



Daily Notes

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Tuesday, August 23, 2011

The HON Harold Ford Gives Frank Talk on State of the U.S.

Joining us for the Monday morning General Session was our Keynote speaker, The Honorable Harold E. Ford, former five-term congressman from Tennessee. Ford started by thanking everyone for their service and support of our Troops. Ford amused conferees with anecdotes about his trials and tribulations of getting elected to Congress for the first time. He stated that the experience taught him the valuable lesson that the least of things can often turn into a positive that changes everything. Ford applied it to the current world situation, saying the time is now for credit unions to focus on the little things that add up to a big change for the better.

Ford also addressed the dysfunctional political system that seems to be in place today, countering that even with the current issues, the U.S. system is still the most innovative and resilient in the world. Ford cautioned, however, that anyone who believes that government and not compromising go hand-in-hand, doesn't understand the greatness of history. He stated that the notion and ideology of America should overcome all other personal opinions and egos. The Nation should be held as the most important thing, not as something secondary to a particular issue.

Ford said that despite the current economic and political times he is optimistic about the future. He believes that the upcoming 2012 election will force politicians to compromise in order to boost their ratings. Ford stated that he hopes that the courage, integrity, dignity that credit unions show would be spread across the country making it a much better place.

At the end of his session, Ford answered questions from the audiences giving his opinion on the Super-Committee stating that he thinks they will play a role in the up-coming budget cuts, but that he thinks that the main leadership will come from White House. Ford also believes that the timing of the deadlines and the wish of all involved not to have it be a last minute deal will motivate everyone to work together to create a fair deal.

Ford ended by giving a few ideas of how to turn the economy around. He said that it was important to give people some certainty in their lives.

Where is...?

- Annual Business Meeting -
Westside Ballroom 1-2 (5th floor)
- Chairman's Reception -
Broadway Lounge (8th floor)
- Corporate Partner Appreciation Breakfast -
Westside Ballroom 3-4 (5th floor)
- Corporate Partner Breakout Sessions -
Odets Room, Wilder Room, O'Neill Room, Ziegfeld Room (4th floor)
- DCUC Office -
Gilbert Room (4th Floor)
- Educational Workshops -
Odets Room, Wilder Room, O'Neill Room, Ziegfeld Room
- General Sessions -
Westside Ballroom 1-2
- Hall of Honor Awards Dinner -
Westside Ballroom 1-2
- Hot Market Issues -
Ziegfeld Room, O'Neill Room
- Military Credit Union Awards Luncheon-
Westside Ballroom 3-4
- Military Roundtables -
Odets Room, Wilder Room, O'Neill Room
- Overseas Sub-council Meeting -
Wilder Room
- Registration -
Fifth Floor
- Showcase -
Westside Ballroom 3-4

Hospitality

If you need any assistance while here in New York City, do not hesitate to ask one of the DCUC Staff. We are here to assist you! Hours for the registration desk are: Tuesday, August 23 0700 - 1100. Our registration desk is located on the 5th floor.

Internet Café

We will have computers and a printer available on the 5th floor. The café will be open on Monday and Tuesday. Please use this amenity to check your email, check-in to your flight online and print your boarding pass. The café is sponsored by FIS.

Hall of Honor Seating

As we have done for the past few years, we will have reserved seating for the Hall of Honor Awards Dinner. If you have not already signed up for a table, please make sure to stop by DCUC Registration to reserve your seats! Seats will be assigned on a first-come, first-served basis.

Hall of Honor Drink Tickets

As we have done in the past, everyone signed up for the Hall of Honor dinner will receive two drink tickets with their badge. Additional drink tickets for Hall of Honor reception and dinner are for sale at registration. Tickets will be \$10. There will be no cash bar.

Prize Drawings

Tomorrow morning's session will feature our Grand Prize Drawing. This year, the Grand Prize includes a \$1200 gift card plus a certificate for two night stay for two adults during the 49th Annual Conference from The Westin Tabor Center.

Guests will also have a chance to win a special prize just for them: a \$300 gift card from MACYS!

Evaluations

This year at the conclusion of our conference we will be emailing you a link that will take you directly to our online evaluations. Please stop by registration to make sure that we have the best email for you.

Today's Events

0700 - 1100 Registration Desk Open

0730 - 0830 Continental Breakfast

0845 - 1000 General Session

0845 - 0915 The Honorable Michael E. Fryzel

NCUA Board Member Fryzel will update attendees on matters concerning the credit union world from a Government and regulatory perspective.

