CUSO Formation:
A Collection of CUSO Formation Considerations and Techniques

CUSOs are formed for all sorts of reasons. They can provide avenues for innovation and creativity that would not typically occur within the confines of a credit union. They can provide a revenue stream for credit unions that would not be available within the confines of a credit union. They can reduce service costs incurred within the traditional credit union. Some may do all three. Generally, these outcomes are the result of collaboration and the cooperative spirit that is inherent in the credit union industry.
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Genesis of a CUSO

Discover Purpose
- Provide New Services
- Advantages of Scale
- Different Regulations
- Equity Growth
- Entrepreneurial spirit
- Target Markets
- Limit Liabilities

Rules and Regulations
- Who regulates a CUSO?
- Considerations
- Purpose of NCUA Regs

Organize and Operate
- Set Goals
- Identify Opportunities
- Create and Follow a Plan
- Maximize Protection

Success Indicators
CUSOs help credit unions solve problems. Are operating costs too high? Do you need more expertise and resources? Do you need additional revenue streams? CUSOs enable credit unions to “punch above their weight.” Collaboration aggregates the resources of credit unions to enable each participating credit union to provide more member services more efficiently and effectively. For example, if a credit union has a highly performing lending program and shares the services with other credit unions through a CUSO, the original credit union can spread its fixed costs over a greater number of loans and, through increased scale, can afford to attract and retain experienced staff and technology. The credit unions receiving the service have an effective lending platform for a cost they could not otherwise afford.

CU*Answers is one of the most proven, successful technology CUSOs today. CU*Answers was formed in 1970 and has never been re-capitalized. In addition to helping organize and partnering closely with a variety of CUSOs, CU*Answers provides services to over 175 credit unions in 21 states plus Washington, D.C., representing over 1.9 million credit union members and $19 billion in credit union assets. Credit union clients range in size from 400 to 100,000 members. Headquartered in Grand Rapids, Michigan, CU*Answers employs over 250 people, with 60 full-time programmers and a technical and client support staff of over 70 professionals with decades of combined experience serving the credit union and data processing service industries.

Under NCUA’s CUSO Rules in Part 712 of the Regulations, federal credit unions have an aggregate CUSO investment limit of 1% of paid-in and unimpaired capital and surplus (per the NCUA definition of this term, this translates to shares plus post-closing, undivided earnings less reserves). The NCUA Rules permit federal credit unions to loan up to the same aggregate amount to CUSOs. Some state chartered credit unions have the same CUSO investment and loan limits and others have different limits. CUSOs may be corporations, limited liability companies or limited partnerships. CUSOs may only provide the permitted services listed in the applicable regulations and must primarily serve credit unions or members of credit unions. While you should check the applicable regulations, it is safe to assume that CUSOs can help credit unions with all of the credit union’s operational service needs. CUSOs can also provide financial services, such as insurance services and investment advisory services, with the licensing required for those services.

Some key questions to consider when considering forming a CUSO:
- What is the goal of the CUSO (what problem is the CUSO created to solve)?
- Do you have partners that are aligned with that goal?
- Do the partners have the resources and the same resolve to accomplish the shared goal?
- Do we have a realistic business plan?
- How do we structure the business model to accomplish the goal (the owners, management and financial terms)?
- Who are the people to execute the business plan?
Reasons to form a CUSO:
Credit unions form CUSOs as a means to solve a problem and/or take advantage of an opportunity to strengthen the credit union and its ability to better serve its members.

1. Legal Necessity to Provide the Services
A CUSO is still needed to legally provide some services. For example, if a credit union desires to provide non-depository trust services or to be engaged as an active mortgage broker, these services require powers that credit unions do not have and therefore the services must be through a CUSO. This is also true for a credit union that wants to have an active property and casualty insurance agency. Note that you do not need a CUSO in order to receive income from insurance commissions for property and casualty products. A credit union can enter into a referral arrangement with an independent insurance agency and be paid a share of the insurance commission but in most states the credit union would have to have an insurance license to legally receive the share of commissions. The difference between the CUSO with the license and the credit union with the license is that only the CUSO can own the book of business and have direct relationships with the insurance carriers. Credit unions do not have the power to sell insurance and are only able to receive referral commissions.

