

# BOARD MINUTES

## #360 January 24, 2008

**ATTENDANCE**

BOARD – Alison Christie, Kenny Christianson, Sharron Thrasher, Yvette Rubio, Jim Fravil, Ian Schachner, Tom Terrizzi, Bill Goodman

ABSENT – Karen Jamarusty, Brian Hunt

STAFF – Deirdre Silverman, Carol Chernikoff, Eric Levine, Joe Welch, Lenore Olmstead, Leni Hochman, Tristram Coffin

**Board Mini-retreat: January 26, 2008, 10-Noon, Lifelong, 119 W. Court Street**

**Next Board Meeting: February 28, 2008 7PM**

**Agenda**

- 1. Review of Agenda**
- 2. Vote on Consent Agenda**
- 3. Board Votes**
  - a. \$2/month fee for accounts receiving paper statements**
  - b. Business Loan Servicing and Review changes**
  - c. Add Lending Authority for Amy Smith**
  - d. Increase collision deductible**
- 4. CEO Report/Discussion**
  - a. 2008 Business Plan Overview**

**1. REVIEW OF AGENDA**

- a. Review and approve Consent Agenda
- b. Additions and Deletions to Agenda

**2. CONSENT AGENDA - APPROVED**

- a. Membership Officer: New Accounts - December

	2007	2006	2005
NEW	83	64	111
CLOSED	75	53	109

27	Closed by Collections										
16	Inactivity										
1	Deceased										
31	Member request: <table border="1" style="margin-left: 20px; width: 80%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 10%; text-align: center;">14</td> <td>Moved</td> </tr> <tr> <td style="text-align: center;">7</td> <td>No more campaigns/business/org</td> </tr> <tr> <td style="text-align: center;">1</td> <td>Low interest rate</td> </tr> <tr> <td style="text-align: center;">1</td> <td>Need gas money</td> </tr> <tr> <td style="text-align: center;">1</td> <td>Took too long for transactions to show up. (Great people, average technology.</td> </tr> </tbody> </table>	14	Moved	7	No more campaigns/business/org	1	Low interest rate	1	Need gas money	1	Took too long for transactions to show up. (Great people, average technology.
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1	Took too long for transactions to show up. (Great people, average technology.										

- b. We filed four SARs in December. In 2007 we filed a total of 18 SARs.
- c. Write offs:
  - i. 4 loan write offs, totaling \$11,302.33 proposed for January 2008. Our allowance for loan loss is targeted at \$19,580 monthly.
  - ii. 15 overdrawn account write offs proposed for January 2008 with a total of \$2091.53. Of that, \$1151.23 is for write off (a real loss) and \$940.30 will be a loss of fee income (reversal of fees that have not been paid).

### 3. BOARD VOTES AND ACTION ITEMS

- a. **Statement of Voting Item: Implement a monthly fee of \$2.00 for members who want to continue receiving paper statements. eStatements would remain free of charge. APPROVED**

**i. Former Policy**

We have not charged a monthly fee for paper statements in the past.

**ii. New Policy:**

\$2/month charge on all accounts receiving a monthly statement (members with a checking account). However, members who opt out of paper statements will have no fee assessed.

**iii. Rationale**

The rationale is twofold, and impacts our bottom line and our mission. Alternatives, to be sustainable, needs to increase earnings. Old council has been reviewing fee options, and this one is the most palatable. Between the savings on postage of paper statements and the potential revenue of charging the \$2 per month fee, we anticipate new revenue of \$85,000 for 2008.

One of our key initiatives in 2008 is promoting environmental stewardship, both internally and within the community. This fee sends a strong statement that Alternatives is serious about being green, and is asking for our members help in doing so.

Another goal is to promote “ease of use” for members, and eStatements are a great first step in this area. eStatements are easy to access online.

**iv. Implementation**

Implement April 1. IT needs to figure out complications of charging the fee. (It would be difficult, for instance, to charge members who only receive a quarterly statement for savings, certificate and IRA accounts if they do not have sufficient funds in savings.

