

BOARD MINUTES
#362 March 20, 2008

ATTENDANCE

BOARD – Kenny Christianson, Tom Terrizzi, Jim Fravil, Diana Drucker, Ian Schachner, Bill Goodman, Alison Christie

ABSENT – Yvette Rubio, Brian Hunt, Sharon Thrasher, Karen Jamarustyl

STAFF – Eric Levine, Melissa Pollack, Karl Graham, Joe Welch, Carol Chernikoff, Leni Hochman, Lenore Olmstead, Deirdre Silverman

Next Board Meeting: April 24, 2008 7PM

Agenda

- 1) Special Guest: Phil Ricci, NCUA**
- 2) Review of Agenda**
- 3) Vote on Consent Agenda**
- 4) Board Votes and Action Items**
 - a) Energy Efficiency Loans
 - b) Increase Credit Card Fees
 - c) 401(K) Profit Sharing Guidelines
- 5) CEO Report**
 - a) Community and Industry Involvement
 - b) Viamericas
 - c) Save-a-Tree Fee Update
- 6) Discussion**
 - a) Nomination of Board Candidates

1) Special Guest – Phil Ricci

- a) NCUA Exam is considered confidential. “NCUA Follow-Up 12 31 07” is available to Board under password.

2) Review of Agenda

- a) **Review and approve Consent Agenda**
 b) **Additions and Deletions to Agenda**

3) Consent Agenda - APPROVED

a) **Membership Officer:**

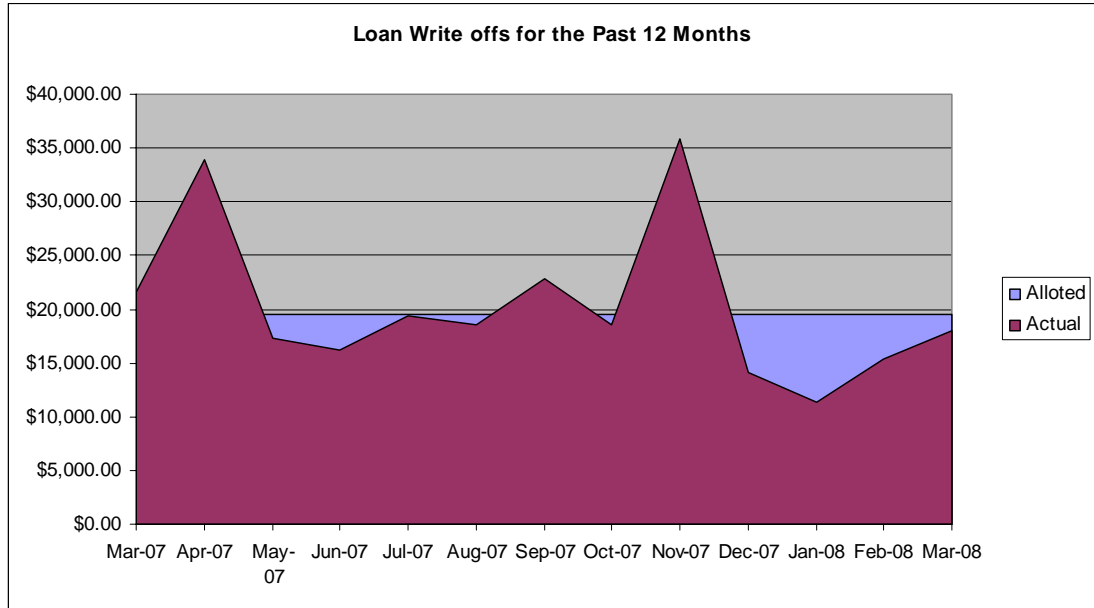
	February 2008	February 2007	February 2006
NEW	134	114	109
CLOSED	60	90	61

# of Accounts Closed	Reason								
18	Closed by collections								
1	Deceased member								
41	Closed by MSRs per member’s request <table border="1" data-bbox="779 1024 1404 1281"> <thead> <tr> <th># of Accounts Closed</th> <th>Reason</th> </tr> </thead> <tbody> <tr> <td>8</td> <td>Moved/moving</td> </tr> <tr> <td>4</td> <td>Not needed/Not using</td> </tr> <tr> <td>3</td> <td>Closed their HAS</td> </tr> </tbody> </table>	# of Accounts Closed	Reason	8	Moved/moving	4	Not needed/Not using	3	Closed their HAS
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3	Closed their HAS								

