Board Members of the National Association of Credit Union Service Organizations (NACUSO) and representatives from its 14 Platinum Partners met here on March 28 to hear committee and advisory board progress reports, discuss upcoming conferences and confer on strategy implementation plans. NACUSO Chairwoman Ava Milosevich welcomed everyone and set the tone for the gathering when she said, “Thanks for coming, and I hope we put our heads together on ways to further improve NACUSO’s approach to creating the means for credit union success through CUSO collaboration.”

Milosevich, who has 38 years of experience in the CU industry added, “I began my association with CUSOs in 1984 (she is the CEO of The SELCO Group, Frontier Investment Co. and SELCO Mortgage Company) and I’ve never been involved with a greater organization than NACUSO. The work we’re doing now is so important to the future of credit unions. I know each of you feel the same way or you wouldn’t be here. We have dedicated ourselves to fulfilling our primary strategic objective, which is to be the catalyst for innovation and the reinvention of the credit union industry. That is an ambitious goal, but as I look across this room and see the talent gathered here, I feel confident we will achieve it.”

(See Tony pg. 2)
Tony Boutelle, president of CU Direct Corporation (which owns CUDL and hosted the meeting), offered the full hospitality of CUDL headquarters (which shares space with the California Credit Union League) and later gave attendees a personally guided tour of the facility.

NACUSO Interim COO Judy Sandberg led the meeting off by noting, “I have to do so without my tandem partner, Vic Pantea,” (NACUSO’s Interim CEO) because he had been taken to a local hospital following a board dinner the previous evening. “Vic is fine; he was just exhausted and dehydrated from pushing too hard these past few weeks,” Sandberg said. Pantea had knee replacement surgery one month ago and resumed a tough work schedule too soon, she added.

Sandberg related that Pantea sent his best, appreciated everyone’s concern and regretted not being there, but wanted them to carry on the important work before them. “We want to know how we can support our Platinum Partners, how we can better serve members and champion the cause of cooperation and collaboration among credit unions and CUSOs,” said Sandberg.

(See NACUSO pg. 3)
I’ve never been involved with a greater organization than NACUSO. The work we’re doing now is so important to the future of credit unions.

– Ava Milosevich, NACUSO Chairwoman.

“NACUSO reinvented itself last year, and we’ve made great strides in communicating that vision,” Sandberg said. “But we set the bar very high, and as long as there are credit unions out there that do not understand the competitive benefits and the power that comes through the CU/CUSO model, it means we still have work to do.”

Sandberg reported that NACUSO’s financial position is strong. “We are profitable through the first months of the year; we are financially stable, have had our first outside CPA audit, and through Bob (Frizzle’s) stewardship, have instituted accounting and reporting standards and formulated growth plans to take us well into the future.”

Sandberg said, “NACUSO’s income stream comes from member dues, conference revenue and support from Platinum Partners. We’ve had double-digit growth in membership and renewals because our value proposition has a strong appeal. We are the only organization dedicated to pursuing collaboration as a business strategy. This shared vision of bringing existing credit unions and CUSOs together, forming new CUSOs for collective benefit and opening a new avenue of participation for this industry has taken hold of the imagination of the CU world at large. We’re here now to build on that progress.”

Sandberg noted that NACUSO’s premier conference is fast approaching (the 2006 Annual Conference at the Wynn Las Vegas on May 15-18) and two regional meeting dates have also been set. NACUSO’s CEO Collaborative will take place at the CUNA Mutual Group headquarters in Madison, Wisconsin on September 14-16, and the Business Services Conference will take place in Chicago on November 1-3.

- end

Just Announced.
Business Services Collaborative
November 1st - 3rd
Renaissance Chicago Downtown Hotel
NACUSO Vice Chairman Tom Davis provided the impetus for a passionate discussion of what comes next—not just for NACUSO—but for the future of credit unions and the businesses that serve and support them. Davis delivered the “that was then, this is now, this is what will be” data of the credit union lifecycle that should spur action on the collaborative model. Phase I is the history, from creation to around 1945 (the Philosophical Foundation); Phase II, from 1945 to around 1970 (the Years of National Expansion); Phase III, from around 1970 to 1985 (the Years of Institution Building), with multiple SEGs and expanded product offerings, and Phase IV, from 1985 to the present (the Maturing Industry and the years of technological advancement and competition).

