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# The Exchange

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## Protect Your CU: NJ CU League, NJ Bankers Association, and NJ Chamber of Commerce Team Up for Cyber and Reputation Risk Summit

MONROE, N.J. – The New Jersey Credit Union League, New Jersey Bankers Association, and the New Jersey Chamber of Commerce collaborated to host a half-day Cyber & Reputation Risk Summit on April 11th where industry leaders heard from cyber security experts on various cyber threats and how to protect personal and financial information from these attacks.



*From left to right: NJCUL Interim President/CEO and VP of Corporate and Governmental Affairs Chris Abeel, New Jersey Chamber of Commerce President/CEO Tom Bracken, NCI Director Bray Barnes, NJCUL Chair and XCEL FCU President/CEO Linda McFadden, digital assassination expert and author Rich Torrenzano, and New Jersey Bankers Association President/CEO John McWeeney.*

NJCUL Chair and XCEL FCU President/CEO Linda McFadden was joined by New Jersey Chamber of Commerce President/CEO Tom Bracken and New Jersey Bankers Association President/CEO John McWeeney in discussing the importance of cyber security awareness and introducing the event's speakers.

The two experts on-hand were Bray Barnes and Rich Torrenzano, who took turns at the podium to discuss threats, how to prevent them, and how to mitigate the damage caused by them.



*NJCUL Chair and XCEL FCU President/CEO Linda McFadden introduces the speakers at the Cyber & Reputation Risk Summit.*

Bray Barnes is the director of the National Cybersecurity Institute (NCI) in Washington, DC, which focuses on training, education and policy — serving governments, military, law enforcement and industry. He also serves as senior advisor to GSIS consulting, whose principals are former top officials of the Department of Homeland Security, (DHS). Barnes opened the summit with staggering statistics on cyber protection costs and the amount of intellectual property that is currently unprotected. One of the scariest realities about cyber crime nowadays, according to Barnes, is the fact that “you don't have to be a software

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engineer anymore to hack into a system; there is software out there.”

He categorized threats as unstructured (automated, not funded, targeting opportunities, not specific people or information) and structured (organized crime and/or hackers, funded, targeted). He touched on social networking vulnerabilities—pointing out that Facebook can be very easily hacked—and the dangers of blogs—revealing that 18% of companies have experienced data loss via a blog or message board in the last 12 months. These occurrences fall under what he calls “insider threat”.

“[The concept of] ‘insider threat’ is a people problem, not a technical problem,” said Barnes. More often than not, data loss is caused by an internal mistake or disgruntled employee. Data can be mistakenly (or intentionally) shared via blog or social media site, or a shared thumb drive. He stressed that companies should have a comprehensive BYOD, or “bring your own device”, policy regarding what devices (tablets, phones, thumb drives, etc.) employees can bring to the office with them and connect to the network.

Discussing the FFIEC’s Cyber Assessment Tool, Barnes stressed the importance of employee and Board awareness of cyber issues. He reviewed tools and planning guidelines, such as firewalls and encryption. When asked about ransomware, Barnes reminded the leaders in the room that for ransomware, and all other threats, redundancy and back-ups are key. He also touched on phishing and vishing that credit union members may experience.

Rich Torrenzano, the chief executive of The Torrenzano Group, a reputation and high-stakes issues management firm, delved into the reputational risks associated with social media and digital assassination. He co-authored the award-winning, bestselling book “Digital Assassination: Protecting Your Reputation, Brand, or Business Against Online Attacks” and shared with the audience some tactics he outlines in his book. To protect yourself and limit the damage caused by digital assassination, Torrenzano suggested assembling a digital response team, rehearsing and practicing the response, being flexible with time and management, and setting policies.

He shook the audience with some realities of protecting yourself against cyber attacks and identity theft, such as the need for effective passwords to be between 20 and 24 characters long and managing your online reputation on social media. Clear your browsing history and don’t use public wifi, Torrenzano warned. Don’t make it any easier for these hackers than it already is.