- b) **SARS Report: One SAR was filed in February 2008. One SAR filed in 2008.**

c) Write offs:

i) *There will be 4 loan write offs, totaling \$17,931.46 proposed for March, 2008. Our allowance for loan loss is targeted at \$19,580 monthly.*



ii) *16 overdrawn account write offs proposed for March 2008 with a total of \$14045.41. Of that, \$12,847.77 is for write off (a real loss) and \$1,260.00 will be a loss of fee income (reversal of fees that have not been paid). Fed returns total \$11,741.25. Our target for negative accounts is \$1,000.00 monthly. *All fed returns from December 2007, funds availability policy (check hold) changed January 1, 2008*

d) New Savings Rates

	Div %	APY %		
<u>REGULAR SHARE SAVINGS</u>		0.69	0.70 Over 20,000
	0.59	0.60	..	10,000 through \$19,999.99
	0.49	0.50		5 through \$ 9,999.99
<u>SHARE DRAFT</u>	0.20	0.20		Over 20,000
	0.10	0.10		10,000 through 19,999.99
	0.01	0.01		5 through \$ 9,999.99

HEALTH SAVINGS ACCOUNT HSA is an easily accessible share draft account (with Debit Card access) in which you may save and pay for your qualified medical expenses. The HSA annual fee is \$40. The account earns the Regular Share Savings Rate. HSA is matched with a high deductible qualified health insurance plan.

STUDENT CREDIT UNION SAVINGS 0.69 0.70 1 and over
The Student Credit Union is a branch of the Alternatives Federal Credit Union run by and for students under the age of 19.

IRA SAVINGS 0.79 0.80 Over 20,000
0.59 0.60 10,000 through 19,999.99
0.49 0.50 5 through \$ 9,999.99

Individual Retirement Account funds (IRAs), Simplified Employee Pensions (SEPs), and Education and Roth IRAs may be invested in IRA savings or any Share Certificate. We accept rollover IRAs from other institutions. IRA accounts are offered without service fees. IRA terms are described in the Custodial Agreement.

ESCROW ACCOUNT 0.50 0.50 5.00

4) Board Votes and Action Items

- a) **Statement of Voting Item:** Offer one half percent interest rate reduction on ten year fixed rate home equity loan for energy efficiency improvements.

APPROVED

i) *Former Policy*

There is no current policy for discounts on this type of loan

ii) *New Policy*

Loan Policy – Mortgage Section – Mortgage Products

7. 5. b. Rates: *Add:* Energy efficiency improvement loans, according to NYSERDA guidelines and also solar installations, will receive a one half of one percent interest rate reduction.

iii) *Rationale*

We have worked with NYSERDA for many years on a program that provides a four percent rebate on approved energy efficiency improvements made by a certified building performance contractor. NYSERDA is no longer offering this program for solar installations, which accounts for the majority of our business with them. While we are not in position to offer such a substantial discount, we can nonetheless offer a discount to enhance marketing and outreach efforts toward members looking to improve their homes. Furthermore, our discounted product (unlike NYSERDA) would allow the homeowner to use any contractor. We have found that the limited number of NYSERDA-certified building contractors usually charge more for their work, so our members would be able to save on the overall cost of their solar project while receiving discounted financing from Alternatives.

iv) *Implementation*

Add to loan policy. We will market this product as a “green” loan to members and the community using our newsletter as well as through direct contact with contractors. Everett Boutillet will be the one to interview members and offer loans to qualified borrowers.

- v) *Recommendation:* The Budget Committee (Jim Fravil) has reviewed this item, and the Loan Policy Committee recommends this change.

- b) Statement of Voting Item:** Increase credit card fees for (1) late fee, (2) overlimit fee, and (3) returned check fee.

APPROVED

i) Former Policy

- \$15 late fee
- \$20 overlimit fee
- \$10 returned check fee

ii) New Policy

- \$29 late fee
- \$29 overlimit fee
- \$29 returned check fee

iii) Rationale

Average credit union credit card fees are \$29

Fees should be set to discourage unwanted behavior. We don't want late payments, overlimit or returned check situations.

When we have the lowest fees, people choose to pay other cards first and leave our lowest fee card for last.

Our overlimit fee was set to \$20 to match our overdraft fee. We'd like to raise this fee to match the credit union average of \$29. Yes, higher than our overdraft fee, but it is a once per month fee, not a per incident fee.

Our income last year was approximately \$4000 for each of the late and overlimit fees. Returned check fees are not tracked by our servicer. If late payments and overlimit situations are not discouraged by this change we will see those income lines doubled.