2. Advantages of Scale.
With scale there are more resources. Fixed costs can be spread over a larger market. You can afford to hire a more talented staff. Vendors give you better deals. Credit unions that do not want to merge out of existence to obtain scale turn to CUSOs and collaboration as the alternative. But size alone is not enough. In order to obtain the benefits of scale, credit unions have to do more with less people. Credit unions have to agree to use common forms and procedures. The method of operations within the credit unions have to be altered to leverage the increased scale. If four $300 million credit unions form a CUSO to provide themselves operational services, the back office should look like and act like a billion dollar plus credit union if it is to be effective. There are many examples of CUSOs saving credit unions significant sums in operating costs per year but only because there have been internal adjustments in the credit unions.

3. Capital and Innovation Acquisition
Credit unions grow capital slowly, a share deposit at a time. CUSOs serve as aggregators of capital. Credit unions can aggregate capital to fund a service that would be hard or impossible for a credit union to fund on its own. CUSOs can also attract capital from outside credit unions. Many CUSOs have non-credit union co-owners. These non-owners usually bring their cash capital and their talent capital to CUSOs. CUSOs are the means through which outside entrepreneurs can partner with credit unions to offer innovative services. Credit union owners can be at the table with the entrepreneurs to shape the delivery of the services and to share in profits. CUSOs are often the means for credit unions and innovators to connect and mutually benefit.

4. Equity Growth
As a credit union's investment in a CUSO grows or falls, it is reflected on the credit union's books. The credit union should be prepared to absorb some losses as losses are typical in the early stages of a business plan. Credit unions with growing capital accounts translates to increases in assets on the credit union's books. The early credit union owners in a CUSO can also benefit through the sale of its shares or units to new credit union owners. While not common, several CUSOs have been sold outright which created profits to the credit union owners.

5. Capturing Entrepreneurial Spirit
Credit unions are in need of more entrepreneurism and innovation. Some CUSOs attract folks with those qualities who appreciate the mission of credit unions. The blend of cultures can be either conflicting or invigorating and has to be managed. While credit unions have highly talented and motivated people, slow growing credit unions often lose many of those people to organizations with more growth potential. With a higher growth potential, CUSOs can be a magnet for the type of people a credit union wants to attract and retain.

6. Increased Markets
A minority portion of the CUSO’s business can be with non-members and non-credit unions. Through a CUSO, the potential market of a credit union is increased. Some business lending CUSOs and mortgage lending CUSOs have been formed to obtain loans from outside the credit union’s membership. One advantage of a CUSO being an insurance agency is the CUSO can have 49% of its business with non-members.

7. Limit Liabilities
As a separate legal entity, CUSOs can isolate risk away from the credit union. For example, if a credit union is foreclosing on a loan with environmental issues, the credit union can assign the loan to a CUSO to hold until the foreclosed property can be liquidated.

8. Meeting the Challenges of the Marketplace
The competition and the potential competition of FinTech, Amazon, consolidating financial institutions, historically low net interest margins, and increasing regulatory burden creates huge challenges to the traditional credit union cooperative model. CUSOs are an extension of the cooperative model and the only structure credit unions have to aggregate resources to meet the competitive challenges posed by the financial services marketplace without a massive consolidation of credit unions.
CU*Answers is one of the most proven, successful technology CUSOs today. CU*Answers was formed in 1970 and is currently owned 100% by 127 credit unions nationally. Every credit union who utilizes it’s CU*BASE processing system may optionally become an owner. CU*Answers partners closely with a variety of CUSO organizations, and has never had a need to be re-capitalized during its nearly 50 year history.

Our unique credit union Scholarship program (cuanswers.com/about/scholarship) and Starting A Credit Union program (store.cuanswers.com/product/create-a-credit-union) highlight our passion and commitment for financially participating with credit unions in helping them build their business vision and achieve financial success.

