeit checks, forgeries, unauthorized drafts, and unusual payment activity – all on the same day the transaction is received, enabling users to return most fraudulent items within the 24-hour returns window.

The unique capabilities of the JMFA program provide an innovative way to leverage existing systems to enhance the safeguards for fraud and loss protection, and to help financial institutions:

- decrease transaction vulnerabilities, allowing them to implement Check 21 and electronic payment initiatives with tools to identify substantial fraud and loss risks;
- detect fraudulent electronic transactions – which are not addressed by the traditional check centric fraud protection solutions now used by most financial institutions; and
- reduce overhead costs associated with internal fraud management and fraud losses.

By using the standard ACH and Magnetic Ink Character Recognition presentment or proof files for the source data, the JMFA fraud software requires no core system interface and can operate in any item or image-processing operations environment. The JMFA FraudMANAGER<sup>SM</sup> application can be installed on a local server or offered as an outsourced solution hosted on JMFA's servers. These options allow an institution to select the configuration that best meets its security needs.

For many financial institutions, fraud software's biggest drawback is its cost. However, a single, automated solution is generally less expensive than an amalgamation of dedicated, manual fraud reviews. Plus, financial institutions will see enhanced performance. By challenging every incoming check, ACH and electronic transaction, JMFA FraudMANAGER<sup>SM</sup> is less likely to miss the phony items that pass through the selective or one-time reviews now done by most institutions.

Flagging and stopping fraudulent transactions means your institution will have lower fraud losses, thus better financial performance. Plus, having a fraud loss solution in place will

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# *CUDL report reveals key findings, credit union trends*

## *Report shows credit unions maintained strong presence in the auto lending marketplace in 2006.*

**C**redit unions maintained a significant share of the auto lending marketplace in 2006, while credit union members have the lowest average monthly payments on new vehicles, according to CUDL's 2007 Auto Lending Business Intelligence Report.

CUDL (CU Direct Corporation), which administers the nation's largest indirect and point-of-sale lending network for credit unions and includes over 580 credit unions and 8,400 automotive dealers nationwide, recently released their first annual Business Intelligence Report, highlighting key credit union auto lending trends and statistics over the last year. The report reveals a number of key findings.

According to the report, credit unions held 18% of all auto loans originated in 2006, down from a record high of 19.3% in 2005. Although down slightly from 2005, market share in 2006 was high compared to previous years, as auto lending remained the product area where credit unions held a significant market share.

The report also shows that credit union members had lower average monthly payments and financed smaller amounts on new vehicles in 2006, when compared to consumers that finance through a captive or bank. Credit union members had an average monthly new vehicle payment of \$389 and on average financed \$17,645. Consumers relying on financing through captives, on the other hand, averaged \$422 a month for their new vehicle, and on average financed \$20,442.

Further, CUDL's report reveals that credit union members are also seeking longer maturities for their new vehicle loans, as over two-thirds of all new auto loans originated by credit unions in 2006 had a maturity greater than five years. This trend mirrors that of all financial institutions, as 55% of



**FAST, FRIENDLY CREDIT UNION FINANCING.**

new auto loans originated by banks and captives in 2006 also had maturities greater than five years.

Additionally, CUDL's report finds that indirect loans made up 39.4 percent of all credit union auto loans outstanding in 2006. More impressive is the fact that the report reveals 80.0 percent of all net auto loan growth between December 2005 and December 2006 came through indirect lending channels.

"Although there was a slight decline in market share in 2006, credit unions continue to show a strong performance in the auto lending arena, as they have solidified themselves as strong competition for the established captives, banks and independents," said Tony Boutelle, president and CEO of CUDL. "A key to credit union success has been their ability to develop significant partnerships with auto dealers. As a result, credit unions have been able to grow their auto loan portfolios through indirect lending channels."

CUDL's Auto Lending Business Intelligence Report serves as a resource for credit union organizations to better understand credit unions' roles in the auto lending market, benchmark their performance and learn best practices.

Credit unions interested in obtaining a copy of the 2007 Auto Lending Intelligence Report can do so by visiting [www.cudl.com](http://www.cudl.com). ■

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## *Rethinking Fraud Protection*

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give your account holders piece of mind, knowing you are actively working to protect their assets.

Despite technology's relatively recent emergence, fraud and loss protection solutions are expected to become the industry norm during the next few years, pushing aside selective, check-centric applications. Payment mechanisms are converging, and new risks are constantly on the rise, driving an evolution in the industry, which is dramatically changing how fraud and loss protection products are built – and how financial institutions will use them.