Throughout the history of the credit union movement, most credit unions have shown strong growth in membership and operational success, but the total number of CUs has been in steep decline. From a high of more than 30,000 nationwide to 8,900 today, the rate of loss is one CU per day,” Davis said. Return on assets (ROA) has been below 1% for the last eight quarters. Member growth is stagnant at 1.5%, and the total CU share of the national financial services sector can’t break 6%. There were fewer than 100 new CU charters in the last 10 years. Davis said these are sorry figures to be sure, especially when compared to community banks, which are posting record profits. So what’s the problem?

Davis said it was a lack of critical thinking, as well as a strict reliance on peer analysis and inadequate CU organizational structure. “Strategies have changed, but the CU organizational structure is the same now as it was 50 years ago,” he said. Davis has compiled comprehensive focus group and survey data over several years, and learned that members want value, convenience and service. “But at the core of what people want is to feel good,” he said.

The answer lies in finding new growth models, revamped capital modernization and an increased emphasis on critical thinking. “When critical thinking deteriorates, so does innovation,” he stressed. A new level of activism is called for, with boards functioning as assets of the credit union, and management setting the example for superior execution and implementation of new business plans. “We need collaboration and cooperation now. The old NACUSO purpose was as the place to go relative to the distribution of financial services and products, and that was successful.”

(See “There” pg. 5)
There must be a real urgency to delivering this message, and NACUSO is the right organization at the right time to do it,” Davis said.

Attendees “got it” judging from these excerpts from the discussion that followed: Now, it’s also about operational services and seeing the whole picture of providing our own answers. –Pete Snyder, Snyder Consulting Solutions/NACUSO Board

With regard to the phases in Tom’s credit union life cycle, I’d like to point out that while the first three had twenty-plus years to develop, the current one does not. We don’t have 20 years to fix this problem. If we don’t, there’s a tombstone there. Dave Serlo, President, PSCU Financial Services/NACUSO Director

It seems that credit unions are even less collaborative now than they were in the past. A recent trade press survey found that small credit unions see large ones as their competitors. How can we overcome that and promote collaboration as a solution to that fear? –Tony Boutelle, CU Direct Corporation/NACUSO Director

I don’t know what the optimal number of credit unions is. It is 10,000? Twenty? Nine thousand? Will it be 6,000 soon? When will Congress say, hey, we don’t need a separate regulator for only 6,000 credit unions? But I know that we are tremendously over-staffed as an industry. We justify that by providing greater service, but can we become more efficient by creating shared back office services that cut down on duplication? –Mike Hales, President, Counter Intelligence Associates/NACUSO Director.

(See “Total Asset pg. 6)

“A recent trade press survey found that small credit unions see large ones as their competitors.”
The total asset size of all last year’s merged credit unions was near $350 million. What about a national wholesale CUSO? A federation? –Tom Davis, Davis and Company/NACUSO Vice Chairman.

Credit union consolidation isn’t the problem. There is no overall credit union brand in this country. There are 8,900 different brands. Our survival isn’t about assuring the survival of the $5 million to $25 million credit union, it’s about the survival of the credit union idea, whatever the size. –Dave Dickens, Interim President/CEO of U.S. Central/NACUSO Director

Mountain America is a $1.7 billion credit union, and we’ve had double-digit growth in the last several years. Forty-six percent of our growth last year was in MBLs. And we have benefited from collaboration; it’s been good for us and it can be just as good for medium sized CUs.