CU*Answers is truly a complete service provider for credit unions, offering a wide array of products and consultative CUSO services to meet rapidly changing needs. CU*Answers is a leader in helping organize and offer a seamless, single business solution to improve business processes, empower clients and deliver bottom-line results.
What CU*Answers Leaders are saying about CUSOs:
Cooperatives, like cities, understand that their strength comes from a respect for diversity, and that to achieve what is good for the whole, you must start with the respect for what is good for an individual. Our CUSO focuses on the individual agendas of our credit unions as the compass for what we will all do together.

At CU*Answers, our CUSO, we respect that everyone shares a passion for serving others. There is a common thread in our interactions, a common goal for the outcome of those interactions, and a common belief that in serving others, we improve everyone’s situation.

Randy Karnes, CEO, CU*Answers

Being part of a community that is changing together for the good of the whole is a lot like being part of a CUSO community that continues to evolve to provide solutions for all of us.

Dean Wilson, CEO, FOCUS Credit Union

Success doesn’t always come easy, it takes the support of a community to hang in there and know why it’ll be work when we do succeed. What makes this CUSO work is its community of vested credit unions.

Jeff Jorgensen, President, Sioux Empire Federal Credit Union

I like the sturdy character of our CUSO community. It was started from a spirited dream to bridge the gap between owner and member, to provide a safe passageway to the ever-changing needs and trends, and our CUSO will stand strong for many years to come.

Vickie Schmitzer, CEO, Frankenmuth Credit Union

Shown per our successful CUSO history, we as CUSO owners and credit union leaders have a responsibility to protect the legacy of the Cooperative Principles.

Don Mills, President and CEO, Alpena Alcona Area Credit Union

At CU*Answers, we don’t see a company standing by itself, we see a mission through the agendas of every partnering CUSO. We see something bigger. We see the need to respond to members and everyday credit unions and CUSOs everywhere.

Tom Gryp, CEO, Notre Dame Federal Credit Union

Our CUSO continues to pick up speed and build on a long-standing heritage of cooperative leadership from our clients.

Scott McFarland, CEO, Honor Credit Union

Our CUSO is defined by leaders willing to challenge the status quo and expand the boundaries to fit what our clients dream of doing. Our network is a place for dreamers, for planners, for innovators, and even sometimes for anarchists.

Linda Bodie, Chief + Innovator, Element Federal Credit Union
We are a CUSO!

As a proud member of the National Association of Credit Union Service Organizations and a previous CUSO of Year winner, CU*Answers shares NACUSO’s goal of helping credit unions form CUSOs and to participate in collaboration and the cooperative business model.

Today, CU*Answers closely partners with a variety of CUSOs here are a couple of examples:

**Xtend**
Providing a variety of popular credit union services, including Bookkeeping, Call Center and Marketing services at a fraction of traditional costs.

**site-Four**
Technical expertise and disaster recovery strategies.

CU*Answers provides an important level of scale for credit unions to effectively compete with the largest financial institutions. By offering a CUSO business model that features lower, client driven pricing strategy that requires almost no large upfront investment, an opportunity for credit union ownership, and to receive a guaranteed ROI, Free CU*BASE Releases, Free Shared Branching options, a direct say in core system development strategies and much more, CU*Answers sets the true CUSO philosophy and standard in the industry for helping smaller financial institutions offer a scaled level of service that is uncommonly found within the industry.

By owning the intellectual software rights (and creative vision) to its enterprise CU*BASE system, CU*Answers has embraced an important CUSO strategy for creating and supporting state of the art integrations and operational solutions for credit unions to collectively benefit from.

CU*Answers has become a leader and key conduit for working with other CUSOs by which credit unions are able to enter new markets, such as indirect lending, imaging solutions, Shared Branching, Bookkeeping, call center and marketing services to better serve members at a very competitive price point.

CU*Answers is constantly at the forefront of cooperative innovation. We are leveraging credit union offerings through operational networks that result in strategic opportunities and options way beyond the capabilities of any single organization. Our proven CUSO success has provided us a national impact and reach to benefit our clients.

