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Conversation: The Daily Exchange -- August 22nd, 2014

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Collaborative Connection: Time for a Seat at the Fed Table

By: Greg Michlig, President/CEO

I read with interest, the August 8th column by Kate Davidson of *Politico* titled "White House struggles to fill Fed small-bank spot". The basis of the piece is that after Sarah Bloom, a former Maryland banking regulator now at the Treasury Department, and Elizabeth Duke, a longtime Virginia banker, left the Federal Reserve Board, the White House has had difficulty finding candidates to fill the vacated spots. For varying reasons, including the need to divest their interest in the family banks they run, at least some of those who have been considered from the community bank sector have declined.

Another key piece and the driving force of relevance for credit unions, is that lawmakers have been pressing the administration to nominate candidates with community banking experience. I think that presents an opportunity that should be pursued...[More](#)

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Convention Corner: One Week Left to Vote on 2014 Awards Entries and to Submit Delegate Registration Forms

Friday, August 29th the Deadline for Awards Voting and Delegate Registrations

HIGHTSTOWN, N.J. – Credit unions have until next Friday, August 29th to cast their votes for the 2014 New Jersey Credit Union League Awards Program and to submit delegate registrations forms



EVENTS: HOW REPORT
> Data Breaches Cost
Consumers Average of
\$157: W. Va. League
Webinar
> Credit Unions, Mark Your
Calendars



We want our members to get the information they need without clogging their inbox. Take our brief [communication survey](#) so you can begin receiving content relevant to you and your function at your credit union.

All respondents will be entered to win a \$150 gift card each week for six weeks. For each survey completed, the League will also donate \$5 to Children's Miracle Network.

Upcoming Events:

September 9, 2014
VirtualCorps Webinar: The
GEN Y LOAN/Private

for the 2014 Annual
Business Meeting.



Member credit unions are encouraged to vote for the 2014 Awards Program by visiting our survey page at <https://www.surveymonkey.com/s/2014NJCULAWARDS>.

Review entries and cast your votes for entries in the following categories:

- Catherine L. Miller & Alexander Kosobucki Marketing Award
- Difference Maker of the Year Award
- Calvin Jackson Memorial Volunteer of the Year Award
- Credit Union of the Year Award
- CEO of the Year Award

Get your votes in today!

All delegates wishing to participate in the 2014 Annual Business Meeting taking place during Convention on Tuesday, September 23, 2014, from 10 a.m. to 11 a.m. must register no later than August 29, 2014. To access the delegate registration form and information click [here](#).

The Request for Credentials form must be completed and returned by mail to:

NJCUL – Delegate Registration
Attn: Nicola Foggie
299 Ward Street
Hightstown, NJ 08520

no later than the August 29th date. Clearly print or type the information on the form and have the primary delegate and the alternate delegates sign the form. All forms **must be complete** and the Secretary or the President/Chair of the Board of Directors **must certify** the form.

Delegates and alternates should register at the credentials area when first arriving at convention, where they will verify their signature and receive their delegate registration cards.

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League Accepts Ice Bucket Challenge and Takes Part in Chilly Charity Challenge

HIGHTSTOWN, N.J. – After being called out by CUES, Atlantic FCU, Princeton FCU, Jersey Shore FCU, and others, the New Jersey Credit Union League yesterday stepped up to the Ice Bucket Challenge to raise awareness of ALS (Lou Gehrig's Disease.) Check out the video on the League's [YouTube page](#). Brrrrrr.



GEN T LOAN (Private Student Loans)
3:00 pm to 4:00 pm
[More Information Click Here](#)

September 9, 2014
Webinar: Directors:
Applying Ratio Analysis to
Manage the Balance Sheet
& Maximize Income
3:00 pm to 4:30 pm
[More Information Click Here](#)

September 9, 2014
South-Central Chapter
Meeting: cuGreen Loans
Location: Tommy's Inn,
Millstone, NJ
5:30 pm to 8:00 pm
[More Information Click Here](#)

Contact Us:

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Staff members and President/CEO Greg Michlig took to the League lawn, taking turns dumping water and ice on each other in front of the League's sign. Michlig then called out any leagues who have not yet stepped up the challenge or made donations.

League staff also made donations to the ALS Association in addition to taking part in the challenge.

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UPS Reveals Data Breach

POS Malware Compromises 105,000 Transactions at 51 Stores

UPS is warning that subsidiary UPS Stores suffered a point-of-sale malware attack that compromised numerous card transactions over a seven-month period. All told, 51 of its U.S. franchised center locations across 24 states were infected, which may have resulted in attackers compromising customers' personal information and payment card details, thus placing them at risk of [identity theft](#) and fraud.