Marketing would notify members 30 days in advance. Train staff on responding to complaints. Train members to use kiosk if they don’t have access to a computer.

**v. Recommendation:**

Recommended by Old Council and Tristram, and approved by Budget Committee. PR Committee had issues with it being a “statement” fee rather than an “account” fee. Other financial institutions charge account fees and/or checking account fees, but statement fee is a new one.

- b. **Statement of Voting Item:** The following new policy language proposed for the Business Loan section of the Loan Policy includes one additional item for file review, adds how often reporting will be done and changes the date for receiving personal financial statements.

**APPROVED**

**i. Former Policy**

9. ANNUAL LOAN SERVICING AND REVIEW

2. The business Loan Officer will prepare an annual financial review of all loans whose balance is greater than \$20,000 (including affiliated relationships and all unfunded commitments). Included in the review will be written analysis of the borrower's cash flow, revised credit matrix score, ratio analysis, collateral analysis, and relationship analysis. Summary report will be presented to Loan Review committee, Loan Policy committee and Board of Directors.

4. In addition to the items tracked above, members with loans over \$20,000 (including affiliated relationships and all unfunded commitments) are required to provide:

- a. Internally prepared and signed statements due by 90 days after [fiscal] year end.
- b. Federal Taxes or a copy of the request for extension form, due by April 30th.
- c. 4506-T annually for actual MBL's borrowers (over \$50,000). Due by October 31st.
- d. Personal Financial Statements on all guarantors annually (December 31st) for all MBL's (over \$50,000) due by January 31st.

**ii. New Policy:**

9. ANNUAL LOAN SERVICING AND REVIEW

2. The business Loan Officer will conduct an annual financial review of all loans whose balance is greater than \$20,000 (including affiliated relationships and all unfunded commitments). Included in the review will be written analysis of the borrower's cash flow, revised credit matrix score, ratio analysis, collateral analysis, *payment history analysis*, and relationship analysis. Summary report of loans reviewed that month will be presented to Loan Review committee, Loan Policy Committee and Board of Directors *monthly*.

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- c. 4506-T annually for actual MBL's borrowers (over \$50,000). Due by October 31st.
- d. Personal Financial Statements on all guarantors annually (December 31st) for all MBL's (over \$50,000) due by *March 31st*.

**iii. Rationale**

To add payment history to annual review, to clarify how often reporting will be done and change the required date for personal financial statements to the end of the first quarter. Close contact with business members who are borrowing funds will help us better understand their business cash flow needs and thereby allow us to respond more quickly to their situations.

Initially expense will generally increase due to the greater time spent with annual review,

versus the past practices. Potentially, the more timely and in depth review may lead to reduced delinquencies and related losses; increased opportunity for cross sell; and new leads for additional loans.

Much of the total review is manual, and reviewing payment histories will also be a mostly manual process. In order to be an ongoing success, the entire review process must achieve a high level of automation, whereby periodic information can be tracked and reported on a summary, detail and exception basis. CUSA is lacking in high level automated support for this function, but has been able to be used at an adequate level.

Leads to lower loan losses.

**iv. Implementation**

Process is already implemented for the annual reviews.

Added depth to review process may add 15 to 20 minutes to each loan review, for 50 loans (currently). In addition, ongoing report review will add about 1 hour per month to overall status review of portfolio. Bob is the primary staff person affected, as well as Giuli on a supporting basis.

- v. **Recommendation:** Recommended by Loan Policy Committee, reviewed by Tristram.

- c. **Statement of Voting Item:** The following new policy language is proposed for the Business Loan section of the Loan Policy to reflect the process for reviewing closed and delinquent business loans.