Reinforcing Barnes’ statement on the concept of “insider threat”, Torrenzano said, “the underlying problem isn’t technology, it’s human malice.” To protect yourself and your company, invest in awareness training for all employees and keep your c-suite employees and board involved in your plan. Drilling down to action steps, he suggested managed service tools, such as firewalls, antivirus software, encryption, etc.; establishing an incident response plan; whitelisting Web sites; and developing relationships with the appropriate law enforcement agencies and vendors.

*Digital assassination expert and author Rich Torrenzano shares steps to take to protect yourself and your business.*

“Every day is a digital battle,” Torrenzano warned. Be prepared.

The speakers’ support materials, which include practical tips on protecting against a cyber or reputational attack, and what to do in the event of an attack, are available to New Jersey Credit Union League member credit unions [here](#). This aspect of the NJCUL Web site is password protected and requires a login. To create an account, visit [www.njcul.org/Secure/Register.aspx](http://www.njcul.org/Secure/Register.aspx).

The summit was sponsored by VISA, MasterCard, CUNA Mutual Group, and P&G Associates.



*Barnes opens the summit with a look at various cyber vulnerabilities.*



# The Story of Two Successful Collaboration Groups

## NJ DNA (New Jersey Director and Volunteer Alliance Network) Update

If you have not experienced this diverse group, you don't know what you are missing! This tight group of directors and volunteers meets four times a year to discuss current challenges facing the industry and their credit unions.

Now in its sixth year, this collaboration group's meeting format continues to evolve to meet the needs of its members.

The last group meeting was held on February 16th at the League office hosted by Lakehurst Naval FCU. This was a self-facilitated meeting with IT Responsibility and Vendor Due Diligence as the discussion topics.

NJCUL Interim CEO and VP of Corporate and Governmental Affairs Chris Abeel introduced himself to the attendees and discussed the political landscape. He encouraged attendees to visit CUNA's Grassroots Action Center often to reach out to Congress to show support for credit union issues.

The process is automated and is easily accessible from the League Web site ([Call to Action - Write Your Lawmakers](#)) and you can also find an abundance of information on the Government Affairs tab: <http://www.njcul.org/government-affairs.aspx>.

The first topic of the meeting, IT Responsibility, addressed the questions boards should ask and the knowledge needed in this area. It was unanimous that the board does not need IT knowledge, but needs to ensure that the credit union has internal staff or a competent third party relationship. The attendees shared the resource(s) used at their credit unions and also stated that much of the IT protection is provided by their core processor.

This discussion naturally flowed into the second topic, Vendor Due Diligence, where the discussion centered around how boards oversee what is in the contract, acquire knowledge of vendor responsibility, etc. It was stated that staff does 99% (or more) of this function. Each credit union has a policy that outlines the appropriate questions to ask. Many of the credit unions in attendance maintain a spreadsheet that lists all vendors, the expiration date of the contract, money spent, and how long it would take to replace the vendor. The group shared the documentation they maintain for the examiners and any other specific actions performed by their shops.

The date for the next NJ DNA meeting is May 11, 2016 and will be held at Credit Union of New Jersey in Ewing. The discussion topics will be Connecting with the Younger Generation and Succession Planning for your CEO and/or Executive Team. We hope to see you there! To sign-up, simply send an e-mail to Mary Zelinsky at [mzelinsky@njcul.org](mailto:mzelinsky@njcul.org) and your credit union will be invoiced.



## NJCUL Announces Small Credit Union Collaboration Group

Now in its second full year, the New Jersey Credit Union League is happy to share the success of a new networking group simply called the Small Credit Union Collaboration Group. This group was formed in the fall of 2014 after visits to two small credit unions unveiled the need for leaders of smaller shops to have a venue to network and share ideas and challenges. Often leaders of these organizations are engrossed in the day-to-day, which is a huge obstacle for most leaders to share and collaborate. This group addresses that need; it meets at the League office three times a year for an open dialogue of successes and challenges. But the real value of the group happens throughout the year as members call upon each other as needed.

To find out more about this networking group, email Barbara Agin at [bagin@njcul.org](mailto:bagin@njcul.org).