Credit unions are typically focused on their internal business model. Helping organize and navigating a potential CUSO start-up process can seem a daunting task. CU*Answers CUSO development and governed leadership experience combined with its business relationships with other CUSO partners may offer a great assist for starting your process.
The Power of Collaboration

CU*Answers CUSO experience has openly demonstrated the power of collaboration. Four activities that underscore our proven CUSO performance include:

- Sharing know-how and experience with our clients and other organizations having a similar CUSO vision for getting started
- Raising capital and providing our CUSO owners a ROI opportunity that is unique in itself.
- Spreading technology investment and risk through scale from multiple participants
- Consolidating common back office needs into a single operation

Most strategic vision today focuses on the importance of innovation that leads to new or enhanced value for market success. Many aspects of the credit union system – from the regulatory structure, reward system and volunteer boards do not foster or stimulate risk taking. CUSOs can become a focal point for offloading much of this activity from the financial institutions standpoint. CUSOs are often organized by credit unions wishing to buffer their risk component or by vendors attempting to bring new value propositions to the credit union marketspace.

Per its wide-ranging business reach and broad suite of product offerings, CU*Answers has helped to create a comprehensive credit union incubator for developing ideas and helping offset certain risk. As this incubator concept has evolved over time, this has lead to our sustained CUSO success, which lead directly to greater credit union owner value and member advantages.

From its beginning, CU*Answers has been a spark for helping foster a can-do attitude in credit unions. Our CUSO model has provided opportunities to expand member offerings and allowed credit unions to own their technology partner and better leverage creative business processes. This aggregate CUSO value has allowed our cooperative to accomplish things well beyond the limits, vision or constraints of the very largest credit unions.

The need and spirit for harnessing and driving credit union cooperation has never been greater, more important or offering more opportunities for success. In a consolidating marketplace, the future of credit unions may indeed require the creation of more CUSOs, versus a single credit union going its own way.

An example for how CU*Answers is maximizing its CUSO reach.

CU*BASE SE is a connection to a network of potential partners, new client markets, and CUSO resources that helps you get the job started.

Is your current CUSO built to service member accounts behind the scenes? Does your CUSO manage an account specialty (mortgages, investments, participation loans, credit card accounts) on a data processing platform other than the core software used by your credit union clients?

CU*BASE SE is a robust suite of products that lets you be creative, leverage your relationships, and simplify your technology decisions. Having a strong centralized solution like CU*BASE SE will inspire your teams to “flip the switch” to activate new services and build new solutions, without the delays and expensive extra investments that are the death of so many new initiatives.

Even better, CU*BASE SE is a CUSO delivered product, brought to the market by a network of partners, who together have built networks, products, and services that engage more than 200 credit unions nationwide.
Legal Rules and Regulations Impacting a CUSO:

When investigating forming a CUSO, it is very important to review all regulatory and legal aspects early in the process. Several key components for consideration include:

**Who regulates a CUSO?**

- Every regulator that regulates state chartered corporations, limited partnerships, and limited liability companies such as the Secretary of State for which the CUSO is looking to be formed.
- The NCUA does not regulate CUSOs, only a federal credit union’s investment in a CUSO. However, some state credit union regulators may have some regulatory authority over CUSOs within that state.
- NCUA does require CUSOs to file a short annual report.

**Laws and Regs Considerations:**

- Section 107 of the Federal Credit Union Act gives credit unions the power to invest in CUSO’s.
- Part 712 of the NCUA Rules and Regulations establishes when a federal credit union may invest or make loans to a CUSO.
- State CU statues and regulations for state chartered credit unions.
  - Note – these normally align with 712 Regulations, but some states may vary – it is important to have the state chartered credit union’s CUSO investment and lending powers reviewed by an attorney.

**Summary of NCUA Regulations**

Limitation of Risk to Credit Unions

- A maximum of 1% paid in and unimpaired capital and surplus for either an investment or loan to a CUSO.
  - As mentioned, State chartered credit union regulations may somewhat vary.