When we sell our credit card portfolio, the fees will go up. While that's in process, we get members used to the new fees and benefit from a modest increase in income.

iv) Implementation

There is no fee to make those changes with our service provider; there is a one time \$25 fee for a statement message. The changes can take effect within two weeks of our request. Notification to member cardholders would be done by statement message for the April statement, with charges starting mid-May.

- v) Recommendation:* The Budget Committee (Jim Fravil) has reviewed this item, and the Loan Policy Committee recommends these changes.

- vi) Discussion:* Board sees this as an the opportunity to promote our Alternatives VISA Debit card and Line of Credit.

c) **Statement of Voting Item:** Employee 401(K) contributions will be matched up to 4% of compensation. Guidelines for 401(K) discretionary contribution for 2008. 4% match **APPROVED**. Discretionary contribution discussed and agreed upon as guidelines.

i) *Former Policy*

The current policy does not prescribe a specific level of employer-matched contribution. The match, which is currently at four percent, is contained in the Plan Document, which will be amended to reflect the four percent match. We will also insert this new policy into the Employee Handbook.

Our policy provides for discretionary contribution up to 4.5% of compensation. These formulas do not change this policy, they merely provide guidelines for its implementation.

ii) *New Policy*

Move 36.j.i. to 36.j.ii.

Add 36.j.i. Alternatives FCU will match up to four percent of eligible employees' contributions to the Credit Union 401(K) profit sharing retirement plan.

Use as guidelines the following profit ranges for the percentage of the 401k discretionary contribution for 2008:

2008 Net Income	% of Employer 401K Discretionary Contribution
\$0 to \$49,999	= 2.5%
\$50,000 to \$149,999	= 3.5%
\$150,000 and above	= 4.5%

iii) *Rationale*

- By increasing the match from 3 to 4%, Alternatives will be providing a stable fixed amount for staff to use to plan for retirement each year. Surveys of other credit unions show average employer matching contributions at levels of four percent or higher. Increasing our match for baseline contributions brings our benefit in line with those of peers, providing a competitive benefit for recruitment and retention purposes.
- Having strong guidelines for the discretionary contribution aligns this employee benefit with our goal of financial stability. The 401k discretionary contribution is now tied to financial performance and will not be paid out if Alternatives lacks positive income for the year. In addition, for 2008, the higher percentage for income over \$150,000 gives incentive to exceed the budgetary goal of \$100,000.
 - In practice, we have looked at this benefit as a defined benefit. Even during years of losses in income, only once in our history did we cut back from a 4 ½% discretionary contribution. Outside of this one exception, Alternatives has paid 7.5% every year as a 401k benefit

iv) *Implementation*

- Amend the current 401k plan document for the higher match amount.
- Distribute information to staff about the higher match amount.
- Reallocate budget lines for the 401k match and 401k discretionary contribution.

v) *Recommendation: The Human Resources Committee recommends this change.*

5) CEO Update

Here is an update regarding some of the initiatives being worked on at Alternatives. More information will be provided at the Board Meeting.

Community Integration and Industry Involvement- Interviews have begun for the Director of Community Relations and Development position. We expect to select a candidate by March 31. In addition, I attended the CUNA Governmental Affairs Conference in Washington, DC, a gathering of over 4700 credit union representatives. While in Washington, I joined with other local credit union CEOs in visiting the offices of our local Congressmen.

Here is a partial list of events attended/people met with this quarter

- CUNA Government Affairs Conference
- Southern Tier Credit Union CEO Roundtable
- Greg Hartz, Tompkins Trust
- Barbara Emery, Tompkins County Employees FCU
- Paul Mazzarella, Ithaca Neighborhood Housing
- Christine Sanchirico and Cecilia Vargas, Catholic Charities
- Cornell Microfinance Club
- Herb Engman, Town Supervisor

Viamericas- The Viamericas program, which is designed to offer members the opportunity for members to wire money internationally at competitive rates, has been discontinued for the time being because of concerns over the quality of service to members and staff, as well as low usage by members.

“Save-a-Tree” Fee- So far over 900 members have switched to e-statements. We have also received about two dozen complaints. The complaint letters have been individually addressed, and the concerns expressed in these will be addressed in subsequent communications to the membership about the fee.

6) Discussion

- a) Nomination of Board Candidates – Three terms are up: Tom Terrizzi, Diana Drucker and Kenny Christianson. Nominating Committee recommends Tom, Diana and Kenny to the Board as candidates for the three board positions. Ian moves, Jim seconds. Tom, Diana and Kenny abstain. Board approves their nominations.
- b) Karen has indicated she may be resigning, and if and when she does, the Board may appoint someone to take the remainder of her term.