**APPROVED**

**i. Former Policy**

**10. BUSINESS LOAN MONITORING**

All closed loans, except SBA 7A loans, will be audited by either the Business Loan Committee or the CLO within two weeks of closing. Any outstanding documents will be obtained and file will be signed off on. SBA loans require a higher level of review. The business loan officer who did not originate the loan will audit the file reviewing the Audit checklist that includes, but is not limited to, SBA authorization, loan and collateral documents, proof of income and appraisals, all closing documents and all processing and verification Forms. The file will then be reviewed by the CLO, CEO or CFO and signed off on.

Delinquent business loans will be reviewed monthly at a meeting of the business loan officers, the Business Cents staff, the Collections Manager and the CLO. This group will decide which businesses need technical assistance from Cents, which need site visits from loan officers, and which businesses the Collections manger will contact. A written report of the follow up plan will be produced and progress on the actions will be reviewed at the next meeting. It is recognized that successful business performance is dependant upon collaborative work among departments.

Business working capital loans secured by inventory and receivable will be monitored at least semi-annually. In addition, loan officers will perform periodic on site inspections of inventory securing the Business working capital loans.

**ii. New Policy:**

**10. BUSINESS LOAN MONITORING**

All closed loans, will be reviewed by either the Business Loan Committee or the CLO within two weeks of closing. Any outstanding documents will be noted and obtained and file will be signed off on. The review will consist of, but is not limited to, SBA authorization, loan and collateral documents, proof of income and appraisals, all closing documents and all processing and verification forms.

Delinquent business loans will be reviewed monthly at a meeting of the business loan officers, the Business Cents staff, the Collections Manager and the CLO. This group will decide which businesses need technical assistance from Cents, which need site visits from loan officers. A written report of the follow up plan will be produced and progress on the actions will be reviewed at the next meeting. It is recognized that successful business performance is dependant upon collaborative work among departments.

A summary report of loan monitoring will be presented to the Business Loan Committee, Loan Policy Committee and the Board, monthly.

**iii. Rationale**

The changes better define the process of what is to be reviewed, and by whom. Flexibility is added for loan review of all business loans by management.

The paragraph referring to working capital loans is redundant to items in Section 9, and should be removed from Section 10 for clarity.

Loans without documentation errors are more likely to be collectable, if even after a loss is taken. Lower loan losses help strengthen the overall performance of the Credit Union.

The purpose of this section is to try and avoid potential loan losses that result purely from documentation errors. If our loan closing docs are correctly done on the front end, the loan collection efforts can be better executed in a default situation

iv. **Implementation**

New meetings will have to be scheduled with Collections staff, Business CENTS staff, BLO and CLO. Estimated staff time required for implementation. Which staff are primarily affected? Approximately 1 to 1 ½ hours per month for Collections staff, Business CENTS staff, BLO and CLO will be required.

v. **Recommendation:** Recommended by Loan Policy Committee, reviewed by Tristram

- d. **Statement of Voting Item:** Add Loan Authority for Amy Smith, as of Jan 25, 2008 to \$40,000 for Consumer Loans and \$100,000 for Share Secured Loans.  
**APPROVED**
- i. **Former Policy:** None
  - ii. **New Policy:** Amy Smith, Consumer Loan Officer  
\$40,000 Consumer Loans, \$100,000 Share Secured Loans
  - iii. **Rationale**  
Amy Smith had full loan authority for several years before she resigned. She is back 7 months later to cover for Tol kyn Aidarova's maternity leave. Amy Smith started Jan 9, and has been passing files to Mary Ziegler for approval. Amy is easily making sensible decisions and there's no need for additional oversight.
  - iv. **Implementation**  
Change policy immediately upon approval; allow Amy Smith lending authority to approved limits.
  - v. **Recommendation:** Recommended by Loan Policy Committee.
- e. **Statement of Voting Item:** Increase the maximum collision deductible on vehicle loans to \$1000.  
**APPROVED**
- i. **Former Policy**  
Section 13 Collateral  
Members must maintain liability, property, and collision damage insurance coverage (as applicable) on collateral securing Alternatives loans. The maximum collision deductible on vehicles is \$500.
  - ii. **New Policy:**  
Section 13 Collateral  
Members must maintain liability, property, and collision damage insurance coverage (as applicable) on collateral securing Alternatives loans. The maximum collision deductible on vehicles is \$1000.
  - iii. **Rationale**  
We've had a max \$500 deductible forever. For our low income members this requirement can be quite expensive. Recently we lost a loan because the applicant was planning for a \$1000 deductible and felt the \$500 deductible made too much of a difference in monthly expenses, and he didn't have \$500 to place on deposit which is our usual workaround offer.  
A recent lending listserv discussion showed of 19 credit unions, 16 have a \$1000 max deductible and the other 3 have a \$500 max deductible but will go to \$1000 if requested.