# As Cordray Responds to Schiff/Stivers Letter, CUNA Stresses Need for Further Reg. Relief

## CFPB has Important Opportunity to Afford Relief, CUNA Says

WASHINGTON – Consumer Financial Protection Bureau (CFPB) Director Richard Cordray [responded](#) to the 329 legislators, which includes five from New Jersey, who wrote him calling for the bureau to use its exemption authority to achieve regulatory relief for credit unions. The letter from Congress, led by efforts from CUNA, state leagues, and credit unions, called on the bureau to protect credit unions from regulatory burden stemming from overbroad rulemakings that detrimentally impact credit unions and community banks. While Cordray's [letter](#) outlines some steps the bureau has taken to tailor its regulations, the Credit Union National Association (CUNA) is calling for more substantive relief.

"We are glad to see the director responded to the concerns voiced by Congress, and appreciate some of steps the CFPB has taken in the right direction to provide relief—such as making the changes prompted by the HELP Act, which broaden the relief for small creditors offering mortgages in rural and underserved areas. Nevertheless, the thousands of pages of new regulations from CFPB are a continuing burden on credit union operations and the outlined relief in the letter has had a minimal impact on this as a whole," said Ryan Donovan, CUNA's chief advocacy officer. "The bureau has an important opportunity to provide more significant relief to credit unions during upcoming rulemakings on payday lending, debt collection and overdraft protection, and to make changes where needed in rules that have been finalized.

"We appreciate the leadership of Reps. Adam Schiff (D-Calif.) and Steve Stivers (R-Ohio), and the members who wrote to the CFPB, and we appreciate that Director Cordray responded to the inquiry," Donovan added.

The 329 members, including New Jersey Reps. Scott Garrett (R-5), Leonard Lance (R-7), Frank LoBiondo (R-2), Donald Norcross (D-1), and Bill Pascrell Jr. (D-9), wrote to the bureau expressing similar concerns that CUNA has with burdensome regulations: that they have the opposite of their intended effect and can harm consumers by forcing small financial institutions to withdraw products and services from the market.

CUNA has pushed the bureau a number of times to use its exemption authority, granted by Congress in section 1022 of the Dodd-Frank Act, to provide credit unions and other small financial institutions significant regulatory relief so they can continue to serve the communities they're closest to.

Many members of Congress on both sides of the aisle and in both chambers agree with this. Most recently, Sen. Tim Scott (R-S.C.) pressed Cordray on the exemption authority during a recent Senate Banking Committee hearing.

Visit CUNA's [Grassroots Action Center](#) to voice your opinion to Congress on this and other credit union issues.



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# The 5 Keys to Social Media as a Brand Builder

By: Amanda Ray

Social media is connecting brands to their customers, potential customers, and communities for many strong brands today. And its influence is only going to grow. Many credit unions are running successful, energetic, creative social media programs, and the best of these tend to follow five key principles:

## 1. Align Your Social Media and Marketing Strategies

Like any other marketing or communications function, social media should align with your broad business goals. It should also have its own core objectives. A manager with strategic planning experience and social media know-how can bring this to life with buy-in from your board and management team.

## 2. Budget for Success

Invest, not only in the talent you hire, but also the tools they'll use for research, analysis, and posting content. Also, earmark budget for paid media—especially if you care about connecting with potential new members.

Promoted Facebook posts, for example, can generate visibility among specific (geo-targeted) audiences you might not otherwise be able to engage.

## 3. Understand Your Target Audiences

Before spending paid media dollars or investing time in creating social content, your team needs to understand—on some level—what makes your social communities tick. What do they care about that's relevant to who you are and what you do as a business and a brand?

To find this, you can commission primary audience research or tap secondary research. General audience insights are a Google search away, and industry sources like the Filene Research Institute offer valuable research that can help.

Your social team can leverage social insights to better understand these communities and ensure your posts are hitting the mark. For example, Twitter Analytics, Facebook Insights and LinkedIn share audience demographics and geographic details are tools your team can use along with performance metrics on engagement and visibility.

## 4. Build Trust With Relevant, Engaging Information

Strategy, research and audience awareness are critical. So is understanding that your presence and actions in social channels are as a community member. This is where the art and science of social media blend.

To grow your social audiences, engagement, and the positive outcomes you want as a business, it boils down to trust.

That means blending your content mix with a focus on your community as much or more than your bottom line. It also means sharing others' content more often than your own and keeping your self-promotional content in check.

