IOWA CREDIT UNION
DIRECTOR RESOURCE MANUAL

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ICUL®
IOWA CREDIT UNION LEAGUE

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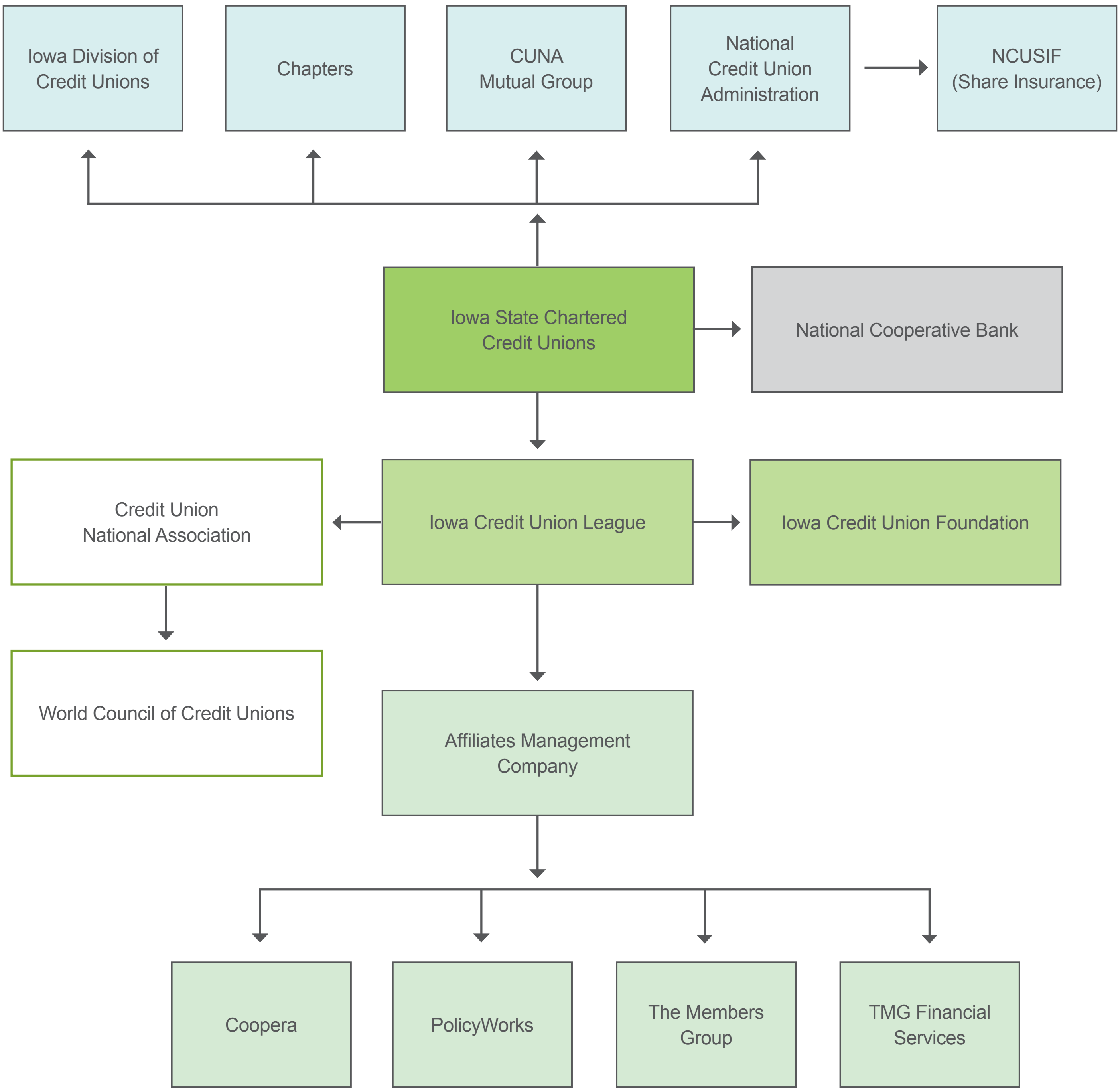