**About John M. Floyd & Associates**

*John M. Floyd & Associates (JMFA) is a profitability and performance improvement consulting firm and a leading provider of overdraft privilege programs serving more than 2,000 financial institutions in 49 states and Central America. JMFA is also recognized for training, account acquisition, executive placement, fraud protection solutions, and earnings enhancement programs, as well as product, service, pricing and technology improvement consulting. As a direct result of our programs, JMFA has helped thousands of clients dramatically improve their performance and bottom line. To learn more about JMFA, please visit [www.JMFA.com](http://www.JMFA.com). To contact the Director, Fraud Solutions, Gregg Bennett, call him at 800.809.2307 or email him at [Gregg.Bennett@JMFA.com](mailto:Gregg.Bennett@JMFA.com). ■*

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# *The Members of Central Credit Union Fund Voted “Yes” to Merge With Members United Corporate FCU*



**T**he Central Credit Union Fund (Central Fund) Chairman John R. Caulfield, and Members United Corporate FCU (Members United) Chairman Terry R. Brahm, announced today that during a special in-person meeting on June 12, 2007, in Westborough, Massachusetts, the members of Central Fund voted overwhelmingly in support of the proposal to merge with Members United.

Of note, 82 percent of those members voting supported the merger. In fact, some members traveled more than 100 miles to cast their vote, which had to be made in-person and at only one location.

The merger is now subject to the approval of the Massachusetts Division of Banks and the National Credit Union Administration (NCUA). Assuming those approvals are received, Central Fund will merge into Members United later this year. Member contact staff in Massachusetts, as well as the Central Fund office in Auburn, Massachusetts, will be retained. Back office functions will be consolidated into Members United's existing infrastructure. Central Fund's members will be well represented in the new organization at both the officer and volunteer levels.

"I want to thank the members for showing their support of this merger with their positive votes. They have recognized that this merger is designed to benefit them with a broader array of products, expanded member service, and the expertise and resources credit unions need to grow and succeed in today's competitive financial marketplace," noted,

James L. Van Arsdale, President and CEO, Central Fund. "After the merger, Central Fund members will still be dealing with the same staff they most often spoke with, while enjoying on a sustained basis the benefits that a corporate with the expertise and scale that Members United brings both immediately and in the future."

"A merger with Central Fund will add to a premier corporate credit union, one that serves the most credit unions in the nation," stated Joseph P. Herbst, CEO, Members United. "With a local office and staff in Massachusetts, Members United will increase its overall commitment to the New England area in general, while it pursues the investment and correspondent business credit unions in Massachusetts are currently placing outside of the credit union industry."

The Central Credit Union Fund, with total assets in excess of \$270 million and serving over 210 members, is the nation's first corporate credit union. Central Credit Union Fund is located in Auburn, Massachusetts.

*Members United Corporate Federal Credit Union is a \$13.5 billion financial institution that provides wholesale investment, credit, payment, and correspondent services to over 2,100 credit unions nationwide. Members United has a national field-of-membership, and is headquartered in Warrenville, Illinois. ■*

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## *Collection Services*

**T**urk Collectors Inc., established in 1975 has been a long time provider of collection services to New Jersey Credit Unions.

Some of the Services we offer are:

### **1) Repossessions:**

This service includes skip tracing, storing vehicle and sale. Why not turn over that difficult skip **Turk Collectors**? There is never a fee unless we collect. We will take care of everything from picking up the vehicle to the DMV paperwork needed to flip the title. Think of **Turk Collectors** as one stop shopping when it comes to repossessions.

### **2) Collections:**

Accounts that reach the 90 day stage are going to take time and effort to collect. If they were worked properly at the 30

day and 60 day level then future recovery will be slow. Why not give these accounts over to a Collection Agency like Turk.

In many cases the costs of collection are added to the balance so future recovery includes these costs. It also frees up your collection personnel from the tough accounts. They can spend more time on the 30 and 60 days accounts.

We can send out status reports on a regular schedule and keep you informed via phone on the large balance and collateral accounts. If you had large volume we would even provide computer access to your accounts in our system. You could then see the progress from your own desk. Turk Collectors, Inc. has invested in the latest state of the art computer system to enable us to provide better service to our Credit Union clients. ■

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# *Real Illusions: How We Trick Ourselves about Finances*

**W**e all like to think that we make rational and wise decisions when managing our money. But most of us are influenced far more by our emotions than our brains. Why do smart people make irrational investment decisions so commonly and so easily? The fascinating study of behavioral economics and decision science fills many books, but let's look at a few of the ways in which investors' minds play tricks on them.