–Dan Clark, President, Mountain America Financial Services/NACUSO Director

Look, 77% of all SBA lending is done by only 15 banks in this country. It’s economy of scale that allows us to compete well against banks, so it can be done. I see the problem as resistance to change. Credit union people will say they want to change, but they keep doing things the way they always have. It’ll take an evolution in thinking. Banks don’t look at transactions; they want to capture the whole wallet. –Kent Moon, Member Business Lending, LLC

Taxes still worry people, but they’re nothing compared to the cost of expenses of providing services; if we can cut those, taxes wouldn’t be the biggest fear. –Pete Snyder.

Can credit unions be convinced to outsource all the things they are afraid of doing but want to and don’t, due to high costs, to CUSOs? –Dave Dickens, Interim President/CEO of U.S. Central/NACUSO

Those CUSOs would have to be as good or better at delivering whatever those services are.

–Tony Boutelle, President, CU Direct Corporation/NACUSO

There are some boards out there that are just plain tired. They look around and say, “Look, those guys are merging. Maybe we’ll have to merge too.” –Ava Milosevich, President, SELCO Credit Union/NACUSO Chairwoman.

Those are the very people we need to reach! I’d like to have a team go in there and say, “Vote these guys out before they sell you out!” It’s such a give up attitude. –Bob Frizzle, CU*Answers

Clearly, we need some means to develop measurable statistics of the value of collaboration. Can we create collaborative case studies from examples that show it works? Like CUDL, CU*Answers and Mountain America and others? –Judy Sandberg, VP of Strategic Direction,
Election Update

Pete Snyder, Dave Serlo and Mike Hales, members of the Nominating Committee, reported they had received 11 applications for four open director spots, eight of which were highly qualified. The board has 12 directors. There is one opening in each category of director classification: CUSOs and Platinum Partners, CUSOs but not Platinum Partners, Credit Unions and Independent.

Nomination are now closed and voting began on April 17 and concludes on May 8. NACUSO General Counsel Guy Messick will be Teller of Elections and will announce the results at the annual conference on May 17.

President/CEO Search

Dave Serlo told attendees that at the end of September the NACUSO Board had engaged the services of Hilton & Associates in the search for a new president for NACUSO. “We feel this is one of the most important tasks we face; finding a new CEO for NACUSO,” Serlo said. “We have met with Dave Hilton and given him our criteria for consideration. Hilton placed ads and began taking applications, and so far some 150 have been evaluated. That number will be culled to a short list for the Committee’s consideration. “It’s urgent that we fill this spot, but we’re looking for the right candidate, a great candidate. If we have to wait to find that person, we will. We have to get this right.”

New Advisory Boards Added

In late January NACUSO announced the appointment of four advisory boards to provide input and advice to the NACUSO board of directors on a wide-ranging number of services. The advisory boards are (1) the Financial Services Advisory Board (investments, insurance and trust services); (2) the Business Services Advisory Board (business lending, depository and ancillary services); (3) the Consumer Lending Services Advisory Board (indirect lending, mortgage lending, student lending, and collections); and (4) the Operational Services Advisory Board (data processing, disaster recovery, shared branching and management services).
Each advisory board has a NACUSO board liaison. Two advisory boards have now been formed and members named. Pete Snyder is the board liaison for the Financial Services Advisory Board. Mike Hales is the board liaison for the Business Services Advisory Board. Don Clark is the board liaison of the Consumer Lending Services Advisory Board and is finalizing members. The Operational Services Advisory Board is also now in planning stages.

NACUSO and the Bank Insurance & Securities Association (BISA)

The Financial Services Advisory Board members:

<table>
<thead>
<tr>
<th>Name</th>
<th>Institution and Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keith Pipes</td>
<td>WESCOM CU, Pasadena, California</td>
</tr>
<tr>
<td>Bill Partin</td>
<td>Vista FCU, Burbank, California</td>
</tr>
<tr>
<td>Michele Dean</td>
<td>Bethpage FCU, New York</td>
</tr>
<tr>
<td>Sandra deChastain</td>
<td>Orange County Teachers FCU, Santa Ana, California</td>
</tr>
<tr>
<td>Barry Hughes</td>
<td>IBM Southeast Employees FCU, Boca Raton, Florida</td>
</tr>
<tr>
<td>Scott Jenner</td>
<td>The Golden 1 CU, Sacramento, California</td>
</tr>
<tr>
<td>Dave Kennedy</td>
<td>The Selco Group, Inc. Eugene, Oregon</td>
</tr>
</tbody>
</table>