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The Iowa Credit Union System
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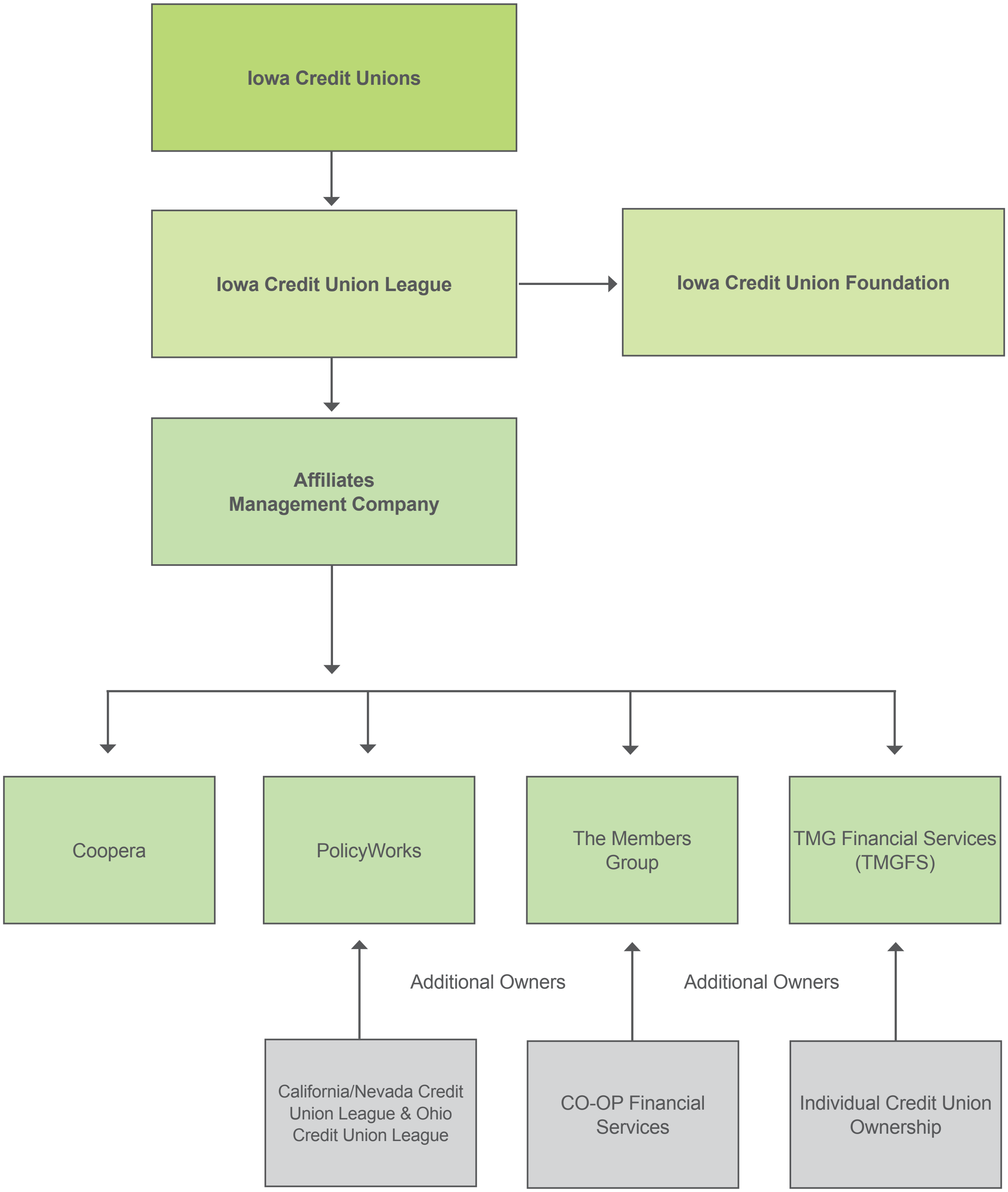

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About Credit Unions & How to Join

What is a Credit Union?

Credit unions are member-owned, not-for-profit, financial cooperatives. In a credit union, any earnings in excess of operational costs are returned to the members in the form of higher interest rates on savings and lower rates on loans.

Credit unions build their capital base - which is a key indicator of soundness - through earnings. Unlike banks that can build capital through selling stock, a credit union can only improve its capital when income is greater than expenses.

This is a different structure than you'll find in other financial institutions. Banks exist to make profits to pay their stockholders. Credit unions exist solely for the purpose of serving their members.

Credit Unions are Safe

Credit unions have either a federal or state charter, which determines who regulates them. The National Credit Union Administration (NCUA) in Washington, D.C., grants federal charters and regulates federally chartered credit unions, while state charters are granted by the Iowa Credit Union Division, which regulates state-chartered credit unions.

Regardless of their charter, every Iowa credit union is required to carry federal deposit insurance through the National Credit Union Share Insurance Fund (NCUSIF), administered by NCUA. This insurance protects members' accounts up to $250,000. Therefore, NCUA insures the safety and soundness in all Iowa credit unions.

Credit Unions are Committed to Their Communities

The loan-to-deposit ratios are higher in credit unions than in most other financial institutions. This means that credit unions not only contribute to the well-being of their members, but also to the community as a whole. Because credit unions lend more money back to their members, they improve the economy of the communities they serve. In the credit union system, people from the community are running the credit union, so they are more likely to make certain that the best interests of their communities are served. The stockholders of other financial institutions may not even live in the community - the goals of these absentee investors may not match the community's needs.

Another unique characteristic of credit unions is that they are more willing to grant small loans to their members, because profit doesn't drive the decision making. There is more of a "personal" environment at credit unions - the credit union motto of "people helping people" still holds true today.

Credit Unions Pay Taxes

Credit unions do pay taxes. Iowa state-chartered credit unions pay a moneys and credits tax, which is based upon the growing reserves of the credit union. State-chartered credit unions also pay property taxes, state sales taxes and employment-related taxes. In fact, Iowa credit unions pay more types of taxes than credit unions in other states and are subject to more types of taxes than other Iowa not-for-profit organizations.

12 USC Section 1768 exempts federally chartered credit unions from all income and sales taxes imposed at the state level. Federal credit unions do pay property taxes. Despite the federal tax exemption and the fact that credit unions would have substantially lower examination fees, 99 percent of Iowa credit unions remain state-chartered.

How to Join a Credit Union

To become a credit union member, you must have a "common bond" with a certain employment group, association membership or a well-defined geographical region. Visit **IowaCreditUnions.com** to locate credit unions near you!