Reports

5) List of attachments

- a) CAMEL Ratios
- b) Delinquent Loan Report
- c) Net Interest Income
- d) Balance Sheet

6) HUMAN RESOURCES COMMITTEE

- a) March 14, 2008
- b) Present: Alison Christie, Diana Drucker, Tristram Coffin, Lenore Olmstead
- c) Absent: Ian Schachner, Sharron Thrasher
- d) **HR metrics connected to vision of Premier Workplace**

Lenore brought copies of the Premier Workplace Vision Wheel and handed out the metrics we have been tracking: percentage of minority employees, turnover, and employee satisfaction. We noted a desire to see comparisons to industry standards for our metrics. Tristram proposed using the member service satisfaction metric in an overlap with the Member Service Committee. As someone stated “happy employees provide better service.” We spoke about the turnover issue in Member Services due to promotions and the plan to elevate the Member Service Specialist position to include lending and financial counseling which will provide greater service to members and more of a career path for staff in Member Services. We will develop a service promise to members and a service promise for back office staff supporting front office staff. Tristram suggested an internal survey asking if problems are resolved quickly and people are friendly and giving an Employee Service Award each year.

Lenore shared information about two Diversity Consortium training sessions on March 24th and April 14th. Alison indicated interest in attending the March 24th session entitled “Establishing a Foundation for Diversity and Inclusion in your Organization.”

e) **2008 401k Discretionary Contribution Guidelines**

Alison, Diana, and Ian (via email) approved this proposal for 401k discretionary contribution guidelines to go to the March board meeting:

2008 Guidelines for 401k Discretionary Contribution

- To provide guidelines for the 401k discretionary contribution at the beginning of current year which provide income targets to meet in order to attain varying percentages of 401k discretionary contribution. The Board still needs to approve the 401k discretionary contributions at the beginning of the subsequent year after income is determined.
- To increase the 401k match from 3% to 4%. This would give a fixed minimum benefit for staff to use to plan for their retirement.
- To use the following profit guidelines for the percentage of the 401k discretionary contribution for 2008:

2008 Net Income	% of Employer 401K Discretionary Contribution
\$0 to \$49,999	= 2.5%
\$50,000 to \$149,999	= 3.5%
\$150,000 and above	= 4.5%

f) CEO evaluation

Alison will email the three versions (self, board, senior staff) of the CEO Review instrument to Lenore and Tristram. Tristram will review the CEO evaluation tool for the CEO review in July.

g) Staffing Update

Laticia Perkins starts 3-17-08 as MSR. Robin Cochell was also hired as MSR and starts on March 31st. There are currently internal candidates for the position of Director of Community Outreach and Development. We are in the reference stage in hiring a new Receptionist. Kristiina Heptig, who was previously in that position, has been hired as Member Service Specialist.

h) Next Meeting: April 11, 9AM

7) LOAN POLICY COMMITTEE

a) March 18, 2008

b) Present: Diana, Tom, Kenny, Mary, Bob, Ron, Tristram

c) Absent: Ian, Jim, Chris, Carol, Everett

d) Monthly Reports:

i) Mortgage- 7 loans, all Home Equity. There were 28 interviews, which showed interest in purchase and in Home Equity loans for debt consolidation. Meanwhile, Carol attended the National Community Reinvestment Coalition conference; Everett is at the NFCDCU mortgage conference in Durham, NC about new mortgage initiatives; Janet is on vacation.

ii) Consumer- A record month with \$500,000 in loans! We had a record number of RAL's and a very good number of car loans. The car loans picked up due to heavy car dealer advertising for President's Day, good weather making people shop car loans, and we dropped our rates before CFCU.

iii) Business- an average month, applications picked up into March with 3 or 4 good sized applications in process now. Good total dollars YTD, equal to half of last year's volume.

iv) Collections- DQ rate is down to 3.5%. Mortgage rate went down with several mortgages being paid current, business rate up a little.

e) New Business

i) Staffing - Tolkyn has extended her maternity leave to April 14. Our coverage, Amy Smith and Joanna Coopersmith will continue until Tolkyn's return.

ii) Conversions - The debit and credit card conversion processes are well under way. Our debit conversion date is now May 28; the credit card conversion date is October 24. The credit card sale is moving forward and anticipated to close in April, but our service provider cannot complete the conversion until October. We'll be fine.

