

# CONNECTED



AN ELECTRONIC REPORT FROM THE CUNA TECHNOLOGY COUNCIL

## VIRTUAL PRIVATE NETWORKING

By: Mark McGee, Network Administrator  
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A Virtual Private Network (VPN) is a method to securely transmit data utilizing a public network, typically the Internet. This article will present some current VPN scenarios and the pros and cons of using a proprietary VPN in contrast to a more traditional solution with a leased line or frame relay private network.

Virtual Private Networking can be defined as "a private data network that makes use of the public telecommunication infrastructure, maintaining privacy through the use of a tunneling protocol and various security procedures". A virtual private network can be used in several ways. It can connect two separate networks together over the Internet, it can connect a user to a network or it can connect two PCs together over the Internet. Another use for a VPN is to create a tunnel within your own network for additional security.

There are numerous ways that a VPN can be created. A number of vendors offer proprietary solutions that will only work with their own system at each end of the VPN tunnel. The proprietary solution has the advantage of the customer only having to deal with one vendor, and the vendor can

use whatever methods necessary on their own equipment to make the VPN work without having to worry about interoperability with other systems. The disadvantage is that the customer is locked into one vendor system and future expansion of the VPN would necessitate purchasing equipment from that particular vendor.

Alternatively, a VPN can be set up using IPsec compliant standards. IPsec is an acronym for Internet Protocol Security. The biggest advantage of using IPsec compliant solutions is that you can select the "best of class" vendor for whatever hardware or software you want to use and if the products are

all IPsec compliant they should inter-operate with each other. The disadvantage to this solution is that while some products may claim to be IPsec compliant, their products may not have 100% of all IPsec features.

One last consideration, the initial cost of a VPN solution is typically much more than the initial cost of a private line. The advantage of a VPN is the long-term savings you receive from not having to pay for an expensive, private point-to-point line covering a great distance. ♦



Don't forget to mark you calendars (and include in your 2000 budget) for the 5th annual CUNA Technology Council Summit, August 9 - 12, 2000 at the Colorado Springs Marriott, Colorado Springs, Colorado.

## Y2K - CHECK YOUR UPS!

Alan L. Darbe, Vice President, Information Services  
State Employees' Credit Union, Lansing, MI

It seems that Y2K will not go away. (No pun intended). All of us have tested our applications, developed our contingency plans and

are ready for the great non-event. Well, there are probably a few little items that should also be followed up on. One good example is your

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Uninterruptable Power Supply (UPS). To most of us, myself included, UPS is a box that sits in the corner and hopefully is never needed. We had verified that ours was Y2K ready.

Recently, the batteries in our UPS died and in a fraction of a second the entire data center was without power. No host, no servers, no communications equipment, no ATM's, no

warning. Everything was dark. Fortunately, we were able to recover very quickly with an outage of about 15 minutes, but it caught us by surprise.

We are now double-checking to make sure everything in the data center is verified for potential impact on the operation. We missed something, Have you? ♦

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## A TECHNOLOGY CUSO, TO BE OR NOT TO BE - PART 1.

*Alan L. Darbe, Vice President, Information Services  
State Employees Credit Union, Lansing, MI*

In this day of declining interest margins, more and more emphasis must be placed on other income sources to offset this decline. A source frequently discussed is the establishment of a CUSO to provide technology services to other credit unions. This seems to be an obvious answer to spread the cost for technology applications over more members.

The establishment of a technology CUSO is a very involved task and many issues should be resolved prior to proceeding. The CUSO business model offers a fundamental change in how information technology services are justified, obtained and provided. The accounting firm of Doeren Mayhew, Troy, MI, has researched the differences between the "profit center" and the "cost center" models. This is the first of two articles expanding on their research.

1. The very starting point is in the definition of "profit center" versus "cost center". A profit center undertakes activities, which should result in a profit to the entity. A cost center undertakes activities that may not result in any increased revenue but may, in fact, actually result in increased expenses without any potential related income. This difference implies that a cost center is freer to deliver products and services that in a profit center model might not have been pursued.

2. The entire pricing model changes in a profit model compared to the cost center model. The market determines what the price can be for a given service. Price too high and the customers go elsewhere. Price too low and there is no prof-

it. A cost center structure, on the other hand, generally views the pricing model as one affecting the budgeting process. The organization's management can choose to spend money for technology or not depending on other factors, such as members service, competition or any other factor that the for-profit might not allow.

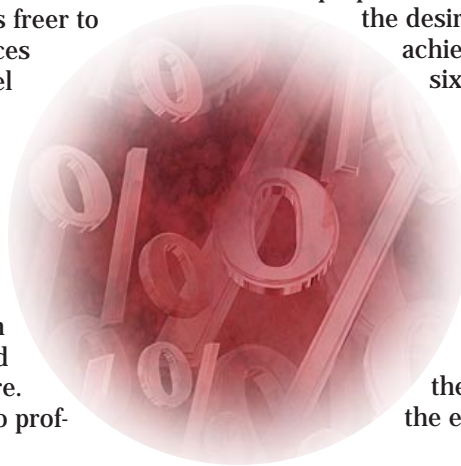
3. With a multiple customer CUSO, there is no long-term certainty in a customer relationship. In fact, the CUSO must have multiple customers in order to diminish the potential impact the loss of a single customer might have. The customer credit unions are also free to change a vendor just like the parent credit union.

Contrast the cost center model, where a single captive customer will most likely be in place for many years. The investment in staff, hardware and software are part of the ongoing credit union cost.

4. The lack of the long-term certainty requires the expenditure of resources in order to build new relationships to replace those that may be lost. Since losing a customer cannot be predicted, the CUSO must be prepared to continue to grow even when the desired size might have been achieved. (E.g. we want to serve six customers.)