Credit Unions vs. Banks

Iowa credit unions are committed to serving their members and providing reasonable financial products and services to them. The differences between not-for-profit credit unions and for-profit banks are illustrated below:

Iowa Credit Unions	Banks
Not-for-profit, member-owned financial cooperatives. Each member owns the credit union.	For-profit institution. Owned by a few stockholders. If a customer doesn't own bank stock, he or she is not an owner.
Volunteer board of directors who are members of the credit union and users of the credit union services.	Board of directors who are paid. They may not be from the community or even use the bank's services.
Excess earnings after reserve requirements are met are applied to lower interest on loans, higher interest on savings or development of new products and services that members have requested.	Profits are paid to stockholders.
Self-governed. Each member has one vote in the election of the board of directors regardless of how much money the individual has deposited in the credit union.	Only stockholders vote for the board of directors, based upon the amount of stock owned.
State-chartered credit unions pay sales, monies and credits tax, property and employer-related taxes. Federally-chartered credit unions pay property and employer-related taxes.	Pay corporate income taxes on earnings, although there are many Iowa banks that do not pay taxes at the corporate level under Subchapter S of the IRS Code.
Hold 12.5 percent of the market share of deposits in Iowa.	Hold 87.5 percent of the state's market share of deposits.
Membership is comprised of only those who share a common bond, which include where they work, live or worship.	Banks have no restrictions on who they serve.

Iowa Credit Union Chapters

Iowa credit unions are divided into 14 chapters based upon geographic boundaries. Chapters serve a vital function in the credit union support system, uniting the credit unions in a specific region and providing a link between those credit unions and the state association, the Iowa Credit Union League.

Each credit union pays nominal annual dues to its chapter, and helps elect chapter officers that guide and lead chapter activities.

Chapter's Statement of Purpose

- Promote the credit union philosophy.
- Build unity among credit unions.
- Encourage networking among credit union professionals and volunteers.
- Exchange ideas and discuss concerns important to credit unions.

Key Chapter Activities & Functions

- Conduct regular meetings to educate, train, inform, and inspire credit union staff and volunteers.
- Promote interest and cooperation among credit unions.
- Encourage uniformly high standards of conduct among credit union staff and volunteers.
- Share credit union expertise and resources.
- Participate in community involvement and social responsibility activities.

Iowa Credit Union Chapters

- Northwest Iowa Chapter
- Second District Chapter
- North Central Iowa Chapter
- Black Hawk Credit Union Chapter
- Northeast Iowa Chapter
- Gateway Chapter
- Great River Chapter
- Southeast Iowa Chapter
- South Central Chapter
- Southwest Iowa Chapter
- Central Iowa Chapter
- Cedar Valley Chapter
- Midstate Chapter
- Iowa Great Lakes Chapter

Volunteer Directors

The foundation of the credit union movement was built by volunteers nearly 150 years ago, and volunteerism still plays a significant role today. It's that spirit of "people helping people" that makes the credit union system unique.

Early credit unions were operated completely by volunteers, and some of the smaller ones still are. But increasingly complex operations and regulatory guidelines require most credit unions to employ full-time management and staff. Even so, the importance of skilled and dedicated volunteers remains a unique and key feature in credit union structure.

By law, credit unions are required to have volunteer boards of directors. They usually function without salary or direct compensation for their duties as directors. Their volunteer status, however, does not lessen their responsibilities for setting the direction and policies for the credit union. Their role is the key to each credit union's success and the key to maintaining an independent and highly successful credit union system.

Structure of the Board

Credit unions are member owned and controlled, which means the membership elects the volunteer directors who will serve on the board. Generally, any member is eligible to run for a board position, although most credit unions place other requirements on nominees (for instance, they must be a member in good standing, etc.). Board elections are yearly events, usually at the credit union's annual meeting, or occasionally by mail ballot. Each credit union's bylaws should specify the terms of office and the election procedures. The credit union's bylaws also dictate the size of the board, though by Iowa law it must be no less than nine members, unless you have approval by the Iowa Division of Credit Unions to go to seven.

The board must meet regularly and at least one meeting each year must be in person. The Iowa Credit Union Code requires that each director must attend no less than seventy-five percent of the regular board meetings held during the calendar year.

Board Executive Officers

Credit union board members elect from their ranks the board's executive officers. Although the titles of the executive officers vary from credit union to credit union, board executives always serve as the ultimate leaders of the credit union. Their titles and responsibilities, which should be detailed in the credit union's bylaws, generally include:

Board Chairperson

The board chairperson is elected from the board of directors by the board members. In addition to presiding over all board and membership meetings, a chairperson serves as the board leader, and is expected to have certain skills and knowledge. It is the chair's role to keep the group working toward a common goal: a successful credit union. Like all good leaders, the chairperson should be careful not to dominate meetings, but rather to do what is necessary to maintain the democratic nature of the board and its meetings.

Board Vice Chairperson

The vice chairperson acts in the absence of the chair, performing the chair's duties. He or she often is chairperson of important special or standing task forces. It is the vice chair's responsibility to become well-informed on all areas of credit union governance and management, so he or she can assume the chairperson's duties if necessary.