**Limitations of Risk - Structure:**

- A CUSO must be a corporation, limited partnership or limited liability company.
- An attorney’s opinion letter at formation verifying the CUSO is structure so that the investing credit union’s liability is limited to its investment and loan.

**Limitation of Business Activities**

- Pre-approved services listed in Section 712.5
  - If the proposed service is not listed and you think it may be interpreted to fit into one of the pre-approved, you should confirm this with NCUA General Counsel’s Office.
  - State chartered credit unions should verify with their regulator per state law.
  - If a service is not on the pre-approved list or can be interpreted to fall within a service on the pre-approved list, there is an option to propose amending the NCUA Regulation to permit the service.

**Limitation of Customer Base**

- A CUSO must primarily serve credit unions, or members of affiliated members having an investment, loan or contract with the CUSO.
  - The rule is generally interpreted require that the credit union business be at least 50% plus one of the CUSO’s client base.

**Prohibition of Conflicts of Interests (between credit union and CUSO)**

- Officials (directors and committee members) and senior management (CEO, VP’s, and CFO) of affiliated credit unions are prohibited from receiving CUSO income (i.e. salaries, commissions, etc.).
- Allows shared employees (including senior management) to provide services to the CUSO if paid by the credit union and reimbursement by CUSO to credit union.
- CUSO must reimburse credit union for any leased employee within 120-days.

**Provide NCUA Access to CUSO’s Books**

- CUSO shall provide NCUA, and any relevant State regulator access to CUSOs books
  - CUSO shall follow generally accepted accounting principles
  - CUSO shall prepare quarterly financial reports
  - CUSO shall conduct annual CPA audit
  - CUSO shall permit internal controls review
  - CUSOs must provide NCUA with an annual on-line report
Types of CUSO’s:

1. For Profit Corporation
   - Nonadvantageous as a corporate CUSO pays income taxes, but needed for some types of CUSOs (Trust Services)

2. Limited partnership
   - Pass through to owner tax status
   - But credit unions can only be limited partners without management powers. A non-credit union is the general partner and has management powers.

3. Limited Liability Company (LLC)
   - Pass through to owner tax status
   - Generally managed by a board appointed by the owners
   - The organization is more flexible than a corporation
   - For tax status election purposes
   - Cooperative – a traditional C corporation with special patronage rules

4. Non-Profit Cooperative Corporation
   - No income taxes but has distribution and patronage rules.
   - Effective for pure owner/users but not passive investors or non-credit union owners

This communication should not be considered legal advice. If you have concerns about forming a CUSO, we recommend you contact your own legal counsel.
Considerations for Organizing a CUSO:
It cannot be overstated the importance of proper planning required for forming a CUSO. The level of planning and detail upfront can often head off potential areas of concern down the road from both a business and staff perspective. Here are a list of various components for consideration for anyone looking to form a CUSO:

1. **Set goals, plan, plan, plan**
   - From a credit union perspective
     - Reduce operating costs
     - Grow capital
     - Increase expertise and technology assets
   - From a CUSO perspective
     - Products and services looking to provide
     - Making income or saving expenses for investors
     - Create efficient and cost effective support system

2. **Identify opportunities:**
   - Members (participants) financial needs
   - Credit union operational needs (that could be best solved via a CUSO)
   - Market advantages expected (to either credit union or membership)
     - Specific credit union advantages desired
     - Enhancing credit union member’s loyalty and trust
   - Available resources
     - Numbers
     - Available expertise
   - Vendor and partnership proposals (leveraging vendors better by forming a CUSO)
   - Market study to help identify

3. **Create and follow a business plan:**
   - Who is going to develop or carry out the plan?
   - How is plan going to be carried out?
   - How much money will it take
   - How much time will it take to start the CUSO
   - How much time will it take for CUSO to be self-supportive?
   - Who is going to monitor the plan?
   - Who or how to measure ongoing success
   - What is the potential costs for things such as audit or compliance, technology, human capital and potential costs related to intellectual property?