The Business Services Advisory Board members:

<table>
<thead>
<tr>
<th>Name</th>
<th>Institution and Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pierre Cardenas</td>
<td>IBM Texas Employees FCU, Austin</td>
</tr>
<tr>
<td>Keith Reed</td>
<td>Cooperative Business Services, LLC, Cincinnati, Ohio</td>
</tr>
<tr>
<td>Dan Bleil</td>
<td>Spectrum Business Resources, LLC, Naperville, Illinois</td>
</tr>
<tr>
<td>Dave Dunn</td>
<td>Taber-Dunn Consulting, Harrisburg, Pennsylvania</td>
</tr>
<tr>
<td>Dave Coggins</td>
<td>The Business Lending Group, Appleton, Wisconsin</td>
</tr>
<tr>
<td>Bill Beardsley</td>
<td>Michigan Business Connection LC, Ann Arbor, Michigan</td>
</tr>
</tbody>
</table>

conducted the first effort of its alliance for credit union and bank professionals involved in the delivery of financial services during the BISA annual conference held at the Westin Diplomat Resort and Spa in Hollywood, Florida. On March 7, members of the NACUSO Financial Advisory Board met with BISA professionals and credit union attendees of the BISA conference to discuss shared issues and seek mutual solutions. The BISA Annual Conference drew 586 attendees, forty of whom represented some 30 credit unions or CUSOs (some of which are broker/dealers). Pete Snyder and Judy Sandberg facilitated the discussion.

“This was a lively discussion among peers,” Snyder said. “Nothing was off the table, and we talked openly and directly about topics such as performance metrics, creating benchmarks for investment programs, how to cut expenses at budget time, recruiting and retention, and the overall regulatory environment.”

Mike Hales said that the Business Services Advisory Board would enable NACUSO to focus on the particular needs of CUSOs that cater to the small business market, recognizing their regional or business sector differences. “There is nothing cookie-cutter about Business Services CUSOs; and even though some core processes may be the same, those members who come to them for loans and other help really want someone who understands the regional influences and conditions under which they operate,” Hales said. “We need to know what they need so that we can help them find the answers.”
NACUSO General Counsel Guy Messick reported to attendees his thoughts after a recent conference call with staffers of the Ways and Means Committee of the U.S. House of Representatives and subsequent discussions with NCUA officials on CUSO structures and potential tax considerations.

The Ways and Means Committee is conducting hearings on non-profit organizations and whether the organization non-profit tax treatment should continue for the various non-profits. Credit unions are included on their examination list. Through the examination of credit unions, the Committee has become aware of CUSOs. The Committee was particularly interested in the ability of limited liability company CUSOs to serve non-members with services not permitted to be provided by credit unions and to do so on a non-profit tax basis.

Messick reported that he told the Committee staffers that CUSOs are growing in the operational services area and that this form of CUSO is geared to cost savings and not income generation. The staffers also inquired about the financial services CUSOs and income generation. “I spent some time talking about the need for non-interest income to sustain financial institutions and the need for credit unions to meet the expectation of their members to provide a wide array of financial services,” Messick said.

“They asked me to confirm that it was my understanding that federal credit unions do not pay income tax or Unrelated Business Income Tax (UBIT) in Limited Liability Companies (LLC) CUSOs,” he said. “I confirmed that this was my understanding. As to state chartered credit unions, they told me that NASCUS told them that 20% of state chartered credit unions pay UBIT. I told them that I was not aware of this statistic. I told them it was my understanding that the credit union trade associations were in talks with the IRS regarding clearer UBIT rules.”

“When asked about a CUSO serving non-members and the tax advantages a CUSO has, I told them that the non-member business by a vast majority of CUSOs is negligible,” Messick said. “One, because there is so much untapped potential within the credit union membership; two, there is no competitive advantage that CUSOs have over other providers to serve non-members, and three, credit union people are not experienced in the for profit CUSO businesses and the marketing methods to tap a market beyond their membership.”