Board Chief Financial Officer

The duties of chief financial officer (CFO) vary from credit union to credit union. Often this position carries the additional title of president (this is most common in smaller credit unions; larger ones may give the title of president to the hired credit union CEO/manager). In any case, the CFO generally has oversight responsibility for all credit union functions and operations. In addition to acting as custodian of credit union assets and valuable documents, the CFO serves as the liaison between the board and credit union management/staff.

Board Secretary

The secretary keeps correct records of all regular and special meetings of the members and the board of directors. It is imperative for the secretary to prepare accurate minutes which contain all relevant facts and decisions made by the board, since they are used as a permanent record of business transacted by the credit union. The secretary is also responsible for giving notice to members of special and annual meetings.

Responsibilities of the Board

The role of credit union director is one of responsibility and commitment, so candidates for the board should be dedicated to their credit union and interested in general credit union affairs. Other key factors that contribute to a director's performance are technical knowledge and experience. The goal is to have a well-rounded board that is representative of the membership and that can carry out the appropriate duties and responsibilities. Below are some sample qualifications for credit union directors:

- Willing to serve the members.
- Able to comprehend and learn basic business concepts.
- A team player.
- Aware of the services the credit union offers and how they compare with other financial institutions in the market.
- An active user of the credit union's services.
- Knowledgeable about the credit union's history and supporter of its philosophy.
- Able to give the time and effort necessary to perform the duties-prepare for, attend, and participate in all board meetings.
- Willing to cooperate with other directors and support board decisions.
- Willing to avoid conflicts of interest.
- Able to accept and adapt to change, and welcome new ideas.
- Constantly seeking to improve one's performance.
- Willing to learn about the local and national social and economic environments and how they affect the credit union.

In addition to a policy on board member qualifications, each credit union should have a job description that describes the functions of directors. The job description should outline the position's title, the primary functions, and the specific duties. Consideration should also be given to creating a "Terms of Agreement," which directors sign upon election to the board. Board policies that include specified qualifications, a job description, and a "Terms of Agreement" serve both the directors and the credit union very well. They lend professionalism to the position, and ensure directors will have a clear understanding of what is expected of them. These also help ensure the credit union will elect a board that will meet members' needs.

The board's ultimate responsibility is to guide and control the credit union by using sound business practices. Although this may sound like a fairly simple job, the board must consider many factors as it directs the credit union. For instance, it must observe all state and federal laws as well as the credit union's bylaws. The board also must monitor the legal arena for regulatory changes and take steps to comply with new rules. In addition, it must remain responsive to members' financial needs. The board's responsibilities fall into four general categories: decision making, advising the membership, serving as trustees, and perpetuating the credit union.

Responsibilities of the Board

Decision Making

One way the board directs a credit union is by making decisions to guide policies and operations. The board's ability to make these decisions is most important because it dictates the degree of success the credit union will achieve. Although the credit union management must have the responsibility of making daily operational decisions, the board functions as the "decision center" to formulate policy, establish objectives and programs, and set goals.

Many of the problems that require board decisions are routine and repetitive. In order to efficiently handle these types of problems, the board works with management to develop standard operating procedures, rules and policies. These allow the board to make quick decisions when a similar type of problem is encountered in the future.

Other decisions which may be new or unique require careful board consideration. In these cases, the board must keep in mind the mission statement or the purpose of the credit union. In addition, the goals of the credit union must be considered before any decision is made.

Some Specific Decisions

- Approve interest rates to be charged on loans. Credit unions have traditionally charged very competitive rates on loans. Interest rates are referred to by law in terms of an annual percentage rate (APR).
- Approve applications for membership.
- Approve the credit union budget and monitor expenditures throughout the year.
- Name an official depository for the credit union funds, and designate who may sign checks (usually the chief financial officer or CEO/manager).
- Authorize adequate security bonds. All employees and board members should be bonded.
- Fill interim vacancies on board.
- Set the par value and classes of shares.
- Declare the dividend at the end of each dividend period.
- Establish wage and salary ranges for the CEO.
- Elect officers for the credit union from amongst the directors: the chairperson and vice chairperson, chief financial officer and the secretary.
- Provide the various committees with an appropriate budget and assist them as requested. Set policies for the committees to follow.

Setting the Credit Union's Direction

Advising the Membership

Communication with the membership is another important responsibility of a credit union board of directors. The board must inform the members of all decisions, policies and operating procedures of the credit union. This responsibility should be fulfilled not only at the credit union's annual meeting, but throughout the year using the credit union newsletter or other communication program.

Serving as Trustees

The board is responsible for protecting members' money. To do this, the board must continually evaluate the management practices and the financial status of the credit union. When inefficiencies are discovered, it is the board's duty to make necessary adjustments to ensure proper control and protection of assets. This function is often considered to be the most basic reason for the board's existence.

Perpetuating the Credit Union

The board must make sure the credit union continues to operate successfully. One of the ways the board provides for the credit union's longevity is by selecting a capable and responsible financial officer or CEO. Another important way the board ensures a credit union's survival is by being critical of its own performance. The board must make sure it is equipped and willing to handle all credit union affairs capably and effectively in order to maintain the credit union for the future.

A credit union's board of directors must ensure the credit union is meeting members' needs by encouraging thrift and providing affordable loans. The board chairperson should lead these activities in cooperation with other board members and the credit union's management and staff. While the previous section outlined the duties and responsibilities of directors, this section will describe in more detail the function of setting the credit union's direction: planning, organizing, directing, and evaluating.