**Other key business plan components**
(for helping make a good business plan):
   - Business goals
   - Description of the market
   - Plan to deliver services to the market
   - Resumes of key personnel
   - Income and expense projections
   - Financing needs and sources available
   - Contingency plans
   - Define the relationship between credit union and CUSO
   - Follow the plan – monitoring procedures
   - Access, review and revise the plan periodically

4. **Maximize Liability Protection:**
   - Organizing the business structure
     - Corporations vs. limited partnership vs. limited liability company
     - Ensure the CUSO is adequately capitalized
     - Attorney’s opinion limiting the credit union’s exposure
     - An organizational structure in place to govern the CUSO
     - CUSO board, officers and employee issues (policies, benefit plans, etc.)
     - Insurance and bonding coverage

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Considerations for Operating a CUSO:

- Maintain the minutes and other corporate record keeping
- No surety or guarantees by the credit union
- Distinction in offices and contact information
- The CUSO can have its own employees or lease employees from credit union owners
- The CUSO may lease space within the credit union and equipment accordingly
- Ensure that credit union and CUSO relations and exchange of services is in writing
- Shared information issues (insure compliance with privacy laws)
- Most importantly, run the CUSO professionally!

Special Issues for creating a cooperative entity?

Big picture (when working w/ multiple owners):

- Visioning sessions
- Common strategic goals and needs
- Common operating philosophies
- High personal trust factor
- Passion for the enterprise leads to ensuring high support by the credit unions

Ownership issues:

- Who will we permit to be owners (just credit unions, CUSOs, non-credit unions?)
- What are legal issues or concerns partnering with any non-credit unions
- How will new owners be admitted and on what terms?

Service Issues:

- Will there be any limitation on the services the CUSO provides (i.e. legally, operationally, etc.)?
- Will there be limitations on service areas?
- Will non-owners be provided services?

Management Issues:

(all should be included with initial organizational document)

- Will the CUSO be run by the owners or by a board?
- How many will sit on board of directors?
- How will the board of directors be appointed or elected?

Samples of bod’s selection:

- Each owner appoints a director (tends to be with peers having equal investments).
- Owners elect the board (usually if there are more owners than director seats).
- Each owner with a minimum ownership ratio appoints a director
- Different classes of owners have different rights regarding appointing or electing directors

Withdrawal Issues:

- Can an owner withdraw from the CUSO, if so how?
- Will there be a right for CUSO to purchase ownership first (right of first refusal)?
- Can other owners kick out an owner that is delinquent or fails to support the CUSO, if so, how?
- Will the disassociating owner be paid back its capital?
Essential CUSO Formation Documents:

Certificate/ Articles of Formation
(forming the entity…what the purpose of the CUSO is)
- Submitted to state governing body (Secretary of State) - may vary by state
  - Determine a company name
    - Verify with Secretary of State or applicable agency
    - Check available domain names
    - Check with United States Patents and Trademark Office
  - Logo and letterhead
    - CUSO registry (initial registration, review and update annually)

Bylaws and Operating Agreement (the primary document)
- The governing document of the CUSO between them and their members
  - What members can and can’t do
  - Board of directors composition
  - Board of directors seats
  - Board of directors eligibility
  - Board of directors elections
- How the CUSO will be run:
  - How will billing and invoicing be handled (i.e. some considerations)
    - Directors and officers with tail
    - Errors and omissions
    - Property and casualty
    - Workman’s compensation
    - Cybersecurity
    - Employee bond
  - How distributions will be handled, etc.

Employment/ Support Services Agreement
- Employment contracts
  - Will CEO have an employment contract?
  - Any others?
  - Leasing of credit union employees, reimbursement of site, equipment, etc.
- Other potential contracts with service providers
  - contract duration, cancellation, fees, terms, services utilized

Attorney Opinion Letter
- Addressing CUSO as a legal entity in state where CUSO is formed
- Verifying the credit union’s liability is limited to the amount invested in the CUSO
  - File with Secretary of State
    - Registered Agent
    - Fee
    - EIN or TIN
    - Stock issuance (if applicable)

Servicing Agreements
- Between CUSO and its clients
- Listing of types of services provided:
  - IT, Insurance, Mortgage, etc.