The cost center has no need to develop new customer relations since their purpose is to serve a single customer. Keeping this one customer satisfied requires a different set of skills than the CUSO building a customer base.

5. The next major issue is the additional factor of satisfying the external customer over the



internal customer. The CUSO must always weigh the relative needs of all the customers. A cost center serves the needs of several departments but one customer. This means that the CUSO may have to make a decision to delay the needs of the parent credit union in

order to satisfy a “paying customer.” This is one of the most difficult aspects of the CUSO. The number of small changes a cost center operation will do compared to the ones that the profit center would not represents this factor. ♦

Profit Center Model	Cost Center Model
1. Return-on-investment oriented.	Annual budget (cost center) oriented.
2. Pricing based on risk factors, extent of capital outlays, and what the market will allow.	Internal costing for projects is viewed as primarily a budget item.
3. Multiple customer focus; no long-term certainty in any customer relationship; customer diversification is seen as a way to reduce vulnerability with regard to any one customer.	Captive customer/captive vendor; long-term relationship is a given.
4. Profit center periodically needs to go out and win new customers to replace ones that have been lost or are on verge of being lost.	In cost center model, in-house provider has no need to rally the forces to win new business, just service its internal customer.
5. Weighs decisions based upon relative scale and profitability. This influences the level of importance of one project over another.	Only focus is the internal customer. Profitability does not have to be a prime factor.

In the next issue: long term focus, staff implications, project management skills and other pertinent information.

## PARTNERING FOR SUCCESS

*Cindy Zagone, Director, Information Services  
United Airlines Employees’ Credit Union, Chicago, IL*

As we embark on this journey into the next century, United Airlines Employees’ Credit Union (UAECU) is focused on partnerships as our theme for the Year 2000 business plan.

This theme defines our commitment to strengthen and enrich member relationships. It also depicts our continued efforts to form vital business relationships that make us an efficient and high quality provider of financial services.

Our members are demanding greater flexibility in managing their financial portfolio. As we reflect on our product line and the role we play with our member, our objective is accurately characterized as being a “lifetime financial partner.” In acknowledging this commitment to our members, the partnerships we form are critical to our success.

A partnership is a collaborative business

alliance of people from interdependent groups —teams, peers, customers, suppliers—who understand each other’s needs, focus on organizational goals, challenge traditional boundaries, pool resources, provide mutual support, and share benefits. A partnership transcends teamwork because it unites a variety of work groups into a cohesive organization.<sup>1</sup>

Credit unions have traditionally depended upon established partnerships to accomplish their business objectives. However, with the integration of business and technology, credit unions have become better educated in the area of technology. Credit unions have led the way in the use of technology in lieu of adding staff in developing a much more robust business platform in offering products and services to our members.

<sup>1</sup> Source: Development Dimensions International, Inc.

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This is a time of transition for the credit union information technology (IT) group. IT finds itself in a new role, integrating partnerships as well as technology. Today, business solutions are an integration of business processes and technology. IT must be familiar with member service, marketing, operations and accounting processes. As these groups become more comfortable with technology, they are developing effective solutions to their business problems. They know exactly what they want in terms of functionality and technology. They know costs and benefits, and their expectations are higher than ever for a quality product. Solutions to the business problems of today often require multiple vendors and products. It is the role of IT to bring together multiple partners to implement a technology solution. Managing multiple partners simultaneously is now an integral part of design, development and implementation.

UAECU has worked toward this integration with the establishment of a group called the

“Power Users.” This is a cross functional team of key staff of subject matter experts representing each department as well as our main systems vendor. Established two years ago, the group has been very successful at implementing technical changes as well as changes to our business processes. The group meets once each month to review key issues and exchange ideas. This partnership with our systems vendor has enabled the team to learn where they are using the system effectively and where there may be room for improvement.

Rewards of effective partnerships are numerous and include better member service; lower costs; quicker turnaround; less rework; fewer gaps in the process; better understanding of each other’s processes; less time spent addressing problems, more time improving quality; less stress; higher morale. The benefits of partnership accrue not only to you but also to your partners and members with whom you interact.<sup>2</sup> ♦

<sup>2</sup> Source: Development Dimensions International, Inc.

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## MEMBERS ONLY UPDATE

**In a continued effort to enhance** our bimonthly newsletter, *Connected*, we would like to provide more original articles about real-life technology issues credit unions are facing. The best place to get this type of information is from you, our members. Give yourself a few minutes and find out how creative you are. It doesn’t take long to write something that you have ownership in and was successful for your credit union. If you can’t get the creative juices flowing, ask one of your fellow associates or one of your vendor partners. We’ll take any and all articles. Send anything you would like to see in the newsletter to Alan Darbe, State Employees’ CU at [adarbe@secu.org](mailto:adarbe@secu.org), or to Cheryl Sorenson at [csorenson@cuna.com](mailto:csorenson@cuna.com). We would love to hear from you.

**Don’t forget to return** your membership

renewal invoices that were sent to you recently. All memberships in the CUNA Technology Council expire on December 31, 1999. To ensure that your membership benefits are not interrupted, please return your information before that date. If you prefer to send in your renewal via the Web, please go to [www.cuna.org](http://www.cuna.org), click on CUNA Councils and select the CUNA Technology Council icon. The renewal information is on a secure site, so feel free to submit your information via credit card.

**As 1999 draws to a close** let us take time to reflect on all of our accomplishments this past year and look forward to what the new millennium holds. The CTC Executive Committee, along with Council Administration staff, wishes all of you a joyous holiday season. ♦



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