## **The Timid Bunny—Worrying Over Risk**

Why do so many people bank their money in savings accounts, CDs and money markets when they are often actually losing money if measured against inflation and taxes? Some people do it because they are so fearful of risk that they don't consider that such fixed investments are not risk-free. The interest credited to your account each month is subject to the likelihood of shrinking purchasing power, especially over time. A canoeist struggling to get upstream against current and wind will have the illusion of movement, but he will have to switch to a boat with a motor to make real progress.

## **The Hoarding Pack Rat—Treasuring What We Own**

The preference to keep things the way they are is called the "status quo bias." We tend to fall in love with what we own and stick to the familiar even if we would likely be financially better off with a different investment. We validate our prior choice by sticking with it. What we know feels better than what we don't know.

## **The Foolish Sheep—Fearing Loss**

We are so averse to accepting loss that we will throw good money after bad. This is sometimes called the "sunk cost fallacy"—our inability to let go of money that's already been spent or lost. We will invest more money on car repairs simply because we've already spent so much on the car. Rather than evaluate a losing investment on its cost—as we are prone to do—it makes more sense to assess its current potential for loss or gain. If you would not choose to buy that investment today, then why do you make the choice every day to keep your money invested in it? Usually, it is because you are focusing on the past—what you have already spent. But it has no relevance to the future.

## **The Little Chicken—Focusing on the Negative**

We feel the pain that comes from loss more acutely than we do the pleasure from an equal or greater gain. If you invest \$100,000 in a stock portfolio, and it rises in value to \$150,000 but then drops to \$130,000, you are more likely to be motivated by the disappointment in your "loss" of \$20,000 than the pleasure in your gain of \$30,000. You may focus on your

# Morgan Stanley

phantom loss rather than your available gain. This can lead you to be less willing to sell a profitable stock and buy an undervalued one, even though we have all heard that it makes more sense to buy low and sell high.

## **The Stubborn Mule—Refusing to Change**

We frequently decide not to decide, and that inaction can cost serious money. There are so many options out there that we become paralyzed and stay with the familiar. Often this is motivated by fear of short-term regret at making a less-than-perfect decision even though we know that there are no perfect decisions. But, as Mark Twain said, "Twenty years from now, you will be more disappointed by the things you didn't do than by the things you did do." By placing more emphasis on what we have already expended than on what could be gained by change, we ignore lost opportunity costs because they don't seem real. But with your financial security at stake, where you are headed is much more important than where you have been.

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Investments and services are offered through Morgan Stanley & Co. Incorporated, member SIPC. ■



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\*2006 Retirement Confidence Survey - Employee Benefit Research Institute and Stanford Greenwald & Associates, Inc.  
\*\*#1 Rated Fund Manager for plans of less than \$1 million (1999-2006) by 401kExchange.

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# Keeping Families In Their Homes Credit Unions To The Rescue!

**T**he headlines tell us that thousands of families across the nation are headed to foreclosure each month – some parts of the country are hit harder than others. Why is this happening now and how could credit unions be an important part of the solution?

As real estate values soared over the past few years, the mortgage industry exploded with new products designed to get more people into more expensive homes. Lending rules were relaxed, flexible features were added to loans. Some of these enhancements proved to be beneficial to responsible consumers who needed an opportunity to move from renter to homeowner. Other enhancements turned out to be risky to the average family that may not have been prepared for a decline in real estate values.

The most common of these exotic loan products is known as an “Option ARM”. This adjustable rate mortgage often starts out at a very low interest rate, but that rate could change more frequently than the typical conventional ARM. The borrower has the option to pay the fully amortized monthly payment, only the interest due for that month (no amortization of the principal) or an amount that is lower than the interest due (negative amortization). As interest rates rise, the payments may increase significantly. If the member cannot make the payments, the principal balance has increased from its original position and the real estate market has devalued the collateral, the homeowner faces the prospect of foreclosure. The sad truth is that this is not an unusual story in today’s times.