0915 - 1000 Fred Becker

Fred Becker, President/CEO of NAFCU, will give his perspective on the current and upcoming issues being addressed on Capitol Hill.

1015 - 1100 Educational Workshop (4)

1115 - 1200 Repeat Educational Workshops (4)

1215 - 1330 Military Credit Union Awards Luncheon (5th Floor)

Thank you to IWS for sponsoring the head table!

1345 Voter Registration for Annual Meeting

1400 - 1445 Annual Business Meeting

This year two seats on the DCUC board of directors will be up for election, the regular three-year term of two Representatives-at-large. Frank Padak and Gordon Simmons will seek reelection. All conference attendees are welcome to attend the Annual Business Meeting. All voting delegates should be present and check in during Voter Registration.

1500 - 1700 Visit the USS Intrepid

Shuttle buses will leave from the 1st floor lobby. Don't forget to wear your patriotic wrist bands.

1900 - 1930 Reception

Thank You to Crews and Associates for sponsoring the Hall of Honor beverage drink tickets!

1930 - 2200 12th Annual Hall of Honor Awards Dinner

Tonight we will pay tribute to three of DCUC's and Defense Credit Unions' biggest supporters and induct them into DCUC's Hall of Honor. The awards dinner will also feature Tommy Stanley. A big Thank You to FSCC for sponsoring this evening's entertainment.

Have you been missing the pictures usually in the Daily Notes? Make sure you come to the Wednesday morning session. We will have a special treat for you to watch while you eat!

CUNA's Bill Cheney updates Conferees on the Credit Union Industry

Bill Cheney, President/CEO of the Credit Union National Association (CUNA), followed our keynoter, picking up on Ford's support of bipartisanship and highlighted CUNA's #1 rating for bipartisanship in its work on the Hill. Cheney went on to say that considering what the country went through and how close we came to complete financial collapse, he was pleased that credit unions kept their focus where it should be: on their members.

Cheney also stated that CUNA worked with CUNA Mutual to do their own analysis of the corporate stabilization fund and came up with similar results as NCUA that it should be 99 basis points or lower. He warned, though, that because the payouts have to be upfront, the first year may be up to 25 basis points. This level, however, will not be sustained over the 11 years unless another severe double-dip recession.

Cheney went on to speak about the economic recovery saying that with the total unemployment at over 16% we have a long way to go. He does not foresee the U.S. going into a double-dip recession; instead, he sees a long, slow, painful recovery.

To wrap up his session, Cheney spoke about the interchange fee issue and CUNA's fight to get an delay in the implementation. He stated that while they were ultimately unsuccessful, he was proud of what they did accomplish. Cheney also stated that CUNA is now working towards a goal/vision that all credit unions can adopt in order to keep banks from painting credit unions in a corner. He warned that unless credit unions defined their own future, it would be decided without their input.

Fonash Gives Overview of Cyber Threats and the Future

Dr. Peter Fonash, Special Assistant, Board of Governors, Federal Reserve System, gave an important update on the rise of the cyber security threat and how it will continue to evolve.

Dr. Fonash gave a brief history of cyber threats explaining how they have become more sophisticated and more harmful, from worms that caused disruptions to security breaches and terrorism. He warned the crowd that Symantec reported a 93% increase in web attacks in 2010 over the volume observed in 2009 and said this trend is only going to continue. Dr. Fonash stated that everything from money to information and intellectual property theft to terrorism and ego play a part in motivating these attacks. He also said it was a very low risk/high reward crime making it very attractive to people.

Dr. Fonash stated that thus far banks have taken the brunt of the attacks because they are bigger and more lucrative, but credit unions will appear on the list in the future once banks tighten their security enough. Although smaller, credit unions will become targeted unless they, too, tighten security.

Dr. Fonash said there is no way to completely secure your system, but that credit unions should try to minimize their losses and have a current business plan in case an attack happens. He also advised that credit unions should never brag about how secure their network is as it makes them an attractive target to hackers who love to prove them wrong.

Peach Reviews the U.S. Economy from the Macro "30,000 feet up" Level

Dr. Richard Peach, SVP and Economist, New York Federal Reserve, wrapped up the afternoon's sessions by giving an overview of the U.S. Economy at the macro level.

He started by saying that the economic downturn is unprecedented in depth and length outside of the Great Depression, meaning that this is uncharted territory for almost all people living today. The economy has about 0.8% growth currently, but it needs to be about 2% to 2.25% to bring unemployment down.

