

CREDIT UNION BOARD OF DIRECTORS HANDBOOK

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CONTENTS

List of Figures vii
Acknowledgments ix
Introduction xi

CHAPTER ONE: PEOPLE HELPING PEOPLE HELP THEMSELVES 1

How We're Different 1
Guiding Principles 4
A Brief History 5
Credit Union Facts 8
Assess Your Knowledge and Experience 10

CHAPTER TWO: AN ORGANIZATION OF PEOPLE, NOT DOLLARS 11

The People You Serve 12
The Board of Directors 13
The Supervisory Committee 14
The Credit Committee 16
Other Committees 18
Recruiting Volunteers 20
Staff 21
Assess Your Knowledge and Experience 26

CHAPTER THREE: A DIRECTOR'S PROFILE 27

Board Composition 27
Director Qualifications 28
Board Effectiveness 29
Self-Improvement Through Continuing Education 32
Community Involvement 34
Conflict of Interest 35
Liability Considerations 37
Insurance Protection 38
Removal from the Board 40
Director Assessments 41
Assess Your Knowledge and Experience 42

CHAPTER FOUR: BOARD DUTIES AND RESPONSIBILITIES	43
General Responsibilities	43
Specific Duties	45
Executive Officer Duties	48
Setting Policy	53
Strategic Planning	55
Financial Reporting	60
Board Assessments	67
Assess Your Knowledge and Experience	69
CHAPTER FIVE: BOARD-CEO RELATIONSHIP	71
Proper Roles	71
An Essential Responsibility	72
The Right CEO for the Credit Union	73
What Boards Want in a CEO	74
What CEOs Want in a Board	75
Working Together	76
Relating to Staff	77
Executive Search	78
Terminating the CEO	79
Assess Your Knowledge and Experience	80
CHAPTER SIX: BOARD COMMUNICATIONS AND MEETINGS	81
Communicating with Management	81
Communicating with Members	81
Communicating with Committees	84
Board Meetings	85
Meeting Minutes	87
Meeting Follow-Up	88
Using Technology to Enhance Communications	88
Assess Your Knowledge and Experience	90
CHAPTER SEVEN: YOUR CHALLENGES	91
The New Challenge: Legislative Involvement	91
Your Continuing Challenge: Carry the Message	95
Assess Your Knowledge and Experience	96

APPENDIX A:	YOU'RE PART OF AN INTERNATIONAL NETWORK . . .	97
	The Core of the System	97
	Local and State Associations	98
	Services at the National Level	99
	Your Link to the International Credit Union Community	100
	Assess Your Knowledge and Experience	100
APPENDIX B:	GOVERNMENT OVERSIGHT	101
	The Charter Grants Basic Powers	101
	Supervision	102
	Share Insurance	102
	Compliance	103
	Assess Your Knowledge and Experience	104
APPENDIX C:	PERSONAL AND BOARD ASSESSMENTS	105
	Standards for Success	105
	Benefits of Using the Assessments	106
	Self Assessment	107
	Board Performance Assessment	117
APPENDIX D:	RESOURCES	127
INDEX		139

FIGURES

1.1	How Credit Unions Compare to Other Savings and Lending Organizations	4
1.2	Typical Credit Union Services	9
2.1	Typical Credit Union Organizational Structure	12
2.2	Sample Position Description—Director	15
2.3	Sample Position Description—Supervisory Committee	17
2.4	Sample Position Description—Credit Committee	19
2.5	Sample Organizational Chart for a Mid-sized Credit Union	23
2.6	Sample Organizational Chart for a Large Credit Union	24
3.1	Sample Director Code of Ethics	30
3.2	Board Traits Associated with Credit Union Success	31
3.3	Reasons for Director Litigation	38
3.4	Liability Prevention Checklist	39
4.1	Sample Position Description—Chair	49
4.2	Sample Position Description—Vice Chair	50
4.3	Sample Position Description—Secretary	51
4.4	Sample Position Description—Treasurer/Financial Officer	52
4.5	Major Topics to Cover in Policies	54
4.6	Strategic Plan Elements	57
4.7	Sample Goal for Strategic Plan	59
4.8	Sample Balance Sheet	61
4.9	Sample Operating Statement	63
5.1	What CEOs Expect from Their Boards	75
5.2	Potential Areas of Conflict	77
6.1	Common Communications Breakdowns	82
6.2	Sample Meeting Agenda	86
7.1	Get Involved Legislatively	93
A.1	Credit Union System	98

A DIRECTOR'S PROFILE

How well you and your fellow board members succeed depends on many factors, including your willingness to learn, grow into the job, and remain flexible. Beyond that, it's necessary to know your specific responsibilities imposed by laws and regulations and by your credit union's charter and bylaws.