The homeowner has a few choices at this point. Either they could forfeit their home or face foreclosure proceedings. They may have the option to deed the house over to the lender and then lease it back according to a negotiated agreement. They may even be able to refinance their loan in the sub-prime market or with a “hard money” lender (but even if this was possible it may only be a temporary solution, as they’d probably end up in greater financial distress). Finally, they may be able to get a “rescue loan” from a safe and reputable lender – namely their credit union.

What is a rescue loan? Well, there’s no set program named “Rescue Loans”. It’s just a set of options that a credit union has at its disposal to help a member save their home. We’ve spoken to credit unions across the nation who have employed some or all of these tactics and the results have been overwhelmingly positive.



Work with a Fannie Mae approved seller/servicer who is participating in their HomeStay Initiative. This is an expansion of their existing program geared specifically to the purpose of keeping families in their homes. It now allows 40 year terms of their Expanded Approval loan products (designed for individuals who may have imperfect credit) with up to 100% financing.

Consider offering portfolio loan products that are designed for this purpose. Some credit unions will even set aside an amount of funds that is available for these loan types at special rates. Here are some examples:

**80/20 loans.** This is an 80% loan-to-value first mortgage with a simultaneous 20% second mortgage. Check with your local mortgage insurance provider to learn more about protecting your credit union in this type of situation.

**100% or higher financing for certain loans to be held in portfolio.** The credit union may choose to set aside special reserves to cover any collateral that is at risk, i.e., principal over the amount covered by mortgage insurance.

Some credit unions have set aside a portion of funds to “bail out” their members whose homes are at risk of foreclosure and that are under-collateralized. A credit union in Florida recently promoted this type of program to their community and had an overwhelming response. They set aside a certain amount of money and provided funds for members that would bring their loan-to-value ratios down to 100% and also cover closing costs. The mortgages are held in the credit union’s portfolio, or sold to an investor when eligible. Needless to say, the local newspapers and television stations covered this “good news” story to the great advantage of the credit union. The better news is that several families in that community are sleeping easier, in their own beds.

*If you would like to learn more about meeting the mortgage needs of your members, CU National Mortgage could provide you with a full array of options. Contact Jill Peterson at 973.244.7100, x 1024 for more information. ■*

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# Increase Your Auto Loan Portfolio and Improve Your Equity Position

MVCP is the only exclusive car buying service for new and used vehicles in New Jersey

**T**he Motor Vehicle Certification Program, a Business Partner of the NJ Credit Union League, assists Credit Unions in **INCREASING** their Auto Loan Portfolio and **IMPROVING** their Equity Position on New and Used vehicle loans

We lower your risk and improve your Equity Position due to our pre-negotiated pricing agreements with our participating dealer network. On most domestic vehicles the MVCP dealers will sell the car for a *true \$100 over manufacturer's invoice*. Imports do vary on pricing. This negotiated pricing structure will create an **IMPROVED** Equity Position on your Auto Loans.

Our consumer advisors will refer your members back to your credit union for their financing. Our dealers will not approach your members about financing. Our consumer advisors will review ALL current Rebates and Incentives with your member. MVCP advisors will also discuss with the members their approximate trade in value, if applicable. Your members will be *price protected*. We email or fax your



loan department a list of your members who contacted us that day for pricing information. Your Loan Officer will be able to use these lists to follow up with your members to get them pre-approved just when they are starting the buying process. By utilizing MVCP, this will generate additional car loans, and **INCREASE** Interest Income.

Lobby signs, newsletter articles, website links, and information for use with E Statements are available to your Credit Union. MVCP inserts for use with statements, whether for monthly, quarterly, or for VISA accounts will also be supplied to you. Using these tools from MVCP will **DECREASE** your Marketing Expenses.

All of the above described benefits are provided by MVCP at **NO COST** to either your Credit Union or your Members.

For additional information, contact Gary Weaver at 1.800.345.0990 or email [gweaver@mvcp.com](mailto:gweaver@mvcp.com). ■

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# Professional Services Group to Provide Discounted Wireless Service

**P**rofessional Services Group is now able to offer Sprint Nextel service to credit unions and their members at discounted rates.

“We’re thrilled to be able to offer New Jersey credit unions and their members the superior wireless service Sprint Nextel is known for at a discounted rate. This partnership offers credit unions another way to showcase the value of membership,” says Vice President of Business Development, James Merrill.

Under the partnership agreement, members will receive a 10 percent discount on all monthly recurring charges, including service rate plans and features. For corporate liable accounts, the discount is 15 percent with savings also available on equipment and accessories. Additionally, activation fees are waived on all new lines – a \$36 savings right from the start.