f) Voting Items

i) Energy Efficiency Loans
COMMITTEE RECOMMENDS THIS

ii) Increase Credit Card Fees
COMMITTEE RECOMMENDS THIS

g) Governance Committee Request

i) Board Description of Committee

Committee agrees that the description is fine and doesn't need much in the way of changes; Tom mentions that the Governance Committee thought Loan Policy may be the one committee with the fewest changes. We already focus on reports and products, seeing relationship to our mission and contribution to the bottom line. Perhaps we can consider adding more along the lines of awareness of distribution pipelines for the community.

ii) Scope of Responsibility between the Board and CEO

Any changes to Loan Policy require a Board vote. That includes all fees, programs, underwriting changes, lending authority, collateral requirements, portfolio composition, regulatory compliance, lending area, etc. etc. The CEO does not have the authority to make these changes.

iii) Metrics that the Board should use to measure outcomes and indicators of success

Loan Policy Committee metrics are the monthly reports on loan volume and trends, and reports on new program, or program change, results. We might consider adding something about the volume of green loans, some warning signals of impending risk such as a particular member's overdrafts or courtesy pay use.

h) Next Meeting: Friday April 18, Noon

8) MEMBER SERVICE COMMITTEE

a) March 13, 2008

b) Present: Melissa, Suzanne, Leni, Diana, Lane, Yvette

c) Absent: Kenny

d) Harland Clarke is increasing their prices by \$1.00 per box as of 3/31. Not a great impact on members, but an opportunity to encourage debit card and billpay use.

e) Viamericas (our remittance program) hasn't worked well. We've had large communication difficulties and do not receive information we request. Only two members have used Viamericas in the last six months and there were numerous problems. We'll table this service for now and continue to look for a reliable and inexpensive way for members to send money abroad.

f) Member Service staffing. Working on hiring a receptionist and moving Kristiina into the new MSS position. Once we have everyone settled in, we're excited to move ahead with consumer lending during the new accounts process.

g) Save a Tree fee. About 700 members have opted out of paper statements this week. We've responded to a couple dozen complaints and about 5 - 6 members have closed their accounts. We talked quite a bit about members' concerns and their displeasure with our "save a tree" theme. The committee thought it best to move ahead with more straightforward information about the fee, like calling it the "Account Fee." Then we can advise members that the way to opt of the account fee is by getting their statement electronically. We'll continue working on this.

h) Next meeting: April 17. 12:30, *though this may change.*

9) DEVELOPMENT/COMMUNITY RELATIONS COMMITTEE

a) March 6, 2008

b) Present: Tom Terrizzi, Sharron Thrasher (Board). Suzanne Cerquone, Brendan Wilbur, Leslie Ackerman, Deirdre Silverman (Staff)

c) Funding and Program Updates:

i) *Empire State Development* 2008 grant will be \$95,000—we'd asked for \$100,000.

ii) Applied to Tompkins Charitable Gift Fund for \$5000 for *tax program* satellite sites. This is a potential connection with Tompkins Trust Company. Several other small local applications in the works. Received \$4250 from United Way for the tax program--\$3000 from Bank of America, \$1250 from NYS Office of Temporary & Disability Assistance.

iii) The Strebel Fund at the Community Foundation will award \$500 to the *student credit union program*, and this may be an annual, and possibly increasing, grant.

iv) *Secondary capital*—Will ask for extensions from the Federation in May (Deirdre), Opportunity Finance (Tristram and Deirdre) and Natl Community Investment Fund (Tristram). We expect the first two to agree to extensions, and possibly get additional capital from the Federation, as they've raised their limit to \$500K.

v) *Business CENTS*: Response from members to fee increases? None so far. We're working on how to track income, measure impact of fee changes. Will re-enroll in MicroTest from the Aspen Institute. Also may propose purchasing database software.

(1) Membership Plan: Individual, provider and organizational members. Needs definition in terms of benefits. We'll need marketing support to launch this effectively.

(2) Leslie has been going to the Chamber's Business Information Network meetings, and is working with Doug Levine on a series of seminars offered jointly by us and the Chamber.

(3) Cornell Microfinance Club (from the business grad school) plans to raise donations for a microloan fund that we'd administer. This may have other benefits in terms of research, connections, etc, but we need to control how much of our time they want.

vi) *IDAs*: Great response to increase in First Home Club match. Brendan has lots of inquiries, and these translate into mortgages for us.

(1) Brendan & Everett go to Home Buyer Fair 3/15. Sharron volunteered to help out at the table.