About 105,000 credit card and debit card transactions were compromised in the data breach, UPS spokeswoman Chelsea Lee tells Information Security Media Group. The number of customers affected has not been revealed.

Atlanta-based UPS is the world's largest express carrier and package delivery company, and also owns UPS Stores, which is a franchiser of almost 4,700 retail shipping stores in the United States, Puerto Rico and Canada. UPS says the [breach](#) began earlier this year—on January 20 for some locations, and by March 26 for the rest—and lasted until August 11, when the company says the breach was eradicated. About 1 percent of UPS Stores were breached, says UPS, which published a [list of affected stores](#), including the breach inception date and duration.

"Customer information that may have been exposed includes customers' names, postal addresses, e-mail addresses and payment card information," says a breach FAQ published by [UPS](#). "At this time, we are not aware of any reports of fraud associated with the potential data compromise."

UPS says it began auditing all POS systems at UPS Stores for malware infections after receiving a July 31 government alert about a rise in POS malware attacks, including a number of Backoff variants designed to infect POS systems and steal credit and debit card data.

designed to infect POS systems and steal credit and debit card data when cards are swiped. "As soon as we became aware of the potential malware intrusion, we deployed extensive resources to quickly address and eliminate this issue. Our customers can be assured that we have identified and fully contained the incident," says UPS Store president Tim Davis in a statement. "I understand this type of incident can be disruptive and cause frustration. I apologize for any anxiety this may have caused our customers."

UPS says each franchised store is individually owned and "runs an independent private network" that isn't connected to any other location's network. That suggests attackers hacked directly into each store's network to infect POS devices with the memory-scraping malware.

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First Financial Foundation Announces Winners of 2014 Erma Dorrer Literary Scholarship

WALL, N.J. – The First Financial Federal Credit Union Foundation recently awarded \$500 scholarships to four deserving undergraduate students.



Pictured left to right: 2014 scholarship winners Kimberly Rogers, Demonica Britt, Michael Perry, President/CEO Issa Stephan, and Carly Burrus.

This year's winners included: Kimberly Rogers of Ocean Township, Georgian Court University; Demonica Britt of Freehold, Seton Hall University; Michael Perry of Freehold, Boston College; and Carly Burrus of Neptune, Coastal Carolina University.

This year, there was one scholarship topic for student applicants to respond to: In today's world, preventing identity theft, building credit, and maintaining good credit are essential elements in our financial lives. How will you address these essential financial elements during your college years, and how will you guide your friends and family to address the above elements? Your response should include details about how to protect yourself and what others should do to protect themselves from ID theft, as well as how you plan to build credit and maintain credit for your financial future.

Applicants submitted a written essay or video clip to answer the question, and had to be a member of the credit union by 12/31/13 and about to attend college for fall 2014 or currently attending a 2- or 4-year college anywhere in the country.

“We are thrilled to be able to aid these admirable and bright students in their journey of success and education,” said First Financial President and CEO, Issa Stephan. “Our credit union puts a high priority on education, after all – that’s how First Financial began 78 years ago, with a group of schoolteachers in Asbury Park.”

View more about this year’s scholarship winners on First Financial’s [blog](#).

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CUNA's September Trainings

Check out what CUNA has in store for the month of September, listed below. Click on the link for more information and to register.

Also, plan to attend the CUNA HR Compliance eSchool, September 3-October 29, 2014. Discuss the complex world of workplace compliance while gaining insight into the common pitfalls that could put your credit union at risk. You’ll leave with tools, tips and resources that help minimize vulnerability to litigation.

[Click here](#) for a complete course list and to register.

- 02 - [Improving Credit and Correcting Errors on Credit Reports](#)
- 02 - [Social Media Strategy and Policy – A Compliance Perspective](#)
- 03 - [Closing Member Sales with Confidence](#)
- 03 - [Complying with Fair Labor Standards Act and I-9](#)
- 04 - [Introduction to Asset-Liability Management](#)
- 04 - [Portfolio Construction](#)
- 09 - [Helping Your Members Understand Their Rights on Repossessions, Foreclosures and Bankruptcies](#)
- 09 - [Measuring Social Media ROI – Two Schools of Thought](#)
- 10 - [HIPPA Privacy and Other Workplace Security Issues](#)
- 11 - [Introduction to Financial Management Analysis and Problem Solving](#)
- 11 - [Evaluating Performance](#)
- 16 - [The Counseling Relationship](#)
- 17 - [Social Media in the Workplace](#)

18 - [Introduction to Balance Sheet Earnings](#)

23 - [The Counseling Process](#)

23 - [Social Media and the Hiring Process – A Compliance Perspective](#)

24 - [Family Medical Leave Act and Americans with Disabilities Act](#)

25 - [Introduction to Investments](#)

30 - [Social Media Advertising Requirements – Avoiding the Pitfalls](#)

EDUCATION CANCELLATION POLICY: NJCUL must receive written cancellation in our office seven (7) days prior to the education session in order for you to receive a refund; substitutions only after this date. All cancellations will be subject to a \$25 cancellation fee.