Altogether, Messick said the tone was very cordial and they offered to follow up with them if they had additional questions. “We weren’t surprised as to their concerns.”
Owing to political pressure brought about by banks and Congress’ need to raise funds to narrow the deficit, it’s not a big leap to think that the NCUA may consider changes to the CUSO regulation. “As always, NACUSO’s first concern is for credit unions and we fully support the NCUA in its efforts to maintain the tax exemption for credit unions,” Messick said. “While no business desires to pay taxes, the tax issue never drove the value of CUSOs to credit unions. CUSOs managed taxation when they were primarily corporations and they could do it again. We in CUSOs don’t want to be a poster child that promotes credit union taxation.”

Messick reported that it is likely that CUSOs will continue to be able to be limited liability companies but the tax election of these CUSOs may have to change. Actions that are available to NCUA to consider if action on CUSO taxation is required include:

- Only permit CUSOs to be limited liability companies with a disregarded entity tax status if they are performing a service that a credit union can perform
- Require that a limited liability CUSO elect to be taxed as corporations and not disregarded entities when the CUSO provides services that cannot be performed by credit unions.

These possible actions merit further discussion for the advantages and disadvantages. The use of the limited liability company entity for CUSOs has value well beyond the tax advantages. In CUSOs that are owned by multiple credit unions, there are often different classes of rights, as some credit unions will be the major players and some will have a lesser role. In CUSOs that are co-owned by entities other than credit unions, the role of the credit union and non-credit union owners are often distinct. The ownership, profit sharing and management powers can be customized in LLCs so there is great flexibility in the arrangement to meet the needs of the parties.

In the disregarded entity tax status, the CUSO does not pay taxes but the tax obligation is passed to the credit union owners that are exempt from paying income tax. We note that in the case of state chartered credit unions; unrelated business income tax may be paid. NACUSO favors the use of a limited liability company with a disregarded entity tax election for services being performed for members or other credit unions that the credit union could itself perform. If a CUSO is providing operational services to credit unions and aggregating the effort for economies of scale, then taxing the CUSO for such operational support functions does not seem appropriate. Likewise, if a CUSO were providing mortgages or business loans to members, the same analysis would occur. If the service the CUSO provides cannot be performed by a credit union, we understand and support the inability of the CUSO to be an LLC with a disregarded tax election.

Messick pointed out the more difficult question will be whether the LLC with a disregarded tax election could serve non-members. “If this issue cannot be avoided, then we would have to discuss whether the credit union would pay UBIT on that business or whether a corporate tax election would have to be made for the CUSO. We hear from CUSOs that even if they are not seeking non-member business, there are times when a non-member will approach a CUSO for a service, and the CUSO would like to be able to serve the non-member.”

“... it is likely that CUSOs will continue to be able to be limited liability companies but the tax election of these CUSOs may have to change.”

(See “That Is” pg. 11)
That is why the UBIT payment for non-member business would be a great option if needed.” Whether or not federal credit unions could voluntarily pay UBIT would have to be considered.

Limited liability companies can file an election with the IRS electing to pay taxes as a corporation. This quick and easy resolution saves the LLC as a valuable entity and removes the tax issue from the political scene. NACUSO would urge the NCUA to require this corporate tax election only if the CUSO is providing a service that cannot be provided by a credit union. The tax election may be changed in the ensuing tax year by a simple filing. Some CUSOs that are providing multiple services may have to reorganize and split their services into more than one CUSO. Consequently, NACUSO would ask that the NCUA consider a grandfather provision or a majority of services test. It is not known how many CUSOs this would affect.

Finally, the inquiry by the Ways and Means Committee has brought to light the lack of information about CUSOs. It is likely that NCUA will consider requiring CUSOs to provide more information on an annual basis. NACUSO is working with NCUA on the types of information that would be gathered from CUSOs.

