

# Inside EasCorp



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Congratulations to our member  
**LA DOTD Federal Credit Union**

for receiving the John Sherman Award for Excellence in Financial Education presented by the Treasury's Office of Financial Education (OFE).

## Three Directors re-elected to EasCorp's Board

More than 200 credit union representatives and guests met at the JFK Presidential Library and Museum in Boston on April 26 for EasCorp's Partnership Conference and 29th Annual Meeting. Among the many highlights of the business meeting was the Board of Directors election in which David Sprague, President/CEO, Hanscom Federal Credit Union, Bedford, Mass; Charles Bowles, CEO, GFA Federal Credit Union, Gardner, Mass.; and Joseph Bean, CEO, Hingham Federal Credit Union, Hingham, Mass. were each re-elected for a three-year term.

At the Board's reorganization meeting, the following table officers were elected: Chairman, Carlo Cestra, President/CEO, Digital Federal Credit Union, Marlborough, Mass.; Vice Chairman, Leonard Broderick, President, Tremont Credit Union, Braintree, Mass.; and Secretary, Joseph Bean.

The following individuals were appointed to EasCorp's supervisory committee: Chairman, Charles Bowles; Douglas Allman, President of NASA Federal Credit Union, Upper Marlboro, Md.; Ken Dyer, President/CEO of Telephone Workers' Credit Union, Boston, Mass.; Mary Madden, President/CEO of Hudson Valley Federal Credit Union, Poughkeepsie, N.Y.; and John Young, President/CEO of New Hampshire Federal Credit Union, Concord, N.H.

Congratulations to all newly installed officials.

## Standard & Poor's Report Available



Standard & Poor's recently completed its credit rating analysis of EasCorp. EasCorp earned a Counterparty Credit rating of A-1+ as a result of strong asset liquidity, secure funding sources and extremely low credit risk. This is the highest rating awarded by the Agency.

The report is available on our web site at [www.eascorp.org](http://www.eascorp.org).



## The Dow Jones Industrial Average

As the Dow nears new record highs on a seemingly daily basis, we felt a closer look at the composition of the index may be an interesting exercise. Admittedly, we are taking the viewpoint of observers rather than experts, as our expertise lies in the fixed income arena. In any case, our review will be from the standpoint of how the average is constructed, rather than analyzing its performance or the choice of actual components.

The Dow Jones Industrial Average, published for the first time on May 26, 1896 as an index consisting of 12 industrial stocks, is now arguably the most closely watched, and most recognizable, of all equity indexes. While Dow performance is continuously quoted throughout the news media, a major question needs to be addressed: How well do we understand the most well known measure of equity market performance?

### DJIA Composition

The DJIA is a “price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.” (Bloomberg, 4/23/07) The key phrase in the preceding line, “price-weighted,” provides us with valuable insight into the composition of the average. There are a number of ways that an index can be assembled, including a few of the most common:

- Unweighted, which produces a pure average of the companies, regardless of each one’s relative size
- Weighted by market capitalization (S&P 500 Index)
- Weighted by share price (DJIA)

Each method has its relative strengths and weaknesses. The unweighted average works under the adage of “one member, one vote,” as each company represents an equal share of the index. In the case of the Dow, under this scenario, each of the 30 companies would comprise 3.33% of the index. This method works best when the participants are of roughly equivalent sizes. An index weighted by market capitalization corrects for potential errors caused by size differentials, but is easily biased toward the largest companies. The S&P 500 Index, one of the most well known of this type, is driven by the largest of the 500 stocks. Exxon Mobil, the largest firm by market cap in the S&P 500, comprises 3.41% of the index, while the top 10 firms comprise 19%, leaving the ‘bottom’ 490 companies with an aggregate total of 81%. A price weighted index, such as the DJIA, uses the share price to dictate the relative weight of the participants. While this method attempts to address concerns about the size of each firm, a weighting based on share price alone is not necessarily indicative of true value. One of the main concerns with this method is the impact of stock splits; when a company splits its stock 2:1, the relative weighting for that stock will fall in half, even though the market value of the firm remains unchanged. For this reason, price weighted indexes display a downward bias, as they “punish” the index by lowering the weighting of companies that split their stock in response to rapid price appreciation. The following are a few of the more glaring examples of bias in the Dow (as of late April):

- Boeing, because of its recent price of \$93 (second highest in the DJIA), comprised 5.87% of the Dow while GE, with a price of \$35, comprised only 2.2% of the average, even though GE has a market value five times that of Boeing.
- Microsoft, the 3<sup>rd</sup> most valuable company by market value, comprises only 1.8% of the average (3<sup>rd</sup> lowest ranking) due to its price of \$28.