(2) Start opening new Assets IDAs (for business and education) by mid-March.

d) Development Activities and Strategic Plan

i) *New Charge of this committee*: The chart outlining this was in the February Board packet

ii) *Annual Meeting*—Decisions need to be made about date, location, speaker, food, possible theme. Looking at May 29 or June 5. Try for major, nationally-known speaker and have a backup list of regional and local possibilities. Should it be indoors or out? Given time of year, people like to be outside, but doing it here is expensive and a lot of work. Suggestions included Stewart and Cass Parks. Is the Women's Community Building too small? One possible theme is "tradition and change."

- iii) *Annual Report*—Bigger and more substantive than 2007's, but smaller and less expensive than 2006's. Theme may be related to new beginnings (new CEO, strategic plan, green initiative) or sustainability.
- iv) *Transition period while hiring/training Community Relations Director*: Deirdre is scheduled to go to 3/5 time in early April. Division of tasks depends on who is hired and when. Transition will be a gradual process. Tom suggested getting job description from Santa Cruz CU, which Deirdre will do.
- e) Next Meeting Date: April 3 at 10 am (note change of time)

10) BUDGET COMMITTEE

- a) March 17, 2008
- b) Present: David, Tristram, Carol, Joe, Jim, Karl, Leni, Ron
- c) Absent: Deirdre, Yvette, Kenny, Brian
- d) Financials:
 - i) Balance Sheet (Actual, Budget, Beg Year)
 - ii) Net Interest Income (Month and YTD)
 - iii) CAMEL Ratios
- e) Delinquency/Charge offs
 - i) The February delinquency rate was down from January – to 3.50% from 4.67%. The rate without the secured portion of delinquent loans is 2.23%. Our target is 2.5%.
 - (1) The number of loans on the list went down by 14 and the total dollars delinquent went down \$373,668.03. Total loans outstanding went down \$159,042.98.
 - (a) Mortgage delinquency went down to 2.18% from 3.98%
 - (b) Consumer delinquency went down to 2.32% from 2.82%
 - (c) Business delinquency went up to 14.08% from 12.85%
 - ii) Allowance for loan loss was adjusted \$11,956.23 for February, 2008.
 - (1) There will be 4 loan write offs, totaling \$17,931.46 proposed for March, 2008. Our allowance for loan loss is targeted at \$19,580 monthly.
 - (2) 16 overdrawn account write offs proposed for March 2008 with a total of \$14045.41. Of that, \$12,847.77 is for write off (a real loss) and \$1,260.00 will be a loss of fee income (reversal of fees that have not been paid). Fed returns total \$11,741.25. Our target for negative accounts is \$1,000.00 monthly. *All fed returns from December 2007, funds availability policy (check hold) changed January 1, 2008.
- f) Rate Sheet – Check out the drops - Certificate rates show we are paying competitive local rates.
- g) Loan Discount for Energy Efficiency Improvements – Approved
- h) Credit Card Fee increases –Approved
- i) Budget Committee (mission, goal, purpose) – discussion postponed till next month, due to limited board member representation at the March meeting.
- j) ALCO committee reports
- k) **Next Meeting**: April 14, Noon

11) SUPERVISORY COMMITTEE

- a) March 12, 2008
- b) Present: David Gallahan, Bill Goodman, Karl Graham.
- c) Absent: Ronald Kelly (Cornell's spring break), Chris Strebel (busy with tax season)
- d) Sciarabba Walker and the NCUA were here the week of Feb 25. NCUA presents their exam to the board at its March 20 meeting. Committee decided that Sciarabba Walker can present the audit at the April board meeting and committee members will attend. Committee will ask for copies of the audit for review at the committee's April 16 meeting. Any questions on the audit will be asked at the board meeting.
- e) Reviewed information provided by Mary Ziegler on what items should be found in consumer loan files. Because the contents of consumer loans vary by loan type, it's a more complicated review. We will reschedule consumer loan reviews for May and ask Mary to join us so she can answer questions.
- f) NCUA's Supervisory Committee Manual, chapter 10 is a guide to loan file reviews. A good resource for the committee.
- g) Karl used the laptop and projector to demonstrate what the monthly audit file looks like. Audit file reviews are on our 2008 workplan. Once we decide on search criteria, ie, changes to staff and volunteer loans, we can use the computer to search for audit file changes.
- h) **Next Meeting:** Wednesday, April 16 at noon.

12) GOVERNANCE COMMITTEE

- a) Did not meet.
- b) **Next meeting:** April 3, Noon