Meetings were initiated, and the idea of forming a CUSO to do group purchasing was discussed. The CUSO would provide bulk purchasing power and allow access to vendors and products that individual credit unions could not get separately.

In December 2006 the group decided to form a CUSO and developed a business plan. In March, six credit unions got approval for the initial capital investment. That new CUSO’s name is CU Partner Solutions, LLC. (See sidebar story.)

“We’re delighted to see the formation of this CUSO because it shows that when given the vision and opportunity, credit unions recognize the power inherent in collaborating with one another through CUSOs,” Sandberg said. “They save money. To small and mid-size CUs, that means an awful lot. It can be the difference between merger and survival if, rather than spending more for needed products and services each year, they instead save more each year. That’s money they can apply to expanded services to members or to better loan rates or savings rates,” she said.

Sandberg noted that NACUSO’s costs (in hard dollars) were limited to travel and hotel expenses for her and Guy Messick to attend planning sessions, and amounted to nearly $2,000. The intellectual capital they provided on a pro-bono basis was worth considerably more than that. But she said it was worth it to put promise into action. “The whole point of the Flare Project is to show how it can be done, to help lead the way. We hope that this catches fire because this kind of collective can make a real difference.”

Flare Project Update

Sending up a flare is a universally recognized method of getting attention, so NACUSO’s Flare initiative was designed to do several things, explained Judy Sandberg. “We wanted to showcase our ‘action orientation,’ set an example of how to get a good idea moving and finally, show that we were willing to put our own time and energy into a good project,” Sandberg said.

The Flare Project identified two key challenges: helping to stem the rapid decline in credit unions and ways to successfully penetrate expanded field of membership in SEGs or a community charter.

In June 2005 NACUSO brought a group of representatives from Michigan CUs together to discuss ways that collaboration might help them better compete, save money and grow.

Send your CUSO Stories to Shawna Luna at NACUSO • shawna@nacuso.org
A second Flare Project is now in the planning stages. It involves NACUSO Platinum Partner PSCU helping Nevada Federal Credit Union to better penetrate a newly granted membership expansion or market segment.

“People are always asking, ‘What’s in it for you?’” Sandberg said. “I understand that it’s human nature, and in business, as in life, it pays to be skeptical. Fine. What we get out of it is twofold, we spread the good word and help the continuation of credit unions, and that’s our market. If our market disappears, what happens to us? So, we really are all in this together. And another bonus for us is that two of those credit unions in Michigan joined NACUSO!

- end

New CUSO Will Expand Lending Opportunities, Buying Power

The creation of the CUSO partnership also empowers what Miller called the “unwritten rule” that credit union people share all information openly. “Yes, it does seem that the C for cooperation has too often been replaced by competition. This makes for reluctance to give up strategies that prove successful.”

“In the CUSO, it is an open exchange about how we achieve saving money and finding new loan opportunities,” Miller said. “Around that table, we are partners; it’s not the same feeling you get at a chapter meeting.”

The CUSO is seeking various bids on providing health insurance now that they have a larger group, which lowers costs, and is also looking into employee retirement plans.

Another area in planning stages is called “Member Direct,” which is described by Miller as a co-branded Web site for the CUSO business partners in conjunction with area businesses. “We can work with local business partners to approve needed loans overnight and participate out those loans among our CUSO partners,” Miller said.

(See “Cu Partners” pg. 13)
CU Partner Solutions isn’t Miller’s first foray into CUSOs. He is a founder and current vice chairman of Mortgage Center, LLC in Southfield (http://www.mortgagecuso.com). “We just rolled out a 25% rebate on real estate commissions for participating in the Home Benefits Plus program through the Mortgage Center. It’ll be a drop-dead success, and we have our own title company, too.”

Miller also pioneered one of the first shared ATM networks for credit unions. His company, ACT Systems, Inc., provided both online and stand-in authorizations for credit unions and community banks in Michigan.