### Does this really matter?

As a market observer, what does all of this information mean, and how should it change the way we evaluate market movements? Even though the relative weightings of the Dow 30 companies seem a bit arbitrary, the average does provide a quick and widely understood snapshot of stock market performance. In addition, while some of the stocks in the Dow are “smaller” than others, they remain some of the largest firms in the U.S., and continue to be a solid representative sample of the overall stock market.



**I'm proud to be a part of a credit union that has withstood the test of time and weathered many storms. My time with Pioneer Valley Federal Credit Union started 22 years ago. I started my journey at the Credit Union as a teller and then moved to the lending department. Over time I became the Operations Manager, which helped me advance to my present role. Since 1998 I have had the pleasure of being the President/CEO of a Credit Union which is truly "Dedicated to Delivering".**

Pioneer Valley Federal Credit Union, was chartered on April 27, 1923 in Springfield, Massachusetts during a very tumultuous economic time in American history. It was formed by ten postal workers who wanted to "promote thrift among its members and to make loans to its members for provident purposes." I believe that the growing economic instability of those days were a major factor in the establishment of our credit union. The financial condition of our country between 1921 and 1949 was devastating. The Stock Market Crash of 1929 coupled with the Great Depression of later years led to the collapse of many Massachusetts' industries. During those years there was a severe rise in unemployment, banks and businesses closed their doors, and a rapid decline in the production of goods and services.

**The economy of the Pioneer Valley was not exempt from the harsh economic factors of those days but has persevered and has managed to maintain its commercial and industrial economic strength of earlier years.** In the surrounding communities of the Greater Springfield area, Chicopee was the city well served for transportation with two airports and a strong industrial base which manufactured sporting goods, textiles, beverages, paper, office supplies and the eastern edition of the Wall Street Journal. Located by the Connecticut River, the City of Holyoke had more than 25 paper mills in operation and was known in the industry for producing the greatest tonnage of paper. Although only one company continues to produce paper today, the dams, canals and commercial architecture still

remain intact. The reuse of those buildings has proved to be economically feasible. In Springfield, commercial trade was the main business of the city from its earliest history, beginning with fur trading with the Indians. This trading led to increased population making it the largest community in western Massachusetts which led to the establishment of a saw mill. This attracted skilled workers from all over the country. The Armory was instrumental in the growth of Springfield and became a center of inventions and development. According to historians the Civil War brought "intense and concentrated prosperity" to the city. The city produced ammunition, uniforms, firearms and swords and employment at the armory leaped from 200 to 2,600. With this major influx of people, it was imperative that the postal workers keep the lines of communications open by ensuring that the mail was distributed on a daily basis in a timely manner. As a result of this growth, postal workers multiplied in a short period of time.

**With the help of the Commonwealth of Massachusetts, Pioneer Valley FCU was established and is the second oldest postal credit union in America.** The original name of the credit union was Springfield Mass. Post Office Employees Credit Union. At that time the membership was available only to postal workers and government employees. In the early years of Pioneer Valley FCU, we made great strides by moving to the Bulk Mail Center of Springfield. As a result of the move we experienced a vast amount of growth. This enabled us to better accommodate the needs of our members. As membership continued to increase, we relocated to our current location on Brookdale Drive.

Much credit is due to my predecessor Edward Minor, for his prominent role in the growth of Pioneer Valley FCU. Under his leadership and guidance from board members such as Anthony Vedovelli (former chair), Kathy Fratamico (current chair), Richard Borden, and Ignatius Collura, the credit union experienced substantial growth. After the credit union moved to the Bulk Mail Center/General Mail Facility in Springfield, the organization's assets grew from \$2 million to \$22 million. As a result, the credit union increased name

Continued on page four

recognition and increased accessibility for its members. The marketing strategy was successful, and members now have easy access to account information, money management and other products and services offered by the credit union.

Currently, we service postal workers in Western Massachusetts, federal employees who work in Springfield; and immediate families of those groups; employees of the credit union; postal retirees who work or have worked in various towns and counties in Massachusetts; and organizations of such persons. While serving the postal worker and government employees of the Greater Springfield area for the past 84 years, Pioneer Valley FCU has been consistent with current trends and technology in order to create new and innovative products, services, and concepts specifically designed to assist their members in a fast-paced society. We strive to add new products and services and will continue to provide them with fast, easy and convenient service.