CU Board Resolution/ Ratification
- To authorize formation of the CUSO; documented minutes
  - First shareholder and member meeting
  - Board of directors appointment and elections
  - Contract ratification
CUSO Success Indicators *(measuring performance to goals)*:

- Full support of credit union board of directors and staff
  - Treating CUSO products as core credit union products
  - Shared vision of CUSO
  - Shared definition of success
- Integration
  - Of services delivery to members
  - Of performance standards that consider both the credit union and CUSO
- A solid business plan
- Well capitalized
- Dedicated and qualified CUSO management staff to handle daily ops and issues that may arise

For further CUSO formation resources:

- NACUSO - [www.nacuso.org](http://www.nacuso.org)
- Messick Lauer & Smith
  (Guy Messick - gmessick@cusolaw.com) (610) 891-9000
to assist with the CUSO planning regulations and documentation.

A salute to Messick, Lauer & Smith P.C.
A very large part of this detail has been accumulated from materials provided by Messick, Lauer, & Smith P.C.

cusolaw.com
Who is CU*Answers?

Formed in 1970, CU*Answers has proven to be one of the most successful technology CUSOs today. CU*Answers provides services to over 175 credit unions in 21 states plus Washington D.C., representing over 1.9 million members and $19 billion in credit union assets, with clients ranging from 400 to 100,000 members. In addition to the services and products offered to credit unions, CU*Answers excels at helping CUSOs organize, launch, and thrive, having partnered with a variety of other successful CUSOs. This work is accomplished by a staff of over 250, with 60 full-time programmers and a technical and client support staff of over 70 individuals.

CU*Answers is truly a complete service provider for credit unions, offering a wide array of products and consultative CUSO services. Our CUSO is a leader in helping organize and offer a seamless, single business solution to improve business processes and empower clients.

History

1970
West Michigan Computer Co-Op, Inc. (WESCO) organized as a non-stock cooperative to provide low-cost data processing service for credit unions. Stats: 9 board members; 1 client with 7,500 members processed on the NCR platform; approximately 5 staff members.

1979
22 clients; total revenue of $27,000; 8 staff members.

1985
42 on-line data processing clients, 16 check processing and 8 Fed deposit clients; assets $543,000; gross processing revenues $693,000. Reorganized as a stock cooperative with 19 original owners.

1990
36 data processing clients, 44 check processing and 12 Fed deposit clients; assets $853,000; Board reorganized to 7 members comprised of CEOs of data processing clients; relocated to Eagle Park Drive location.

1995
Moved to Kentwood location; 26 owners; 41 data processing clients, 83 check processing and 82 Fed deposit clients; assets $2,414,191.

2000
WESCO recognized as “2000 Operational CUSO Of The Year” by NACUSO; introduced CU*BASE GOLD and a new TCP/IP network; web development services introduced.

2005
CU*Answers expands to its newest 28th Street facility; CU*Answers converts its 100th CU*BASE client representing 13 states; CU*Answers has record year for CU*BASE members converted (100,000+); Collaborative marketing piece delivery exceeds 800,000.

2010
Celebrated our 40th birthday. CU*Answers converts 11 New CU*BASE credit unions; processing for 1.3 million Members. Issues record dividend and interest return to 80+ CU Owners exceeding $1.4 million.

2015
CU*Answers sets a record for new members processed in CU*BASE with over 160,000 added through conversions and mergers. 11 credit unions join its network of credit unions.

2017
CU*Answers is projected to top $60M in revenue with 127 credit union owners and a record dividend return of $4.5M to owners.

We are anxious to talk with you about your CUSO formation opportunity, just let us how we may assist!
We are a Cooperative

First and foremost, CU*Answers is a Cooperative and we have been living the cooperative spirit for nearly 50 years. Credit unions are cooperatives. CU*Answers is a cooperative. This is a driving business model for our industry. Cooperatives are built by their members; members who fund and direct their credit unions through elections of leaders, allowing individual interests to align with client needs.

