

Structure of the Board

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The Board of Directors

Credit union **directors** are elected by the general membership. A person must first be a member of the credit union to run for a board position. The election may take place at the credit union's annual meeting or balloting may be accomplished electronically or by mail with the results announced at the meeting. Your credit union's **bylaws** specify the **terms** of office and the election procedures.

The average credit union board has seven members, according to a survey by *Credit Union Director's Newsletter*. The following is true for federally chartered credit unions: The board must number at least five directors and no more than 15. The board must have an odd number of directors. The members of the board all serve the same length of term. This can be either two years or three years. Terms are usually staggered so that about an equal number of directors are elected each year. If a vacancy occurs between elections, the board appoints someone to fill the position until the next regular election.

Dual Role

Now that you've been elected to the **board of directors**, you have two roles at the credit union—director and member. It's important to keep the two roles separate and to understand the distinct differences.

Role as a Director

During board meetings, you share in the responsibility for the credit union's future. You contribute to setting policies, approving budgets and all the other board functions that help guide the credit union.

In board deliberations, you must put on your director's hat. You are expected to make decisions that are good for the credit union and for the members as a whole, regardless of how those decisions affect your personal situation. For example, your savings in the credit union or your plans to take out a loan should not affect your judgment about rates.

You also wear your official hat when the board grants you authority to work on its behalf. For example, the board could give you authority to disburse funds, invest funds, or sign contracts. In doing this, you are acting as an agent of the board, not as a member of the credit union.

Your power as a director is restricted to those two situations: taking part in board meetings and acting on the board's behalf as its authorized agent. In all other situations, you have no special power or authority in the credit union.

Role as a Member

When you conduct personal business as a credit union member, you have the same power as any other member, no more and no less. You are

not entitled to better service or better rates than other members. Never apply pressure on staff to give you special favors. If you are dissatisfied with a product or service level, work for change through the board, which has the authority to make changes on behalf of all members.

The Federal Credit Union Act requires the board to meet at least once a month at a time and place agreed on by the directors.

The Monthly Meeting

The Federal Credit Union Act requires the board to meet at least once a month at a time and place agreed on by the directors. A meeting may be held by conference call or videoconferencing if it is inconvenient to assemble at one place. However, at least one meeting per year must be conducted in person. The board chair, or in the chair's absence, the vice-chair, may call a special meeting of the board at any time and must do so at the request of a majority of directors.

Board Appointments

The board appoints the members of the **supervisory committee**. When vacancies arise on the **credit committee** or supervisory committee, they are filled by a vote of the majority of the directors then holding office. (This applies to federal credit unions.)

The Executive Officers

The executive officers are the leaders of the board of directors. The officers may serve as an executive committee to deal with issues between board meetings. Most boards have a chair, a vice-chair, a secretary, and a treasurer. The credit union bylaws spell out in

detail the duties of the executive officers. See figure 1.1 for a summary of these duties. While different titles may be used, the general responsibilities are as follows.

Chair

The chair (sometimes known as the board president) presides at all meetings of the board and at all meetings of the credit union's members. Other general functions of the chair are to maintain an effective board, to serve as liaison between the board and the management of the credit union, to make sure meetings are productive and all directors are heard, and to serve as a spokesperson of the credit union. The board may designate additional duties to the chair as long as these duties fit within the boundaries of the Federal Credit Union Act.

Vice-Chair

The vice-chair exercises all the duties of the chair in his or her absence or when he or she is unable to perform them. There may be more than one vice-chair, in which case ranks may be attached to the title.

Treasurer

In a small credit union, the board treasurer may serve as **manager** of the credit union and receive a salary for this work. In a federally chartered credit union, the treasurer/manager's duties include:

- having custody of all funds, securities, valuable papers, and other assets of the credit union;

- providing and maintaining full and complete records of the assets and liabilities of the credit union in accordance with federal laws and regulations;
- preparing and submitting to the board a monthly statement of the credit union's financial condition, and also posting it in a conspicuous place in the credit union's office;
- ensuring that financial and other reports required by the National Credit Union Administration are prepared and sent;
- hiring and discharging credit union employees.

In most credit unions, however, the board hires a separate manager to carry out these duties under the direction of the board or the board treasurer. Managers typically have the title of credit union **president** or president and chief executive officer.