Setting the Credit Union's Direction

Planning & Setting Goals

One of the most important activities of the board is planning. Essentially, planning is determining what is to be done, who is to do the work, and how much time the project should take. Planning is performed to provide future direction for the credit union. Some of the general planning areas for the board are listed below:

1. Services offered by the credit union. Is the credit union providing the services members want and need? How is this determined?
2. Management of the credit union. Is the CEO evaluated annually and adequately compensated for the work he or she does? How do the performances of the chief financial officer, CEO/manager and office staff rate? Are there problems that need to be addressed?
3. Operation of the credit union. Is the operation efficient and in compliance with all regulations and laws? What methods are used for monitoring regulatory changes and are these effective?
4. The board. Is the board representative of the credit union's field of membership? Does the board have a board succession plan in place? Are board members able and willing to tackle difficult decisions on behalf of the membership? Does the board reach informed decisions based on consensus? Are board members deferring too much responsibility to others?
5. Financial stability. Is the credit union operating according to budget? What economic factors are affecting its financial strength? How is the loan volume? Is there a comprehensive asset liability management program in place?
6. Growth. Are the credit union's assets, loan volume and membership totals increasing? How does this affect the credit union?

Directors are encouraged to plan by setting both short and long-term objectives for the credit union. Long-term objectives usually look ahead three to five years, and short-term objectives are set (or at least reviewed) annually keeping that long-range plan in mind.

Planning should be initiated by the board chairperson, and should include the entire board, management and key staff people. It's helpful to conduct the planning session away from the credit union and any potential interruptions. An outside facilitator also is recommended to provide objectivity and help guide the planning to keep the session on track. ICUL has experienced management consultants who can facilitate these planning sessions.

Board/CEO/Manager Relations

The board/CEO/manager relationship is a delicate balance that requires each to understand their role within the credit union. The board generally works in a more general or long-range perspective, while the manager handles specific operational concerns. The two cannot operate independently, so teamwork is critical.

Board: Idea Decisions	CEO/Manager: Action Decisions
Give direction.	Direct.
Determine objectives.	Carry out objectives.
Establish policies.	Implement policies.
Approve goals.	Propose goals.
Coordinate directors and committees.	Coordinate operations.
Approve long-range plans.	Make specific proposals for long-range plans.
Plan executive & board succession.	Plan management/employee succession.
Analyze key performance areas.	Control key indicators.
Encourage executive growth.	Encourage staff development.

Organizing

Once a plan is created, the board's next step is to work with management to organize or set the strategy for carrying out the plan. The most important aspect of organizing is clearly defining individuals' responsibilities and duties. Since problems are likely to arise if specific duties are not clearly defined, it's important that each person clearly understands his or her responsibilities. Each step should detail who is responsible and any deadlines that apply. These should be reviewed at each board meeting to evaluate progress and make any necessary adjustments.

Directing

The next board function is directing. This means that plans made by the board are carried out by delegating operating powers to the CEO/manager. This is a delicate area for board members because they must not intrude in the CEO/manager's realm by interfering with daily management of operations. Instead, they must direct in a less specific sense.

Coordinating

Although management is responsible for supervising or performing daily operations, directors must oversee the coordination of these functions. This involves bringing the board, management, and staff together as a team to understand and appreciate each other's role.To assure a smooth-running operation, coordination should occur up and down as well as across the organization. The board should set a prime example of teamwork in action, and instill that attitude with the credit union staff. It's important to remember that the board's task is to coordinate, not dominate. The key here is to delegate. The credit union will be served best by an informed, knowledgeable staff that is authorized to carry out the appropriate duties.

Credit Committee

Each board of directors must have two committees: the Credit Committee and the Audit (or Supervisory) Committee. Members of these two committees must be members of the board of directors or of the credit union.

The Credit Committee

The scope of the duties of the Credit Committee varies by the size of the credit union and whether the credit union has professional loan officers on staff.

The committee, which must consist of at least three people, meets as often as necessary to govern the granting of credit. The committee should always aim for prompt service and schedule meetings accordingly. Also, accurate meeting minutes must be taken so that a record of business is created.

In very small credit unions with no employees or only part-time staff, the Credit Committee makes decisions on member loans. The Credit Committee should meet as a group, review member loan applications, credit reports and within policy determine whether to approve or reject a loan. The committee must be available and ready to act on a loan application as it is submitted by the member. Depending on their responsibilities, the Credit Committee may meet daily, weekly, or at least once a month.

Above all else, board members should remember that loan applications must be kept in strict confidence. Members disclose personal financial information on a loan application that may not otherwise be known by the credit union. The Credit Committee should not disclose to others personal information that they see as a part of their Credit Committee duties. Nor should Credit Committee members disclose to others the type of loan or amount of loan granted to specific members.

Committee members should evaluate all applications on their own merit. The committee must decide if a loan is for a provident and productive purpose, whether or not collateral is needed and if the loan is permissible by law and by credit union policy.

It is important that the Credit Committee works closely with all loan officers and support staff who help with lending. In most credit unions, the Credit Committee delegates lending authority to credit union employees to process and approve loans. The loan officers make the decision to grant or deny loans to members within the policies and procedures of the credit union. However, the Credit Committee must still oversee the lending policies and review these periodically to ensure that procedures are being followed.