**Resilience, strong leadership, reliability, community awareness, products and services are a few of the factors that account for our longevity.** During my tenure as CEO, Pioneer Valley FCU has grown \$10 million more in assets. I believe that in the months and years to come our growth will continue as we provide those products and services that will enable our members to live better lives and support their families.

**I am honored to be part of a movement that has withstood the test of time. I'm privileged to be an Executive Board member of the Pioneer Valley Chapter of the Massachusetts Credit Union League. The Chapter is the first and oldest in the United States. I value the true commitment and dedication of my fellow board members who are the embodiment of the true cooperative which represent the spirit of the movement. I will continue to follow in the footsteps of the founding leaders and their commitment to provide quality and reliable services to our membership. We are still going strong and will continue to do so for future generations.**

*This is the fourth in a series of stories featuring milestones in Massachusetts Credit Union history.*

## EASCORP'S ONLINE RESOURCES



### Quick tip: Warehoused Transactions

Wondering how you can look up 'pending' entries that have not yet posted to your account? Check your **Warehoused Transactions** via Ease-Link by following these simple steps:

1. From the (default) Ease-Link Account Inquiry menu, select the type(s) of accounts you wish to view and click on **Submit** (note: the account types selected should be either *shares* or *all*).
2. Click on the Account Number link next to the Overnight Share Account (S010-xxxx).
3. Select the **Warehoused Transactions** button at the bottom of the Account Details screen.
4. Any pending entries will be listed on this screen by Effective Date.



**EasCorp's annual report and 2007 first quarter report are available**

EasCorp's annual report and 2007 first quarter financial reports are available online.

Please visit our web site to view or print the these reports.

The annual report:

[www.eascorp.org/files/pdf/annual\\_report.pdf](http://www.eascorp.org/files/pdf/annual_report.pdf)

The quarterly report: [www.eascorp.org/files/pdf/qfs\\_q1.pdf](http://www.eascorp.org/files/pdf/qfs_q1.pdf)



## Avoiding common estate planning pitfalls



Your estate plan will greatly affect your family's financial future. It is therefore important to avoid common planning missteps that may block or hamper the achievement of your goals.

### Picking the Wrong Manager

Every estate needs an executor and every trust needs a trustee to manage its assets until they are finally distributed to the beneficiaries. The executor's or trustee's responsibilities are important and potentially time consuming. Are you sure that a family member or friend will be able to handle all the demands of being your executor or trustee? Naming an individual for these important roles without first obtaining that person's permission is risky. Also, an individual who does agree to serve may ultimately be unwilling or unable to do so. Your family's finances could be disrupted during an already stressful period. One way to minimize such potential disruption is to name either alternative individuals or a small "team" of co-executors or co-trustees. Another alternative is to consider naming an experienced corporate executor or trustee, rather than an individual. These options could provide more reliable assistance for your family when it is needed.

### Ignoring Tax Exposure

Your assets may be sufficient to create a federal and/or state death-tax liability. The federal estate tax is affecting fewer estates as the exemption amount increases in stages, but the future of this tax is very uncertain. It may disappear as scheduled in 2010 and subsequently reappear in 2011, as is currently written. Ignoring your estate's federal and state tax exposure could be a very costly misstep. Remember all assets that are controlled by you such as, life insurance policies and retirement plan accounts, will be part of your estate for tax purposes. Beneficiaries may also be subject to income tax on the retirement funds received. The combination of income and estate taxes can be very costly, so your retirement plan beneficiary

designations and distribution choices require careful planning and consideration of complex tax laws.

### Missing Gifting Opportunities

Annual giving remains available as the federal estate-tax situation shifts. Annual giving may be an easy way to reduce your potential taxable estate over time. Presently, you can give up to \$12,000 annually to each of an unlimited number of recipients with no federal estate or gift-tax consequences.

### Owning Life Insurance Directly

Buying life insurance is often a good financial strategy. However, if you are the owner of a policy on your life or someone else's, the proceeds will be part of your estate, potentially increasing your estate's tax bill. To eliminate this misstep, you can create an irrevocable life insurance trust (ILIT) to own the insurance. The "irrevocable" in the trust name indicates you have permanently given up the right to personally benefit from the proceeds, or control them directly, so the policies are no longer treated as part of your estate.

### Not Updating Your Plan

Tax law is seldom stable for very long. Your health, family situation, and intentions for the distribution of your assets are unlikely to remain the same over time either. Yet, after your will, trust and other planning documents are completed, it is easy to overlook adjusting them when the law or personal circumstances change. To keep your plan current, you should conduct periodic reviews and make appropriate revisions.