“Now, I’m a relatively little guy. I mean, we’re a $37 million credit union in Pontiac Michigan with 13.7% capital and .62 return on capital (ROA),” Miller said. “But being in the CUSO has done wonders for us as an equal partner. The revenue generated each month has helped the spread when other earnings have been lower. It clearly shows how a smaller credit union can play with the big boys and succeed.”

CUSO Collaboration Updates

From the “whatever happened to…” dept., we bring you some follow-up news on several great ideas for CUSO innovation and collaboration that were featured in previous newsletters.

Jeff Russell, chief information officer and VP of strategic development for The Members Group, Des Moines, Iowa, spoke at the CEO Collaborative about Atira, TMG’s pre-paid VISA card program. Russell said they’ve been busy with clients selling the cards in their branches, including one CU that went through a name change and used the card to promote the new name and brand. “It got great acceptance from consumers,” he said.

“We’re also working with clients that want to offer an instant issue card and a reloadable card,” Russell said. “That’s of real interest to parents of teenagers and college students. Parents like it because it teaches kids the value and proper use of plastic cards. They start with a pre paid and can move up to a reloadable or a credit card.” Russell saw a big push around Valentine’s Day and expects another at the end of April and May, near Mother’s Day and right through June graduation time and near Father’s Day.

TMG has used direct mail to market to existing clients and has ramped up the sales team for expected holiday sales promotions. “Credit unions can be a leader in this,” Russell said.

For more information, contact Jeff Russell at: Jeff@themembersgroup.com
Allegacy Services, LLC

Ray Crouse, managing director of Allegacy Services, LLC, (a CUSO of Allegacy FCU, Winston-Salem, N.C.) who spoke to attendees at the CEO Collaborative in Kansas City and the Business Services Collaborative in Chicago about franchising a payroll processing service for credit unions, CU organizations and related member businesses on a nationwide basis, provided a progress report.

“It’s going very well,” Crouse said. “We purchased and installed the software, loaded all Allegacy employees into the system and started doing payroll in late February. In April, we start doing the payroll for the North Carolina League. We’ve also been cultivating SEGs and business services clients.

“We’re very confident with what we have in place at Allegacy,” Crouse said. “Now, the work involves replication of that approach and making sure all tasks are coordinated.” Crouse added that he’d received inquiries from other interested CU investors, and he indicated that he’s open to that. But as far as CU-owned payroll processing companies goes, “We’re the only one in CU-land.” For more information, contact Ray Crouse at: rcrouse@allegacyfcu.org

Ongoing Operations LLC

Kirk Drake is manager of Ongoing Operations LLC and the VP of technology at the National Institutes of Health FCU (NIH) in Suitland, Maryland. Drake spoke about building a CUSO to provide business continuation services for credit unions at the CEO Collaborative. “Since Kansas City, I’ve fallen into a group of CEOs who turn talk into really doing something, and we’ve built a long term road map,” Drake said.

“We spent a lot of time looking for a building and found what we wanted. But then, three days before signing the lease, the landlord pulled out, so that was a setback,” said Drake.” But in that ironic way that every knock can be a boost, Drake found a former call lending center that was nicer than the original location and already has Ethernet cable installed. “Sometimes it’s better to be lucky than good,” he mused.

Drake stressed that the restoration of business following a major disaster or disruption is complex. “Our goal is to help CUs understand and assess threats and prepare for restoration, so consulting is a big part of what we do. The Gap Analysis can take six weeks, installing equipment can take another 4-6 weeks, and then we test,” said Drake.

They installed a small data center that will suffice for the first 12-18 months of the growth plan, and the location, some 32,000 square feet, costs $1 less per square foot than the original site. Visit them at (www.ongoingoperations.com). They had a ribbon cutting ceremony in January, finalized the IT infrastructure, added two more investors and formed a partnership with NACUSO Platinum Partner PSCU. There are now nine investors in the $150,000 ownership class, but room for service level investors at $30,000, which provides for a say in governance without an ownership stake. “We’re not limited to any one geographic area,” Drake said. “We’ll be in multiple locations and offer a 24/7 call center.” For more information, contact Kirk Drake at: kdrake@nihfcu.com