The discount also includes nationwide from coast-to-coast coverage, simplified calling plans, national rates with no roaming and long distance charges and the advantage of keeping their existing phone numbers, regardless of the provider they are currently with. Members who are existing Sprint Nextel customers can also take advantage of this opportunity.



All marketing and promotional materials are provided FREE of charge to your credit union. Plus, there are marketing incentives to be earned. To sign your credit union up for participation, call 800.792.8861 ext.120.

Members can call 877.SAVE.4.CU (877.728.3428) or visit any Sprint Nextel company owned store nationwide. Existing Sprint customers can call 866.853.4931. Existing Nextel customers can call 800.390.9545 or visit [www.SprintSave4CU.com](http://www.SprintSave4CU.com) for more information. When taking advantage of this savings opportunity, members just need to say they are a **Credit Union Member**.

Sprint Nextel offers a comprehensive range of wireless communications services bringing the freedom of mobility to member and business users. Sprint Nextel is widely recognized for developing, engineering, and deploying innovative technologies, including wireless networks serving 53.1 million customers at the end of 2006; industry-leading mobile data services; instant national and international walkie-talkie capabilities; and an award-winning and global Tier 1 Internet backbone. ■

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# What Can Your Credit Union Do to Combat the Rising Postal Rates? Part II

Now that postal rates have increased, what is the next step?

**T**he first approach involves “*thinking outside of the box*”, and literally challenges the traditional ideas and approaches of mail processing. There is a way to hold down postage costs by utilizing innovation and technology! No longer can a competitive mail-house/statement processor afford to print exactly what is given to them by the data processor. The traditional mail-house is gradually phasing out and being replaced by a “*data re-processor*” (not to be confused with the more familiar entity called a data processor).

First, the mail processor of the future must be a highly sophisticated “*data re-processor*” in order to accomplish the advanced techniques that yield the savings your credit union so desperately needs. The “*data re-processor*” must also have an intimate knowledge of the US Postal Service rules and regulations in order to offer you the little known money saving tricks of the profession. A traditional mail-house simply does not have the technical expertise to accomplish the new challenges that the future is imposing.

The first technique (covered in the Spring 2007 issue of VIP Solutions) that “*data re-processing*” can accomplish, will easily reduce the statement page count by up to 50 percent per month.

**Statement Weight** - Paper is heavy. Unnecessary statement waste and redundancy is eliminated by “*data-reprocessing*” in order to lighten the weight load of the overall statement. This technique potentially reduces the costs associated with overweight mailings.

**Postal Weight Allowances** - The post office (in recent years) changed to highly sensitive scales, which weigh mail to the one one-hundredth (1/100<sup>th</sup>) of one ounce. A 20 lb piece of copy paper weighs 2/10<sup>th</sup>s of one ounce.

**Merlin Computer System** - The USPS computer system, called Merlin, has been installed in recent years to **ensure mail/weight compliance** by mailers. Your statement mail is fed (by USPS employees) through the highly sensitive, highly calibrated Merlin system and each piece is subject to being electronically analyzed by Merlin to ensure general mail compliance. Any unacceptable mail variations are returned



to the credit union's mail processor for correction. You may read more about Merlin at <http://www.usps.com/merlin>.


**Weight Reduction** - Let's put your statements on a diet! Less paper yields a lighter leaner statement. A lighter statement will allow for enclosure of additional newsletters or brochures, without necessarily becoming overweight. Overweight mail can cause unplanned postage spikes, creating havoc with even most well laid out budget. “*Data re-processing*” can eliminate many of these unwanted spikes.

**Intangibles** – This is a new word **not inside of** the traditional “*box*”. These techniques lead to many intangible savings. These are the covert savings that are impossible to evaluate on a bid, yet will come back to bite your credit union and drain the “*life force*” out of your budget. These are the mysterious issues, which no one talks about. Only through “*data re-processing*” can the unseen, unrealized, destructive waste be eliminated.

**E-statements** – Of course, let's not forget the e-statement! All of the benefits of data reprocessing will also yield a more user friendly, sophisticated, leaner e-statement. Leaner e-statements cost less for both you and your member.

These techniques will continue to be discussed, in more detail, in future newsletters. However, you may request additional information by e-mailing: [lynn@laserprinting.com](mailto:lynn@laserprinting.com) or calling Lynn toll free at 888.624.8455. ■

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