iv. **Implementation** Change policy as of February 1, 2008.

v. **Recommendation:** Recommended by Loan Policy Committee, Tristram.

4. **CEO UPDATE** – Tristram reviewed the 2008 Business Plan. Board asked for clarifications, and at mini-retreat on 1/28 agreed to the overall direction of the plan.

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SECRETARY'S SIGNATURE

## REPORTS

### 5. List of attachments

- a. CAMEL Ratios
- b. Delinquent Loan Report
- c. Net Interest Income
- d. Balance Sheet
- e. Grant Progress Report

### 6. HUMAN RESOURCES COMMITTEE

- a. January 11, 2008
- b. Present: Diana, Alison, Ian, Tristram, Lenore
- c. Absent: Sharron
- d. **Board Review of 2008 Staffing Proposals:** We reviewed possible new positions for 2008: Member Service Specialist (add a new position and upgrade for lending responsibilities), Call Center (a second person) and Community Relations Liaison.
- e. **HR Benchmarks:** We reviewed benchmarks for strategic planning process: employee satisfaction, retention, and diversity.
- f. **401K Discretionary Contribution Recommendation:** We reviewed Tristram's proposal. The idea is to revisit this issue every January based on the current year's budget. The 2008 proposal is based on a budget with a profit of 20 basis points equaling \$100,000. Lenore will prepare a business case proposal for 2008 401k discretionary contribution for the February HR Committee. Current proposal that will be refined for next meeting:
  - i. 4% Match
  - ii. Profit Sharing:
    - >10 bp ROA = 0%;
    - 10-20 bp = 2%;
    - 20-30 bp = 2.5%;
    - 30bp+ = 4%
- g. **Next steps in HR Strategic Planning:**
  - i. Review and approve Premier Workplace Vision Wheel
  - ii. Defining 2008 Initiatives:
    - Stabilize Adequate Staffing
    - Comprehensive Training Plan
    - Revise Staff Compensation Plan
    - 401k discretionary contribution revised
    - 5-year Diversity Plan.
- h. **Next Meeting:** February 15, 9AM

### 7. LOAN POLICY COMMITTEE

- a. January 18, 2008
- b. Present: Mary, Ron, Diana, Jim, Ian, Everett, Tristram, Bob, Kenny, Carol
- c. Absent: Tom
- d. **Monthly Reports:**
  - i. **Mortgage-** 10 closed in Dec. for a 2007 total of 66 mortgages for \$4,366,453. 2 SONYMA loans have closed, 2 more are in process. Dec. & Jan. have been busy. The 1st Home Club match has been increased to \$7500 from \$5000.

- ii. **Consumer**- 59 loans for \$286,929. Tol kyn is out on maternity leave, Amy Smith is back part time and Joanna has moved to consumer loans to assist too.
- iii. **Business**- 7 closings for \$99,137. 2007 total is 41 loans for \$499,757.
- iv. **Collections**- Rate is up to 5.15% with more mortgages on the list. We are looking into hiring an outside collections agency to assist with collections.
- e. **New Business**
  - i. **Consumer Lending**-Rate reduction- Rates went down 1/2%.
  - ii. **Staffing**- Tol kyn will be going out on maternity leave in Jan. We are interviewing for temporary help during her leave.
- f. **Debit card provider conversion**- We are planning the conversion for March or April.
- g. **Next Meeting**: February 22, Noon