1909 Financial Advisors, LLC and Members Trust recognize that many credit union members could utilize our knowledge and experience to help them avoid estate-planning missteps. If your credit union is interested in providing trust services and would like to find out more about how your members might benefit from a trust program, please call Alan Bernstein at extension 3316 or Tim Madigan at extension 3361.

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*Trust Company* | **FINANCIAL ADVISORS, LLC**  
Trust & Investment Services for Credit Union Members

## Liquidity available for member business loans

Under rules established by the National Credit Union Administration (NCUA), EasCorp recently applied to the Agency for Part V Expanded Authorities. Part V Expanded Authorities enables a corporate credit union to participate in loans with natural person credit unions. Approval was granted in April.

EasCorp's specific purpose for making this application was to help member credit unions, including users of its CUSO, Octant Business Services, with their business lending programs. Because of regulatory caps and for other business reasons, credit unions routinely "participate out" their business loans as a means of managing liquidity and credit risk. Effective immediately, EasCorp offers a new source of liquidity for credit unions.

More information will be provided in future editions of *Inside EasCorp*. In the meantime, if you have questions, please contact Alan Bernstein at extension 3316, or at [abernstein@eascorp.org](mailto:abernstein@eascorp.org).

## UPCOMING EVENTS

### **Association of Credit Union Senior Officers' Annual Meet the Regulators Meeting and State of the Industry Update**

May 24, 2007, at EasCorp, Burlington, Mass.

### **Miles for Miracles Walk Benefiting Children's Hospital Boston**

June 10, 2007

### **Credit Union Invitational Golf Tournament Benefiting Children's Hospital Boston**

July 24, 2007 at Red Tail Golf Club, Devens, Mass.

## One-stop shopping at EasCorp



EasCorp provides "one-stop shopping" for statement production services. Whether your members are interested in receiving their statements in the mail or electronically, EasCorp is the only phone call you need to make.

With eStatements, credit union members receive an e-mail notification of their statement availability within minutes after the statement file is processed by EasCorp, enabling members to retrieve and view their statements online. And for members who prefer to receive paper statements, EasCorp recently acquired two additional high-volume Pitney Bowes inserters, providing greater speed and accuracy for monthly member statement mailings.

Our statement production equipment includes a sophisticated barcode system that identifies critical information about each statement, such as how many pages it contains and which statement inserts should be included. Statement mailings are automated from beginning to end, with exceptions diverted to special tray for operator intervention. This helps us insure that the right information — and only the right information — is delivered to the right person, on time.

Credit unions, which use EasCorp's share draft (inclearing) processing services, have found that adding check image statement services is a natural extension of their share draft programs. Credit unions can choose ten or eighteen, front-only images per page. Additionally, the five images per page, front-and-back option is perfect for commercial checking accounts.

Although traditionally used to deliver the member's savings, checking, and loan account statements, the versatility of these products enables credit unions to use EasCorp's statement production services to produce other periodic statements including credit card, mortgage, and home equity statements.

At EasCorp, it is a priority to offer products that are convenient, flexible, and high quality. For more information about EasCorp's statement production services or to receive a comparison quote, please contact Eleanor Melchionda at extension 3323.

## Runners braved the weather for a great cause at the 111th Boston Marathon

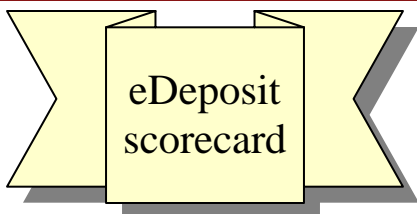


On Monday, April 16, ten credit union representatives took part in the 2007 Boston Marathon as part of the *Credit Unions of Massachusetts Kids at Heart* program. They ran on behalf of their Children's Hospital Boston patient-partners and raised \$100,000 for the program. With high winds and rain pounding the runners, the aftermath of a nor'easter, they faced their own challenges to finish the race. Officials at the Boston Athletic Association had contemplated cancelling the race, which since 1897, had run on the scheduled day. A reporter best described the weather conditions when he stated, "once the rain abated, the easterly wind picked up, making runners feel as if they were jogging on a treadmill inside the MIT wind tunnel."