Credit Committee

Delinquencies should be monitored and evaluated to see if the credit union lending policy should be adjusted, keeping in mind the credit union's goal of serving its members. It is extremely important, however, that the credit union establishes definite procedures regarding delinquent loan collection. However, Credit Committees must be careful not to establish so many regulations that borrowers are driven to other lenders. Although a small number of delinquent loans are not unusual, the Credit Committee's use of common sense will eliminate the risk of too many delinquent loans.

Other Credit Committee Responsibilities May Include:

- Review new types of loans to be offered and lending rates and fees.
- Work with the CEO/manager or loan manager to recommend changes in lending policies, loan officer loan authority, and credit limits. The changes should be approved by the board of directors and documented in the minutes of the meeting.
- Approve loans outside policy or over the authority level of loan officers.
- Meet with any member at his/her request to discuss a loan approval/refusal by any lending employees.
- Review and act on loans for the CEO/manager or senior staff of the credit union, if the loan isn't secured by credit union shares.
- Recommend loans to be charged off.
- Prepare a report for the board of directors which will be presented at each monthly board meeting on the number and dollar amount of loans granted and loans refused during the prior month.
- Prepare a report for the credit union annual report detailing the loan activity for the year.

Audit / Supervisory Committee

The Audit / Supervisory Committee

The Auditing or Supervisory Committee has two purposes: to assure the directors and members that the financial affairs of the credit union are in good order; and to protect members against loss through inadequate operational controls.

The Auditing Committee is required by law to regularly inspect cash, securities, notes and accounts of the credit union. If the Auditing Committee hires an outside CPA firm to do the audit, it is the committee's responsibility to interpret and present a credit union condition report to the entire board of directors.

There is an Audit Committee Guide and other resources available for small credit unions on the Iowa Division of Credit Unions website.

The second function of the Auditing/Supervisory Committee is to serve as the credit union "watch dog." It should monitor the performance of elected officials and the operations of the credit union. It is the committee's responsibility to recommend methods for improvement if problems are found. Also, this committee has the power to suspend any director for cause.

Checklist for the Audit / Supervisory Committees

- Has each member been personally contacted within the last two years to see that balances on his/her statement are identical with the balances kept by the credit union?
- Do the members' total share and loan balances on individual account records match the balances on the general ledger?
- Have the credit union's receipts and disbursements been verified? Have all entries been substantiated?
- Does the credit union's Corporate Central or bank account statement agree with the cash balance shown in the books?
- Does each loan made to members comply with all provisions of the law, credit union bylaws and the policies of the board?
- Are loans reviewed carefully to determine whether they are legitimate?
- Have the petty cash and change funds been counted and verified?
- Were all investments within the limits of the law and authorized by the board?
- Have all loans delinquent by one month or more been reported to the board for action?
- Are the proper minutes being kept for all meetings? Do these groups meet as often as required? Are the policy decisions being carried out at the operational level?
- All board and staff are properly bonded?
- Does the Auditing/Supervisory Committee report its findings and provide constructive suggestions to the board?

Other Committees

A credit union may have other committees or task forces that are dedicated to specific projects or tasks. It is up to the board, with input from management, to decide what committees are needed. Examples of other board committees are the nominating committee, board education committee or facilities committee. A question to ask as a committee is formed: Will there be an ongoing need for this committee? If not, the Chairman may want to appoint a task force to work on a one-time project or event.

Legal & Regulatory Issues

Laws and regulations are a fact of credit union life. Virtually every aspect of the business-from its structure to the membership base to savings, loans, and other services-is guided by either state or federal statute. And because directors have ultimate responsibility for the credit union, it is critical that they be familiar with these laws and regulations and how they affect operations.

Both the state and federal government have specific laws for credit unions: the Iowa Code (Chapter 533) and Federal Credit Union Act. In addition, there are numerous state and federal regulations that have been passed to further define or interpret these statutes. The National Credit Union Administration (NCUA) issues and enforces federal regulations, and the state Credit Union Division issues and enforces state regulations.

In addition to issuing regulations, the NCUA and the state Credit Union Division are responsible for chartering credit unions, supervising and examining credit unions, and providing or monitoring a deposit insurance program. Generally, federally chartered credit unions are supervised by federal regulators and state-chartered credit unions by state regulators. However, many laws and regulations apply to credit unions of all charters, so all credit unions need to be aware of, and in compliance with, all laws and regulations.

Understanding Director Liability

A word about director liability is appropriate for all boards of directors. It is no longer unusual for directors of financial institutions to be sued, either by members or by outside parties. Credit unions have faced litigation for freezing shares, not declaring dividends, dismissing CEOs/managers, and fixing elections.

Litigation, however, is by no means a certainty. There are many ways directors can protect themselves, and their credit union, from a lawsuit. Understanding the responsibilities of a director and taking them seriously is the first step. In addition, directors must be sensitive to their roles as leaders of the credit union. Members must be able to trust their directors, and rely on their judgment for fiscally sound operations.

Legal & Regulatory Issues

10 Most Common Reasons for Director Litigation

1. Approving self-serving or excessive loans.
2. Failing to comply with regulatory directives.
3. Failing to supervise management properly.
4. Failing to authorize and conduct periodic audits.
5. Failing to implement internal control procedures.
6. Authorizing improper dividend payments.
7. Improperly monitoring and maintaining liquidity reserve requirements.
8. Failing to attend board meetings on a regular basis.
9. Extending too much investment in a limited area.
10. Failing to exercise independent judgment from that of the CEO/manager.