## 8. PUBLIC RELATIONS COMMITTEE

- a. January 17, 2008
- b. Present: Suzanne, Leni, Lane, Diana
- c. Absent: Kenny
- d. Discussion notes on paper statement fees:
  - i. There should be member exemptions for this fee but we should not promote the exemption possibility.
  - ii. Since no other bank has a true "statement fee," could it be called an account fee?
- e. Non Voting Item: Member Focus Map - no additional changes or suggestions.
- f. Next meeting date: February 21, 12:30PM

## 9. DEVELOPMENT COMMITTEE

- a. January 3, 2008
- b. Present: Tom Terrizzi (Board). Leslie Ackerman, Brendan Wilbur, Tristram Coffin, Deirdre Silverman (Staff).
- c. Absent: Karen Jamarusty (Board).
- d. **Funding and Program Updates**:
  - i. Grant total in financial reports may be somewhat lower than goal, because some has been deferred to 2008 since we met our budget surplus goal for 2007. These are either funds that have been contracted or billed for but not yet received, or that came in at the very end of the year. So January 2008 should be a good month for grant income.
  - ii. At year end we received three \$99-100K below-market rate deposits from banks looking for CDFI Bank Enterprise Award credit.
  - iii. The Business Plan coming out of our strategic planning process should be ready around late January. We will use this as part of our argument, along with our 2007 financials and our 2008 budget, to ask funders to extend the maturity dates of their secondary capital investments.
  - iv. **IDAs**: Closed out Assets I, our first federally-funded IDA program. A total of 70 people opened accounts, and 59 made at least one matched withdrawal. That's an 84% success rate. But there were a couple of other people who saved money (even the full \$1000) but didn't use the matching funds. Shouldn't they be counted as successes too? Brendan was very successful in helping savers maximize the use of matching funds, so we have almost nothing left unused to return to the feds.
    - 1. A local foundation approved and sent \$50,000 to the AVF for IDA matching funds for the Assets III federal grant that was approved in September. This will allow us to draw down the full federal grant, earn interest on the money to

- support the program, and open accounts immediately. Process of starting Assets III, refining our procedures, opening new accounts, setting guidelines.
- v. **Business CENTS**— Working to implement strategic planning follow-up to the consultant’s report. Restructuring staff positions, implementing new fee structure, recruiting a VISTA, etc.
    - 1. The plan is to have Michelle focus on developing and supervising a more robust consulting program which includes outside consultants, and Leslie focus on the education part of the program, overall program direction, and organizational contacts. Their next step is to develop the pricing and benefits for the membership program, for client, organizational and provider members.
  - vi. **Tax Program**—Potential crisis over IRS start date was averted. Volunteer training has begun. Funding from Tompkins County, CFED (for Schedule C and F preparation) and Citizens Bank should arrive in January or February.
    - 1. New York Credit Union Foundation approved and sent \$2500 for tax program.
    - 2. Recently passed federal budget includes \$8 million for community tax programs for next year. Details of application are still unknown, and how that amount will translate to individual sites is unclear.
  - e. **Myers Internship Fund:** Now at \$19,190. Very limited response to local donor mailing (5 responses) and CEO mailing (2 responses), though the latter may not be tied to the calendar year.
    - i. Questions: 1. How to proceed with starting the internship? Which Board committee should play the lead role? Human Resources, Development, Public Relations? What are the roles of staff and Board in this? Deirdre will take this to the management meeting for discussion.
    - ii. 2. The AVF made a donation in lieu of the credit union doing so. In our Annual Report and other documentation of donors, should the credit union be listed? The credit union did donate staff time (Deirdre, Suzanne, others) and other in-kind—mailings, etc. Consensus that the credit union should be listed as a donor, and should consider making a financial donation in 2008.
  - f. **Development Activities and Strategic Plan:** Tristram would like, and our strategic plan will call for, more active and diversified fundraising efforts. With our increased focus on community integration, we are looking at a new position that will oversee community outreach, programs and new funding initiatives. We need to get to a point where we can use funding for new initiatives, not to plug holes for our shortfall. These efforts can include:
    - i. \*more approaches to foundations, using the AVF’s 501( c)(3) status;
    - ii. \*more approaches to individuals, possibly using the AVF. This hasn’t been successful for us, but other, non-depository CDFIs have used it to raise investments and donations. This could involve moving the community programs into the AVF and establishing its separate identity. We need to do some work, possibly using a consultant, to identify appeals that would overcome the “financial institution asking for money” response;
    - iii. \*more aggressively courting below-market deposits and secondary capital.
    - iv. \*more community partnerships with non-profits which may have access to funding sources we don’t have.
    - v. \* taking more risks in applying for funds, not just going for the likely success.
    - vi. Staffing is a question with all of this. We would like to expand staff time, but any expansion would have to more than pay for itself through increased revenues.
    - vii. Role of the Board in this—Most Boards play an active role in fundraising, but this has not been an expectation for our Board members. Tom will take this issue to the Governance