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Leave CUs Out of Credit Loss Reporting Proposal, CUNA Urges FASB

WASHINGTON – CUNA reiterated its "strongest opposition" to a Financial Accounting Standards Board (FASB) proposal involving credit losses in a letter sent to the board today. The letter, signed by CUNA interim President/CEO Bill Hampel, states that the proposed changes are likely to have a "significant detrimental" impact on a number of credit unions and their members.

FASB has proposed credit loss reporting changes that would utilize a single "expected loss" measurement for the recognition of credit losses, replacing the multiple existing impairment models in U.S. generally accepted accounting principles (GAAP) that primarily use an "incurred loss" approach.

The newest CUNA letter states that, during the height of the financial crisis, credit unions overfunded their provisions for loan and lease losses and maintained their allowance for loan and lead losses (ALLL) in surplus. This caused credit union earnings to be understated during the recession, and overstated more recently as credit unions work down the overfunded allowance amounts.

Hampel expressed his concern that, to the extent the proposal requires higher levels of the ALLL, the distortions would be exacerbated.

"This unwarranted increase to many credit unions' ALLLs would directly result in a further reduction in their retained earnings, which are already understated under current accounting standards," Hampel wrote. "A decrease in earnings can lead to a reduced capital ratio, which could trigger prompt corrective action (PCA) implications for numerous credit unions that currently do not have PCA concerns "

numerous credit unions that currently do not have CUF concerns.

The letter goes on to say that the proposal, if adopted, could further be compounded by NCUA's risk-based capital proposal, which increase minimum risk-based capital ratios for federally insured credit unions with over \$50 million in assets. The NCUA is currently revising the rule based on feedback, making its impact unclear.

CUNA stressed in the letter, its official comment letter sent in May and in meetings with FASB, that most credit unions, as not-for-profit, member-owned cooperatives, may only build net worth through retained earnings under the Federal Credit Act. This makes it more difficult for them to build capital.

The letter comes on the heels of an Aug. 15 *New York Times* article that indicates FASB could adopt the proposal soon.

When available, the letter will be posted on CUNA's comment letters page [here](#).

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Passaic County Business Growth Summit Attracts Small Business Owners

North Jersey Federal CU to Host Event to Boast Business' Ability to Grow

PASSAIC COUNTY, N.J. – North Jersey Federal Credit Union is excited to host its 4th Annual Passaic County Small Business Growth Summit on Wednesday, September 17, 2014. Last year, over 100 business leaders and small business owners attended, making the event a huge success. The summit is FREE and is a great opportunity for small business owners to come together and network and learn about new resources to help them grow their business.



In 2013, over 100 small business owners took advantage of networking opportunities at the 3rd Annual Small Business Summit hosted by the North Jersey Federal Credit Union. The 4th Annual Small Business Summit will be held on September 17th from 6-8 p.m.

The summit is offered in two parts. The first is a presentation by the keynote speakers who will discuss free resources they may find in Passaic County. Business mentoring, strategic planning, financing

options, growth strategies and more will be discussed at a presentation and Q&A session. The second part of the summit will be a networking area where small business owners will meet and greet other small business owners. The intent is to provide opportunities for people to grow their businesses and meet new clients/customers or to find new resources.

This year's keynote speakers will be Kate Muldoon, Regional Director of William Paterson University, Small Business Development Center, and Richard Garcia, VP of Lending at North Jersey FCU.

Kate Muldoon has been working as Executive Director at the William Paterson University Small Business Development Center since June 2004. As Director, Kate offers small business owners the assistance they need to plan and develop successful and profitable ventures by offering training, individual counseling, and hands-on workshops in all aspects of entrepreneurship.

Richard Garcia is a banking executive with a very diverse background in commercial and residential lending. Richard specializes in providing financial business solutions to small and medium size companies, in the Northern New Jersey and New York City markets. The summit will be held on Wednesday, September 17, 2014 from 6:00-8:00 p.m. at North Jersey Federal Credit Union headquarters located at 711 Union Blvd. in Totowa, N.J.

To register click [here](#).