How CU*Answers Walks the Talk

CU*Answers walks the talk. CU*Answers is a cooperative and believes in the cooperative business model. The following sites are just some examples of our collaborative products and thinking:

**Cooperative Score**

Culmination of the 2012 Year of the Cooperative, Cooperative Score serves as a hub for CU*Answers’ cooperative efforts in the credit union industry.

**Report to Owners**

The CU*Answers Report to Owners is published biannually as both a financial report and a recommitment to the principles that drive our CUSO. The CU*Answers Board of Directors is committed to providing full disclosure at all times. We encourage you to learn all that you need to know in order to become a fully vested partner.

**cuatv.com**

A collaboration between CU*Answers and FulView Productions. These spots are available to be custom tailored for your credit union by adding your logo, web address, and even professional voice over.

**Risk Management Report Generator, PolicySwap, ExamShare**

Credit unions are subject to a bewildering number of policies and regulations. In order to assist credit unions with managing their obligations, CU*Answers AuditLink has created several tools to help simplify the compliance process and hopefully reduce the compliance cost burden for each institution.

**Asking The Right Questions & Financial Literacy Series for Board Directors**

CU*Answers believes financial literacy is more than just book learning. It comes from the interactions Board members have with each other and with credit union teams. It comes with the confidence you gain from experience, education, and perseverance as a volunteer. That’s why CU*Answers created these 2 industry tools to assist in the Board Room.

**Cybersecurity Resources**

Cybersecurity and resilience are serious economic concerns rapidly spreading throughout the credit union industry as the risk of data breach and fraud continues to expand. As an engaged and committed CUSO, CU*Answers has the professional resources available to learn about cybersecurity requirements and help credit unions design and build the infrastructure needed to continually monitor and enhance the security of their systems and to protect member information.
We are a CUSO

The Value of Equity
Equity should lead to pride. Whether that equity is through investment in stock, a credit union’s reputation based on affiliation, or the equity built through hard work, this model is designed to create pride in our solutions for both the vendor and the credit union client. It depends on participants using CU*Answers products to their fullest. CU*Answers’ goal is that every credit union staff member be a power user and that the goals set in the sales cycle are met through efficient and effective presentation to every member. From the receptionist to the CEO, CU*Answers products are designed to focus the light of expertise on every credit union staff member.

Return on Investment
The backbone of CU*Answers’ vendor model is the concept that R&D is a function of credit union investment, not credit union invoice. Credit unions enjoy the benefits of ownership by providing capital funding for the research and development of new products and capabilities. Credit unions earn income on their investment throughout the development of new CU*Answers solutions. This shared R&D investment reduces the risk of new technologies.

During the implementation of these new solutions, CU*Answers credit unions benefited again from their investment by avoiding large up-front invoices for new services. For example, when many credit unions were spending more than $100,000 up front for online banking solutions, CU*Answers credit unions jumped into the Internet marketplace with no money down and fixed, low monthly fees. Both credit unions and CU*Answers were vested in the success of online banking, one member at a time.

A CUSO and a Cooperative
We’ve been living the cooperative spirit for years. Credit Unions are cooperatives. CU*Answers is a cooperative. This is a driving business model for our industry. Cooperatives are built by their members; members who fund and direct their credit unions through elections of leaders, allowing individual interests to align with community needs.

Proud Member of NACUSO
As a proud member of the National Association of Credit Union Service Organizations (NACUSO), we share in NACUSO’s goal of helping credit unions form multi-owned CUSOs and to participate in collaboration and the cooperative business model.
Live It! Series of Campaigns

We developed the Live It! series as a way for credit unions to differentiate themselves from other financial institutions. This series promotes the 7 Cooperative principles that expound on the value of membership and rewards and liberties of ownership. Credit unions have long been looking for a convincing message to shout from the rooftops. What better way than to employ the very principles that are at the foundation of credit unions and other cooperative businesses.

Discover more at:

cscore.cuanswers.com/live-it