Committee. This could also be the role of an Advisory Board or other such group.

viii. Leslie asked about increasing earned income, and Tristram said that's also part of the strategic plan.

g. **Next Meeting:** Feb. 7 at 9:30.

## 10. BUDGET COMMITTEE

- a. January 22, 2008
- b. Present: Jim, David, Kenny, Joe, Leni, Tristram, Ron, Carol, Mary
- c. Absent: Yvette, Brian
- d. Delinquency – Ron presented December's %'s and proposed write offs for January.
- e. 2007 Financials Year end review: Balance Sheet, Net Interest Income, Ratio's
- f. 2008 Preliminary Budget - Preliminary budget - loss of 40k. Various fee and expense options presented to increase budget income to 100k.
- g. New Fee on Paper Statements - "Green Fee" \$2 Monthly fee for paper statements. Impact on budget 85k.
- h. The November delinquency rate was down from October – to 3.98% from 4.71%. The rate without the secured portion of delinquent loans is 3.01%. Our target is 2.5%. The number of loans on the list went down by 12 and the total dollars delinquent went down \$230,649.18. Total loans outstanding went down \$90,638.62.
  - Mortgage delinquency went to 3.98% from 4.35%.
  - Consumer delinquency went up to 2.83% from 2.81%.
  - Business delinquency went to 11.02% from 10.89%
- i. Allowance for loan loss was adjusted \$18,175.99 for November, 2007.
- j. Write offs: .There will be 5 loan write offs, totaling \$14,078.47 proposed for Dec. 2007. Our allowance for loan loss is targeted at \$19,580 monthly. 20 overdrawn account write offs proposed for December 2007 with a total of \$8,347.14. Of that, \$6,207.79 is for write off (a real loss) and \$2,330.00 will be a loss of fee income (reversal of fees that have not been paid). \$5,500.00 is due to fed returns. Our target for negative accounts is \$1,000.00 monthly.
- k. **Next Meeting:** February 18, Noon

## 11. SUPERVISORY COMMITTEE

- a. January 18, 2008
- b. Present: David Gallahan, Chris Strebels, Bill Goodman, Karl Graham.
- c. Guests: Andy Lundeen and Ryan Johnson, Sciarabba Walker & Co.
- d. Andy will be the lead auditor for our 2007 financial audit. Andy is the lead on Sciarabba Walker's credit union audits, though this is his first time with us. This will be the second year Ryan has been part of our audit team.
- e. Andy gave us an overview of the audit. Audit begins in earnest on Feb 25. Goal is to present audit to the board at the March meeting.
- f. Reviewed draft of the committee's 2008 work plan. Some changes needed. Will review again in February
- g. Mary will come to our February meeting to discuss consumer loan file reviews.
- h. Next meeting: Wednesday, February 13, Noon.

## 12. GOVERNANCE COMMITTEE

- a. Meeting cancelled
- b. **Next meeting:** February 7, Noon