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What NCUA Examiners Look for on Cybersecurity Efforts: NCUA Report

With NCUA examiners trying to identify and assess cybersecurity risks, the agency has released a list of cybersecurity areas examiners look at. The information is featured in this month's [NCUA Report](#). The assessment includes the following questions:

- Does the credit union have a board-approved information security policy commensurate with its size and complexity that meets the NCUA requirements?
- Has management recently performed and documented an information security risk assessment to identify threats, assess potential effects and are risk-remediation plans in place?
- Is the network and critical components such as servers and computers running updated virus and malware protection software?
- Does the credit union have a password policy that meets or exceeds industry standards? According to the NCUA, this means passwords with at least eight alphanumeric and special characters; and
- Is there a vendor management program, information security awareness training program, incident response and crisis management plan. and do they comply with NCUA

regulations?

The article also recommends credit union management consider the possibility of cybersecurity insurance, which should cover costs associated with business interruptions, legal fees, public relations initiatives and hiring of additional staff or vendors.

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Data Breaches Cost Consumers Average of \$157: W. Va. League Webinar

PARKERSBURG, W.V. – Nearly 40% of data breaches come from inadvertent misuse of data by employees, according to a cybersecurity Webinar held Wednesday.

The Webinar, held by the West Virginia Credit Union League and TraceSecurity, was designed to help credit unions be more aware of cyberattack threats and implement best practices when it comes to data security.

"The NCUA regional director has publicly stated that credit union information technology security will be a top priority during current credit union examination cycle," said Rich Schaffer, league senior vice president. "From our perspective, we want to ensure credit unions have available options when complying with examiner requests. The cost and effort required to prevent an attack is lower, and seems more manageable, than it is to react to one."

A Ponemon Institute study of data breaches showed that that average financial cost to victims of a data breach averages \$157 per consumer, when the breach is a result of malicious criminal intent. For companies that are hit with such attacks, the average cost is \$3.5 million.

"Outside of financial losses, you've got reputational losses. If you're hacked ... that can lead to loss of business, and other costs, such as reimbursement and legal fees, are there too," said Charles Lybrand, an information security analyst with TraceSecurity.

Lybrand recommended companies undergo a vulnerability assessment, which consists of a scan of addresses within a system, such as a phone, computer or printer, and look for vulnerabilities. The vulnerabilities are then reported.

A penetration test follows, with the vulnerability data used to go after system weaknesses, including passwords, system defaults and secure folders, all of which can contain sensitive information.

According to Lybrand, hackers can gain access to data by using a public IP address of a credit union and attacking that IP address. Other attacks are what is known as "social engineering" attacks. These attacks can be carried out via phone or e-mail, with the hacker posing as an IT staff member, a human resources staff member or CEO asking for system information, passwords or personal information.

Social engineering attacks can also be carried out in person, with the

hacker visiting a location and getting physical access to an institution's servers or other equipment.

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Credit Unions, Mark Your Calendars

HIGHTSTOWN, N.J. – The New Jersey Credit Union League would like you to mark your calendars for these upcoming events:

NJCUL Education

September 9 -- [VirtualCorps Webinar: The Gen Y Loan \(Private Student Loans\)](#)

September 10 -- [Free CuGreen Loan Program Information Session](#)

September 16 -- [VirtualCorps Webinar: Leveraging the CDFI Certification to Increase Community Impact and Relevance](#)

October 7 -- [VirtualCorps Webinar: The Well-Access to Unlimited Business Communication Problem-Solving Insights](#)

October 14 -- [VirtualCorps Webinar: Big, Balanced and Sustainable Loan Growth](#)

Industry Events

September 2 -- [11th Annual McGraw-Hill FCU Golf Classic](#)

September 9 -- [Southern Chapter Meeting: Risk Management](#)

September 9 -- [NJ/NY Sister Society Meeting of the GWLN](#)

September 9 -- [South-Central Chapter Meeting: cuGreenLoans](#)

September 10 -- [Miracle Jeans Day](#)

September 15th -- [Picatinny Federal Credit Union's 16th Annual Golf Outing to Benefit the Captain Sean P. Grimes Scholarship Fund at the Picatinny Golf Club](#)

September 20 -- [Renaissance Community Development Credit Union's 7th Annual Bike-A-Thon](#)

September 20 -- [Affinity Federal Credit Union Foundation's Run for Scholars Twilight 5K & Kids' Fun Run](#)

September 21-23 -- [NJCUL's 80th Annual Meeting & Convention at Trump Taj Mahal](#)

October 16 -- [International Credit Union Day](#)

October 16 -- [Shop for Miracles](#)

2015

April 13-15 -- CU Reality Check at the Golden Nugget Hotel & Casino
in Atlantic City

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