Dr. Peach stated that growth has slowed much more than expected in the first half of 2011 while total and core inflation rose faster than expected. He then went into some of the reasons for the sudden slowdown in the recovery from the recession, such as significantly higher energy prices than most economists expected. He also said that families running out of the government social program benefits is another reason as it drastically cuts their spending power. The restructuring in the government and private sectors is also contributing to the slowdown.

Dr. Peach echoed other speakers from the day, stating that while some markers signal a possible double-dip recession, he believes the economy will continue their positive, but sluggish growth.

Dr. Peach also pointed out some positive developments going on with the U.S. economy, such as the lower exchange value of the dollar making our exports more competitive which has led to a rise in exports. He also said that banks are beginning to ease their underwriting standards, which he felt was too conservative to promote growth.

Dr. Peach ended by saying that no one is sure the positives are good enough to pull the U.S. out of the downturn and that everything is very tenuous.

Hot Market: CUNA Mutual Group

John Lass, SVP of Strategy and Business Development for CUNA Mutual Group, gave an interesting presentation on what it takes for a credit unions to achieve a sustainable business model that allows them to be successful.

To start, Lass talked about a few macroeconomic trends, such as the significant increase in debt held by households. He cautioned that while the latest trend in personal debt has been lower, this is, in part, due to the number of delinquencies and bankruptcies happening.

Trends that lasted an entire generation had to come to a stop, and Lass stated that we are at a reversal point. He pointed out that current governors of credit unions have never had to manage while interest rates are rising so as this reversal happens, changes will have to be made in the way the credit unions do business.

Lass explained that in recent years, credit unions have become very reliant on fee income; however, this will evolve as the Durbin Amendment is implemented. Instead of invisible fees such as interchange rates, the new fees will be more visible to the consumer, and credit unions will have to prove the value added for those products.

To conclude, Lass went into detail about the DuPont model for calculating sustainable growth rates, which was created back in 1919. Lass stated that sustainability must be based on resources that will not be exhausted over a reasonable period. This model allows credit unions to find the correlation between their levels of capital and their ability to grow at a sustained rate, which in turn allows governors of credit unions to better control their growth rate.

Lass pointed out that there is a strong tie in the credit union industry between assets and profit margin making it important to grow your credit union. He also noted that overhead costs will never stop growing so credit unions need to keep growing themselves to remain healthy.

Lass ended by saying that the right financial model was only one piece of the puzzle and that having the right governance and regulations also played a huge part in the success of a credit union.

Hot Market Issue: PenFed Foundation

Dan Schenk, Program Specialist at the PenFed Foundation, gave an informative talk about the struggle to keep our Military and their families out of the cycle of debt caused by predatory lending.

Schenk spoke about the "Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents" saying that it found an increased number of payday lenders near military installations. The report also found that 17% of military personnel used payday loans and stated that 60% of all security clearances were denied due to unsecured debt.

Schenk stated that most people do not have the common knowledge of financial stability, causing them to panic in extremely stressful times, i.e. deployments, relocations, or coming home wounded. Schenk said that we need to teach them and give them the knowledge to achieve financial freedom without having to create more debt with payday loans.

As an example of an alternative product to predatory loans, Schenk spoke about ARK from PenFed Foundation, which are interest free, short term cash advances for active duty, reserve and national guard military personnel. The fees are minimal, \$1 for every \$100 borrowed up to \$500 or 80% of net pay. Schenk said that there is no credit report done, and those receiving the funds will be required to speak with a financial counselor to help with the management of their income. Any losses incurred by credit unions using ARK are reimbursed by PenFed Foundation. Compare that to the payday loan offices who charge up to 300% interest.

For first time home buyers, there is a program called Dream Makers. PenFed Foundation will match dollar for dollar on the down payment allowing military members to purchase a home in a better financial position. This program is available to active and retired military, DHS and DOD civilians. Not a first time homebuyer? They can also qualify if you have not owned a home in 3 years or a natural disaster destroys their home.

PenFed Foundation has the assets and tools to help with financial burdens, without causing new debt.

Hall of Honor Awards Dinner to Feature Tommy Stanley

This year we have Petty Officer Third Class Tommy Stanley, a signer/songwriter currently serving in the United States Navy. And now that his career with the Navy is ending, a bright future in music awaits!

Tommy was a top 10 contestant on NBC's *Nashville Star* and has produced an album of self-written and recorded songs, which chronicle his life as a sailor and is featured on the *To The Fallen/Universal Music Rock Compilation CD*, featuring Active Duty and Veteran musicians. DCUC proudly welcomes Warrior/Singer/Songwriter Tommy Stanley.

Thank You to our Hall of Honor entertainment sponsor,
FSCC Shared Branching Network.