Secretary

The secretary prepares and maintains complete records of all meetings of the members and the board. **Minutes** should be prepared within seven

days after each meeting. (The supervisory committee should receive a complete copy of all the board minutes.)

The secretary also prepares meeting notices and performs other duties as notified. A staff person may be appointed as recording secretary of a meeting. In this case, the staff person prepares the minutes and the board secretary approves and co-signs the documents (along with the recording secretary) before distributing them.

As owners, members have the right to know about the condition of their credit union. A federal credit union member has the right to inspect the credit union's books and records, including the board of directors' minutes. The inspection must be made in good faith and for a proper purpose, such as trying to determine the financial condition of the credit union or the manner in which the credit union's business is conducted. The inspection cannot be to satisfy mere curiosity or for vexatious purpose.

Before making minutes and records available, the credit union must delete any confidential material that identifies the transactions of, or personal information about, other members.

Profile of a Director

What qualifies a person as a competent credit union director? Candidates for the board of directors must be credit union members. In addition, they should be committed to the success of their credit union and interested in credit union affairs.

At least four other factors clearly contribute to the director's perfor-



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mance: background or experience, technical knowledge and ability, forward thinking, and enthusiastic support.

1. Background

The first refers to board candidates' general experience and education. Have they worked previously with credit unions? What experience have they had in other businesses, cooperatives, or financial institutions? Are they familiar with the credit union's memberships, and do they understand the members' particular service needs? These are the types of questions to ask about a potential director's background.

2. Technical Knowledge

Technical expertise is another consideration. Do candidates have training in financial services delivery? Are they familiar with the overall economic climate? Are they serving as directors on other boards? Do they understand basic business procedures and financial statements? Persons with skills and talent in management, human resource management, marketing, legal affairs, planning, data processing, and budgeting may be chosen to create a well-rounded board.

3. Forward Thinking

The purpose of the board is to lead the credit union forward, responding to future needs. Look for candidates who are forward thinkers. Do candidates welcome new ideas, seek innovative approaches, accept change, and question status quo? Are there

examples of forward thinking in their job performance or other areas of their lives? People who consistently cling to the past and defend or yearn for the way it used to be will hamper the credit union's growth and responsiveness to the membership.

4. Enthusiastic Support

Are the candidates active members of the credit union? Do they use all the services? Are they enthusiastic about the credit union's philosophy and purpose? Are they excited about serving on the board and serving the members? These are questions to consider because directors are role models to the membership. If elected officials are not enthusiastic supporters and users of the credit union, how can they expect others to use it?

Community Involvement

Other important attributes of the director are not easily measurable. One characteristic is image. This is a subjective measure of a person's standing in the community. He or she may be active in service clubs, church or school groups, or other local activities. By accepting speaking engagements and other invitations to participate, the director becomes a leader in the community.

Another attribute is contact. One measure of a director's involvement with the credit union is his or her contact with members. Also, is the person in contact with other credit unions? This can benefit both the individual and the board. Contact with credit union leaders through leagues, national

Figure 1.1**Duties of the Executive Officers****CHAIR BOARD OF DIRECTORS****Primary Function**

To act as the chief elected official of the credit union. Preside at all meetings of the board and meetings of the members.

Specific Duties

1. Lead all meetings of the board and meetings of the members.
2. Assign directors to board committees. Initiate the formation of executive committees not required by law.
3. Countersign notes, checks, drafts, and other orders for disbursements of funds in smaller credit unions.

Source: Credit Union Magazine

VICE-CHAIR BOARD OF DIRECTORS**Primary Function**

To exercise all duties of the elected chair when the chair is unable to perform them. (If there is more than one vice-chair, rank should be attached to each title—first vice-chair, and so on.)

Specific Duties

1. Exercise the duties of the elected chair when that person is unable to perform them.

Source: Credit Union Magazine

TREASURER/FINANCIAL OFFICER BOARD OF DIRECTORS**Primary Function**

To act as the chief financial officer of the credit union. Manage the credit union if the board has not hired a full-time chief executive officer.

Specific Duties

1. Have custody of credit union assets; sign notes, drafts, and orders for disbursement of credit union funds; maintain records of the assets and liabilities of the credit union; prepare monthly financial statements, and post them.
2. Prepare and forward to regulatory agencies any required reports.
3. Perform the duties of the chief executive officer if the board has not hired one from outside the board.