Ideally, your credit union has written position descriptions that provide more detail. They are just as important for directors as they are for staff. In the last chapter, figure 2.2 provided a sample position description. You may adapt it or you may prefer to develop your own. Either way, this chapter and the next should provide much of the information you need to develop one. At a minimum, the position description should spell out:

- to whom you report—the members;
- whom you supervise—the CEO;
- your primary functions—set direction, approve policies, plan, ensure a sound financial condition, evaluate the CEO, report to the membership at the annual meeting;
- your specific duties—covered in the next chapter.

Much of becoming a good director evolves through on-the-job training. Watch your fellow directors, ask questions, do a lot of reading, and network with directors from other credit unions.

BOARD COMPOSITION

State and federal law provide a few specifics regarding boards of directors, such as the minimum number of directors and terms of office.

Five is the minimum number of directors allowed by the Federal Credit Union Act; therefore most bylaws that require credit unions have at least five directors. Some bylaws require more. Whatever the minimum, the actual number of board members can be—and often is—higher. Smaller credit unions usually have fewer than seven directors; larger credit unions usually have more. An odd number is important because it helps avoid tie votes.

When terms of office are set by statute, the length of the term is usually three years. However, most laws allow the credit union to decide. Terms of office are usually staggered, with a set number ending each year. This ensures continuity on the board and protects the credit union from losing a large body of knowledge and experience at one time.

Although regulations don't require it, your board may want to reflect the diversity of your current and potential membership—gender, age, race. With a genuine cross-section of the membership, you have more assurance that all constituencies are served. For example, the needs of young members differ greatly from the needs of older, retired members.

DIRECTOR QUALIFICATIONS

Directors should have a willingness to serve the membership, continually learn, and be a team player.

Little is said in either the charter or bylaws about qualifications for the office of director except that candidates must be members of the credit union. Beyond that they should have a willingness and ability to

- serve the membership;
- continually learn;
- be a team player.

These are essential qualities of a director. With just these—applied in many different ways—any member can become a valuable member of the board. There's no question, though, that candidates with specific business skills and knowledge of credit union philosophy can get up to speed sooner. The mix of talents changes with each new board and, in fact, as board members evolve in their capabilities.

Other desirable qualities in a director include a willingness to assume responsibility and accept challenges; a willingness to think creatively and embrace change; and personal ethics that are aligned with the credit union's philosophy. Some organizations feel so strongly about directors' commitment that they have developed agreements for board members to sign. One such agreement is shown in figure 3.1.

Collectively, the board should have a broad range of pertinent experience. Individually, directors should commit to doing the best job possible, expanding their range of expertise as they progress through their terms.

BOARD EFFECTIVENESS

The quality of a credit union's leadership is probably the most important factor in its success. A study sponsored by the Filene Research Institute identified board activities, work styles, and characteristics that contribute to outstanding credit union performance. They're summarized in figure 3.2. Of course, there are other tasks you'll have to spend time on: financial oversight, legal compliance, and more. But, the items listed in figure 3.2 make the difference between surviving and thriving.

Here are some specific ways you can develop these activities and traits:

- Know your role and that of your credit union's staff. Your role is to set policy; staff's is to carry it out. You determine what is to be done; staff does it.
- Hire the best management you can afford because effective management is one of your credit union's best assets. Establish performance standards and compensate the CEO adequately.
- Don't let the CEO "run" the board. You shouldn't be a rubber stamp for management's suggestions; the ultimate legal and ethical responsibility for the credit union's operations is yours.
- Make timely decisions. Don't procrastinate. When action is necessary, get the facts and act. Know that delays can be costly in money, staff morale, and good will.
- Accept and adapt to change. Welcome new ideas and be imaginative. Learn from your mistakes and others' and move on.