Director Liability Prevention Checklist

- Regularly attend meetings. Being absent from a meeting does not protect directors from liability for an action or decision that results in a claim.
- Obtain and review financial information about the credit union regularly. Directors should receive all financial information prior to the board meeting with ample time to review it.
- Study the budgets for current and previous years.
- Establish a written policy manual. Policies should define the CEO's/manager's authority, as well as guidelines for lending, operations, personnel, and investments.
- Regularly review the activities of the credit committee or loan officers.
- Regularly review and/or recommend actions on delinquent accounts. Establish general policies to address typical situations. Review exceptional cases and spot check compliance with established policies.
- Periodically review charged-off loans to identify what caused the loan to become delinquent.
- Review and act on regulatory examination reports. Assign management, a committee, or the chair the responsibility of answering any questions.
- Ensure that the audit/supervisory committee conducts a periodic audit and member account verification. Examine the results.
- Periodically review salary ranges, employee benefits, and personnel policies.
- Periodically review the credit union's insurance coverage. Review limits of liability, types of insurance, and whether the credit union has appreciated assets that may not be covered.
- Know the name of the credit union's attorney, and develop a working relationship with this person. Not all credit unions retain an attorney, but all should have access to qualified legal advice.

Performance Standards & Evaluations

It's helpful to have a policy that includes performance standards and evaluations for directors (as well as all credit union employees) that outline not only the required or expected qualifications of directors, but also a training plan to improve and expand those qualifications.

Performance standards are based upon the duties and responsibilities of directors, which were discussed earlier in this manual. Because volunteers typically are not paid, it may seem awkward to make demands of these people, let alone evaluate their service. However, it must be understood that, volunteer or not, directors do have the final responsibility to maintain their members' funds. Defining that role so directors acknowledge their fiscal responsibility is a protective step for the credit union and its members.

Performance standards and evaluations have many benefits. A well-done performance evaluation can provide the motivation and incentive directors need because it recognizes a job well done, as well as areas that need improvement. It's important for any organization to know who's doing the job well, what training may be needed, and what support would be helpful.

Successful evaluations have these common characteristics:

- They allow the person to evaluate himself/herself in all areas identified by the job description.
- They are honest. Evaluations need to be a candid, objective appraisal of the work done.
- They focus on the future, not the past, with the emphasis on what improvements can be made for future success.
- They help set personal and professional goals for the coming year. Those goals (for instance, to gain more knowledge about regulations affecting financial institutions) should be measurable, with specific objectives and deadlines.
- They are conducted on a regular basis, so progress can be acknowledged.

Evaluations provide valuable feedback to volunteers, and indicate respect and faith that the director has the ability and desire to take the position seriously. It also indicates the director wants to perform to the best of his or her ability.

In a few cases, evaluations can help protect a credit union from directors who are not maintaining an acceptable standard. In those situations, the evaluation offers objective evidence about the director's performance and removes the possibility of its being considered merely a "personality conflict." Although these situations don't happen often, they should be addressed. The best way to reward volunteers is to take action against the ones who aren't meeting the necessary performance standards.

Board Self-Evaluation Checklist

The Purpose of the Organization & Board

1. Does your credit union have a written statement of purpose/mission?
2. Have you ever participated in a review of that purpose/mission?
3. Does your credit union have a written organizational structure?
4. Does your credit union provide a formal orientation for new board members?
5. Do you understand the function of the board?
6. Are you familiar with the selection process for board membership?
7. Does the makeup of your board reflect the membership of the credit union?
8. Do you know each of your fellow board members?
9. Do you know what the board-related skills of each member are?
10. Do you understand the goals of the credit union?

The Legal Aspects of the Organization & Board

1. Are you familiar with the Iowa law creating and governing your board?
2. Are you familiar with any state/local rules governing your credit union?
3. Are you aware of the attendance requirement for serving on the board?
4. Do you know who your legal counsel is?
5. Are your board meetings conducted according to law?
6. Has your board ever been named in a legal action?
7. Do you know what your legal liabilities are as a board member?
8. Do you know if you are insured as a board?
9. Are you aware of the length of terms of each board member?
10. Are you aware of the training requirements for serving on this board?

The Board's Relationship to the CEO/Manager & Community

1. Does your board have a written statement of its relationship to the CEO/manager?
2. Are the duties of the directors and management clearly delineated?
3. Do your board's decisions support and enhance the CEO's/manager's role?
4. Does the board have a written and regular evaluation process for the CEO/manager?
5. Do the board chair and the CEO/manager meet regularly?
6. Does the board have a written statement of its relationship to the community?
7. Is the community at large aware of your services?
8. Are community members invited to be involved in your credit union?
9. Do you feel a responsibility to your community?

Board Self-Evaluation Checklist

Board Meetings

1. Does your board meet once per month at a regular time?
2. Do you feel that you accomplish a lot at meetings?
3. Does your CEO/manager attend each meeting?
4. Do you have an agenda prepared in advance of the meeting?
5. Has your board adopted a consent agenda to make meetings more efficient?
6. Do you know the CEO's/manager's role in the meeting?
7. Are your meeting facilities adequate and appropriate?