The Content Marketing Institute recommends that you devote the largest share of your content mix to educating and informing people. With the next largest share of content, try starting a conversation about something important to your members and your community. Then use a smaller amount of content to inspire and entertain people.

## 5. Inspire Loyalty

Showing that you're in tune with current and potential members' interests and life challenges is one of the best ways to build community loyalty. Show you care about the challenges and realities they face, and share information, tips, and opportunities that can make a difference.

Once that's established, you'll find a more receptive audience to the products/services and programs you offer that prove you are doing what it takes to improve peoples' financial futures.

*Amanda Ray is the Social Media Manager for CUNA Mutual Group. You can reach her via email at [Amanda.Ray@cunamutual.com](mailto:Amanda.Ray@cunamutual.com).*



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the conversation.**

# NCUA Office of Consumer Protection Report: Understanding the Protections for Service Members and Their Families

A regulation issued by the Department of Defense (DoD) implementing the Military Lending Act (MLA) provides consumer credit protections for members of the military and their dependents. In 2015, DoD amended the regulation to extend the protections of the Military Lending Act to a broader range of closed-end and open-end credit products. Previously, the regulations only governed payday loans, vehicle title loans, and tax-refund anticipation loans. The revised rules apply to most consumer credit subject to the Truth in Lending Act and its implementing regulation, Regulation Z. They cover installment loans and small-dollar loans, including payday alternative loans federal credit unions make under NCUA's regulations and overdraft lines of credit with finance charges.

The revised regulation was effective Oct. 1, 2015, but compliance becomes mandatory on Oct. 3, 2016. In addition, beginning Oct. 3, 2017, credit unions will need to comply with the required provisions covering credit card accounts. Credit excluded from coverage includes:

- Residential mortgage transactions (credit secured by an interest in a dwelling);
- Transactions to finance the purchase of a motor vehicle or personal property secured by the purchased vehicle or property; and
- Transactions exempt for the purposes of Regulation Z—other than a transaction exempt under 12 CFR 1026.29, which addresses state-specific exemptions—or otherwise not subject to the disclosure requirements under Regulation Z.

Although the amendments slightly alter the categories of consumers covered, the regulation still protects active-duty service members and their dependents. Just like before, it applies to transactions entered into while the service member is on active duty. The regulation permits your credit union to use its own method of determining whether a member is a covered borrower. In addition, the revisions provide a new safe harbor when you use one of two methods to determine whether an applicant is a covered borrower:

- Checking the applicant's status using DoD's Defense Manpower Data Center database, which can be done at no charge; or
- Verifying the status of a consumer using information contained in a consumer report from a nationwide credit reporting agency.

The 36% cap on the military annual percentage rate, or MAPR, remains. MAPR captures application fees and most participation fees, even though they are excluded from the calculation of annual percentage rate under Regulation Z. However, federal credit unions can exclude from the MAPR one application fee during a rolling 12-month period for payday alternative loans made in compliance with NCUA's regulation. All credit unions can exclude certain bona fide, reasonable fees related to credit card accounts.

Credit unions must also provide three disclosures to a covered borrower before or at the time the borrower becomes obligated on the transaction or establishes an account for consumer credit:

- A statement of the MAPR—the regulation contains a model statement of MAPR;
- All disclosures required by Regulation Z, in accordance with Regulation Z; and
- A clear description of the payment obligation, which can be a payment schedule for a closed-end transaction or an account-opening disclosure for open-ended credit.

In addition to providing the disclosures in writing, credit unions must orally provide the statement of MAPR and description of the payment obligation. This can be done in-person or through a toll-free telephone number provided to the borrower.

As under the previous regulation, it is unlawful for covered consumer credit contracts to require service members or their dependents to:

- Waive their right to legal recourse,
- Submit disputes to arbitration, or
- Establish an allotment to repay the obligation (except military-welfare societies and service-relief societies may establish allotments).

For additional information, review NCUA's Regulatory Alert, [16-RA-04](#), "Guidance on Regulatory Changes Affecting Military Members" for guidance on the amended regulation available at <http://go.usa.gov/cwjdv>.