“Trust but verify.”

- President Ronald Reagan
CREDIT UNION GOVERNANCE TODAY

- Credit unions are larger
- Director responsibilities are growing
- Regulatory compliance is a focus
- Marketplace is more challenging
- Earnings are tighter
- Reputation risk has increased
- Transparency is a new buzzword

CREDIT UNION GOVERNANCE TODAY

- Bylaws are enforceable
- Post Enron/Worldcom Suspicions
- One scandal from SOX
- Recruitment of directors difficult
- Continuing education likely coming
- Conversion pressures put insiders on front lines
TOP TEN ITEMS
ALL CREDIT UNION BOARDS
SHOULD MONITOR

NUMBER ONE:
True Picture Accounting
TRUE PICTURE ACCOUNTING

- Asking the tough questions of mgt.
- Requiring additional documentation
- Branch and departmental accounting
- Check the checker
- Task the Supervisory Committee with solid audit challenge and fund it
- Ask questions of audit firm
- Trust, but verify

NUMBER TWO:

Recognize a Trend from a Snapshot
Trends and Snapshots

- Many credit unions have been lost by responding to a snapshot
- Many credit unions have been lost by not responding to a trend
- Seek management analysis
- Request audit validation
- Trust, but verify

NUMBER THREE:

Staying a credit union or taking the promise of a big conversion payday
CONVERSION TO A BANK

- Actively promoted by some consultants
- Cannot be delegated to management
- Fundamental governance question
- Board must take lead on this question
- What do our members believe we should be...how about us...how will they benefit?
- Due diligence on compliance essential
- Bylaws must be followed
- State and federal laws, regulations apply
- Cannot play “fast and loose” with process
- Many have lost conversion and credibility
- Trust but verify

NUMBER FOUR:

Policy Review
Process Must Be Formalized
Formal Policy Review Process

- Laws, regulation and guidance change regularly (overdraft regulations, credit card disclosures, investments, CUSOs)
- Should be structured and requisite (certain policies reviewed annually on certain months)
- Board approval of changes or reaffirmation of no changes to policies
- Policy committees should include board members
- Board is the policy making arm of credit union
- Trust but verify

NUMBER FIVE:
Compliance, Compliance & Compliance
COMPLIANCE ISSUES

- Not totally mechanical, there is a policy component
- Regular scheduled policy reviews should have compliance updates
- Will receive more scrutiny, not less
- Invest budget dollars as necessary
- Trust, but verify

NUMBER SIX:

Succession planning at the executive and policy making levels
SUCCESSION PLANNING

- “Graying” of the credit union movement
- Must develop next generation of volunteers for board, committees
- Management succession must be outlined, particularly in clarity of duties assigned
- Interim succession outlined
- Process established
- Must be reviewed with all other policies
- Trust but verify

NUMBER SEVEN:

Merger policy and parameters must be advance established
MERGERS

- Current fact of life in credit unions
- No time for a strategic planning session when potential merger arises
- Parameters give management authority to begin due diligence
- Board must approve any merger and review due diligence process
- Trust but verify

NUMBER EIGHT:

Staying Out of the Weeds
DELEGATING WHAT SHOULD BE DELEGATED

- Policy making is strategic, not tactical
- Interference in day to day management by policy makers can hinder policy implementation
- Put a CEO in place you can trust and trust the CEO
- Trust, but verify

NUMBER NINE:

Training to stay on top of industry trends and board governance issues
TRAINING

- Crucial in a dynamic marketplace
- More sophisticated industry and services
- Laws, regulations, guidance changes
- Larger credit unions have larger issues
- Learn best practices in policy making and accountability
- Positions policy makers to better support management
- Continuing education could become regulatory requirement
- Trust but verify

NUMBER TEN:

Third party relationship accountability
THIRD PARTY ACCOUNTABILITY

- Third party relationships essential
- Management due diligence and oversight is primary
- Policy making review and monitoring is necessary
- Understand the relationship
- Trust but verify

“Management works in the system; leadership works on the system.”

- Stephen Covey
Effective leadership by credit union directors will keep the American credit union system alive and well for generations to come.