This was the eighth consecutive year in which the *Credit Unions of Massachusetts Kids at Heart* program sponsored a team, to run this exhaustive 26-mile route. There were several veteran runners and some first timers as well. The veteran runners included: Ray Phillips from Hanscom FCU of Bedford, Mass., Austin Braithwait from U.S. Central Credit Union of Lenexa, KS, Mike Hobin from Quincy Credit Union of Quincy, Mass., and Kris Biagiotti sponsored by Tremont Credit Union of Braintree, Mass. First time entrants were April Slattery from US Alliance FCU of Waltham, Mass, Kaitlyn Callery from M/A-COM FCU of Lowell, Mass., Nick Lioce, sponsored by Money One FCU of Largo, MD, Joan Strodel, sponsored by Jeanne D'Arc Credit Union of Lowell, Mass., Scott Auen, sponsored by DCU of Marlborough, Mass., and Stephen Hughes, sponsored by Holy Rosary Regional Credit Union of Rochester, NH.

Nine runners, six patient partners, and their families joined us at EasCorp's 29th Annual Meeting and Partnership Conference for a special ceremony where the Boston Marathon's Race Director, David McGillivray gave an inspirational speech. The marathon is a challenge that Children's Hospital patient, Andy Martin looks forward to participating in as a wheel chair entrant in 2014. During this ceremony, David presented his 2007 Marathon medal to Andy, which Andy is to present back to him when he receives his own award in 2014. Runners and their patient partners received special gifts commemorating their Marathon experience.

For more information on becoming a *Credit Union of Massachusetts Kids at Heart* program sponsor, please contact Joyce Burke, extension 3324 or Eleanor Melchionda at extension 3323.



*We are pleased to report on the progress of EasCorp's eDeposit program (remote-capture).*

- 109 credit unions are currently participating
- 354 licenses distributed
- Cash letters are being received from 13 states

**EasCorp processed 3.9 million image cash letter items for the month of April.**

### Showcase your talents at the Credit Union Invitational Golf Tournament



The Credit Union Invitational Golf Tournament, sponsored by the *Credit Unions of Massachusetts Kids at Heart* program, will be held on Tuesday, July 24, 2007, at Red Tail Golf Club, Devens, Mass. The Tournament raises funds to benefit Children's Hospital Boston through a combination of player registration fees, hole sponsorships, and special event sponsorships.

Please watch for your formal invitation, which will arrive in the next few weeks. In the meantime, we hope you will put this special event on your calendar.

## New product users

*The following members started new services in April.*

### eDeposit

St. Michael's Fall River  
Federal Credit Union  
Fall River, Mass.

Saugus Federal Credit Union  
Saugus, Mass.

Touchtone Federal Credit Union  
Wilmington, Mass.

**Your business is sincerely appreciated.**

# EasCorp

What together we can do.®

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Suite 300  
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(800) 428-1144  
[www.eascorp.org](http://www.eascorp.org)

### **EasCorp Officers**

Jane Melchionda  
*President/CEO*

Alan Bernstein  
*Senior Vice President, Business Development and Strategic Planning*

Cynthia Nelson, CFA  
*Senior Vice President, Asset Liability Management*

Christopher Smith  
*Senior Vice President, CIS*

Donald Cross  
*Vice President, Finance*

Diane Johnstone-DeRosa  
*Vice President, Operations*

Kathleen Loughlin, PHR  
*Vice President, Human Resources*

Eleanor Melchionda  
*Vice President, Member Relations*

Asim Mian  
*Vice President, CIS*

Stephen O'Sullivan  
*Vice President, Risk & Compliance*

George Dow  
*Assistant Vice President, Member Relations and Product Development*

Darlene Howlett  
*Assistant Vice President, E-Commerce and Product Development*

James Newson  
*Assistant Vice President, Payment Systems Operations*

Jonathan Rankin  
*Assistant Vice President, Asset Liability Management*

Edward Wilk  
*Assistant Vice President, Member Services and Support*

### **Statement Rendering Facility**

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Woburn, MA 01801

Your savings federally insured to \$100,000.



National Credit Union Administration,  
a U.S. Government Agency



For the month of April,  
EasCorp Perpetual Paid-In  
Capital accounts paid a  
dividend rate of 6.42%.

**EasCorp**  
What together we can do.®



to the following credit unions celebrating  
special anniversaries of their founding in 2007.

New Bedford Credit Union	75 <sup>th</sup>
Houghton Mifflin Employees FCU	50 <sup>th</sup>
Fitchburg ME Federal CU	50 <sup>th</sup>
Hingham FCU	50 <sup>th</sup>
W.H. Nichols Employees FCU	50 <sup>th</sup>
Touchstone FCU	50 <sup>th</sup>
Winchester Federal CU	50 <sup>th</sup>
Service Credit Union	50 <sup>th</sup>
Arlington K of C #109 FCU	25 <sup>th</sup>