Source: Credit Union Magazine

SECRETARY BOARD OF DIRECTORS**Primary Function**

To oversee the preparation, maintenance, and completion of records of all meetings of the members and of the board.

Specific Duties

1. Prepare and maintain full and complete records of all meetings of members and of the board within seven days of each meeting.
2. Send full and complete copies of all board meetings to the supervisory committee.
3. Prepare and send out notices of meetings to be held.
4. Perform other duties as noted.

Source: Credit Union Magazine

service organizations, and professional societies is invaluable.

Taken together, these are some of the qualities of an effective, energetic volunteer director. Overall, the traits

that individuals possess must blend well with those of the other directors to ensure teamwork and constructive discussions.

However, teamwork does not

Figure 1.2**Seven Tips
for Director
Recruitment**

Credit unions with effective board members recruit volunteers with the same care and attention they devote to hiring staff. Here are some of the best practices they use:

1. Keep a list of potential board members.
2. Identify prospects: credit union committee members, people who serve on boards of community organizations, neighborhood associations, cooperatives, local government or other groups.
3. Take prospects out for coffee, lunch, or dinner.
4. Offer a tour of the credit union.
5. Make a firm invitation, with a response date.
6. Submit the invitation in writing, along with the benefits and responsibilities of the position.
7. If your prospect turns you down, ask for a referral to others s/he would recommend.

require everyone to think alike. It is important for directors to have a range of backgrounds and viewpoints, and to be prepared to vigorously express their opinions. As long as directors are civil and respect each other as people, diversity and honest discussion are likely to produce better decisions than bland uniformity.

In addition, the board should adequately reflect the diversity of the credit union's membership. Surveys show that female, minority, and younger members are often underrepresented on credit union boards. Volunteer recruiting efforts should reach out to

those groups. Figure 1.2 offers tips for board recruitment.

Director Training

Volunteers who serve on the board must be just as professional as directors in other areas of business and industry. This is particularly true since the financial crisis in 2008. In 2011, the NCUA issued Regulation 701.4 that clarified and standardized the duties of directors of federally chartered credit unions. Among its provisions is a financial literacy requirement, which specifies that directors must have at least a working familiarity with basic finance and accounting practices, including the ability to read and understand the credit union's balance sheet and income statement and to ask "appropriate, substantive questions" of management and the credit union's auditors. Directors who fail to fulfill their responsibilities may be legally liable.

As credit unions grow in size and



complexity, and the legal and financial responsibilities of directors increase, continuing education is essential for all directors.

Many boards require director involvement in training programs—chapter, league and CUNA sponsored seminars, schools, and certification programs.

We expect other professionals—doctors, accountants, surgeons, tax consultants—to stay current and develop new skills. Credit union members expect the same from directors who are protecting members' investments.

Board Development

Credit union boards are responsible for their own development and viability, and should have programs that supplement professional educational efforts. These may include the following:

1. Provide an information packet and orientation for newly elected board members (and committee members). An informational session conducted by the credit union chair and management should cover credit union policies, bylaws, history, and financial services, as well as board duties and expectations. Every newly elected director deserves an orientation to contribute effectively on the board.
2. At board meetings, update directors on regulatory changes and economic trends.
3. Schedule dates for individual directors to spend a day in the

credit union offices to observe the various job functions, and to become more acquainted with the overall operation in general.

4. Develop a resource library with financial textbooks, national credit union publications, and other publications relating to the financial industries.
5. Schedule several meetings a year to enable directors and members to exchange views on policies, programs, and any possible problems or misunderstanding.
6. Limit the terms on the board to assure turnover.
7. Stagger terms to control turnover and thus guarantee at least a minimal level of experience. The board and committees should always have at least some members with experience at any given time.

Removal from the Board

While all credit unions hope they will never have to remove a director from office, and in fact this is uncommon, it is sometimes necessary. In a federal credit union, a director may be removed from office in one of three ways.

1. A majority vote of the credit union members present at a special meeting called for that purpose may cause a director's removal. The director must first have an opportunity to speak in his or her defense.
2. If a director fails to attend regular meetings of the board for three

consecutive months, or otherwise fails to perform his or her duties, that office may be declared vacant by the board. A new board member is appointed to fill that position. Your policy manual should include a statement about this issue.

3. By unanimous vote, the supervisory committee may suspend any director until the next meeting of the directors. Such a suspension must be upheld by a vote of the members in a special meeting held seven to fourteen days after the suspension.