Policy & Procedures of the Board & Credit Union

1. Does your credit union have written policies and procedures which govern its operation?
2. Have you, as a board member, participated in policy development?
3. Do you have written policies for operation of the board?
4. Does your credit union have and follow a formal policy outlining programs of continuing education for management, staff and board members?
5. Have your policies and procedures been updated recently?
6. Are policies and procedures communicated to staff and members?
7. Do you feel comfortable operating according to current policy?

Fiscal Aspects of the Credit Union

1. Does your organization have an annual written budget?
2. Do you understand your credit union's budget and fiscal processes?
3. Do you know who develops, approves, and administers the budget?
4. Do you know if the organization keeps within its budget or is in a deficit?
5. Are you aware of the primary sources of revenue?
6. Do you know who legally audits the credit union?
7. Do you know how the size of the budget is determined?
8. Is any part of the budget linked to a formal planning process?
9. Are there written priorities or preparations for budget cuts?
10. Is there a calendar for budget development?

Other Aspects of Boards

1. Does your credit union have a public relations program?
2. Does your membership support the efforts of the board?
3. Do you individually support the credit union's programs?
4. Do you interact positively with fellow board members?
5. Does your board work cooperatively with governmental agencies?
6. Does your credit union take advantage of communications provided by the Iowa Credit Union League and it operating companies?
7. Do you enjoy being a board member?

Assisting Your Guest Speakers

If you've invited someone to be a guest speaker at your annual meeting, there are a few things you can do to assist your guest and to help make for a better presentation to your members.

1. Ensure that you and the speaker agree ahead of time on the subject matter and length of time for the speech. Let the speaker know the approximate size of the audience and what type of audience will be attending the meeting. Will there be family members present? Often a speaker can tailor his or her message to your audience.
2. Determine if the necessary sound equipment is available. If the meeting room is large, is there an adequate microphone and a good public address system? These concerns affect you too, since you will be conducting the meeting. You will want your members to be able to hear what's happening.
3. Find out if your speaker needs transportation to and from the meeting. If the speaker is coming from another city, also check if overnight accommodations are needed.
4. Invite the speaker to the meeting's complete social schedule, such as the hospitality hour and dinner. Find out if a spouse or guest will accompany the speaker.
5. Ask several people to act as hosts to the guest speaker. Often a guest speaker knows no one attending the event and feels abandoned when others mingle in small groups.
6. Make sure both you and the speaker agree on the fee, if any, and how it is to be paid - that is, by mail or immediately after the event.
7. Finally, join in giving your speaker a big welcome and a "thank you" for his or her efforts following the speech.

How to Handle an Introduction

1. Find out a few pertinent facts about your speaker, such as his or her job title, the length of time in present employment, any special memberships or activities and any family facts that may be of interest.
2. Be certain you can correctly pronounce the speaker's name.
3. Ask if the speaker has given a title to his or her presentation.

Sample Introduction

This evening we are pleased to have as our guest speaker, Mr. Tom Smith, executive vice president of the American Guest Speakers Society. Mr. Smith has held his present office since 1985 and previously was superintendent of schools in Your City, Iowa. He is president of the Rotary Club, a director of the Chamber of Commerce and a champion bowler. This evening he will discuss "The Future of the Credit Union Movement." Please help me welcome Tom Smith.

Credit Union Annual Meeting - Sample Agenda

A. Ascertainment of a quorum
B. Reading and approval (or corrections) of the previous meeting's minutes
C. Report of directors
D. Report of chief financial officer (treasurer in a federal credit union)
E. Report of the credit committee
F. Report of the auditing or supervisory committee
G. Unfinished business
H. New Business
    1.____
    2.____
    3.____
    4.____
I. Elections
J. Adjournment

Some Other Things You Might Do

- Prepare a press release about your election for your local newspaper. The Iowa Credit Union League's communications department is glad to help.
- Your board may wish to send letters of appreciation to the speaker and to any invited guests who attend your annual meeting.
- Set aside a portion of a board meeting following the annual meeting for evaluating the annual meeting. Was attendance what you hoped for? If not, how can you increase attendance next year? Was the meeting well planned and organized? Were reports well received by the membership? Could the meeting have been more interesting? Should there be changes in any policies on entertainment? Were the facilities for the meeting adequate?
- Your answers to these questions will form the basis of your successful planning for the next year's annual meeting.

What to Do After Your Annual Meeting

Once your annual meeting is over, you have some important legal and administrative responsibilities. Within five days after your annual meeting, the board of directors is required by law to meet and elect from among the directors: a chair, vice chair, chief financial officer and secretary.

The board of a state-chartered credit unions must consist of at least nine members, unless you have approval by the Iowa Division of Credit Unions to go to seven. This board must appoint a credit committee and auditing committee, each having no fewer than three members. To be appointed to these committees, an individual can be a director or a member of the credit union.

The board of a federally chartered credit union must consist of an odd number of directors, not fewer than five no more than 15. The supervisory committee should be appointed by the board of directors and consist of no fewer than three and no more than five members, one of whom may be an uncompensated officer of the board.

Receive Access to IowaCreditUnions.com

The credit union CEO/manager should add all new board members to the members-only portion of IowaCreditUnions.com. Please contact ICUL at 800.860.6180 x3012 or support@iowacreditunions.com if you need assistance.