

# Swift Moves to Save Members' Mortgages Is One Way South Leads Novartis

By MICHELLE A. SAMAAD

The affinity that Ann South has for those small, scrappy credit unions that, despite the odds, are keeping up with the big boys and catering to niches that otherwise would not be served is so heartfelt she can hardly contain it.

"Without smaller credit unions, we don't have a movement," said South, president/CEO of the \$117 million Novartis Federal Credit Union in East Hanover, N.J. "There are so many underserved people in the U.S., and a lot of them are being served by the smaller credit unions. A member may not pay everyone, but he will pay that credit union loan."

Her advocacy for small credit unions was part of the reason she moved swiftly after the 2009 fraud-induced collapse of CU National Mortgage, Novartis' third-party mortgage processor that also serviced more than 120 credit unions nationwide. With the assistance of the New Jersey Credit Union League, South was able to organize a group of credit unions to recover stolen assets and prevent many of them from losing a large portion of their capital when it was discovered that fraud was involved. Along with another New Jersey credit union, she then went on to form Symbionce Financial Solutions LLC, a CUSO that salvaged some of the mortgage loans, many of which were held by smaller credit unions.

For her leadership here and in several other areas, South has been named the 2010 *Credit Union Times* Trailblazer CEO of the Year. The news came as a "big surprise" to her as one of Novartis' board members and staffers tried their hardest to keep the application process mum. She is especially giddy that her brother, *Washington Post* pop culture writer Hank Stuever, will attend the Feb. 23 award ceremony. Still, she said she is humbled by the recognition, deflecting the spotlight to her "wonderful staff."

"We're all excited. It's been a very unusual year for me with all of the things that have happened," South said. "Without a great board of directors and a great staff, I wouldn't be able to do what I do."

Nearly 20 years ago, South became Novartis' first paid CEO in its 63-year history. When she took the helm, the cooperative had \$7 million in assets and its members were employees at a small pharmaceutical company. Five years into South's tenure, the business merged with another firm and later took its namesake from Novartis Pharmaceutical Corp., an affiliate of Novartis AG, a health solutions provider based in

four credit unions before coming to Novartis. Her husband, Glenn South, is president/CEO of the \$82 million County Educators Federal Credit Union in Roselle Park, N.J. "I'm more of a bean counter, and he's deep into operations," she said.

Her son worked at seven credit unions while in high school and college. While he doesn't have any immediate aspirations of joining the movement, South is convinced he would make a good credit union CEO.



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Her fight-for-the-little-guy roots aided her in taking on a court case after CUNM went under. In June 2009, former CUNM President Michael McGrath pleaded guilty to defrauding 26 credit unions and Fannie Mae. According to court documents, McGrath conspired with others to sell credit union loans and used the proceeds to finance the operations of its parent company, U.S. Mortgage, as well as his investments. In the end, the affected credit unions lost \$140 million. CUNM closed in February 2009 after filing for bankruptcy.

With help from the New Jersey Credit Union League, South organized a national group of credit unions into an ad hoc committee to recover assets. South visited several CUNM offices and rescued dozens of Novartis members' mortgage files that were in limbo. She then researched each file to insure that the members were credited correctly for any and all fees paid to CUNM and took steps to make sure the loan process could continue through closing. After the CUSO filed bankruptcy, more than 4,500 loans were subject to having the servicing rights sold to the highest bidder.

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When it became apparent to South that the loans would not be serviced in the individual credit union's name any longer, she and the New Jersey league set out to form Symbionce. A formal bid was submitted to the court competing with large servicers such as Bank of America, Wells Fargo, Countrywide, Citibank and Wachovia. South made the case before a judge by appealing to the importance of preserving the transparency of the servicing to the membership of the credit unions. The court would go on to award the servicing rights to Symbionce. Today, the CUSO oversees loans for more than 65 credit unions and is in the process of building a mortgage origination operation.

"Ann has proven to me that she possesses the drive and energy necessary to see complex projects through to successful completion," said Leo O'Donnell, vice president of mortgage services at Symbionce.

That drive has certainly carried over into other areas. In the early to mid-1990s during the Internet's bloom, she recognized the importance of staying out front with technology. It was almost a given because of

Novartis' tech-savvy members. Home banking solutions such as e-statements and bill pay took off. The credit union was among the first in the tri-state area to offer a contactless debit card, a move that has reaped dividends, with a 19% increase in transactions per active account and an 18% increase in transaction dollars. Novartis also converted its gift check program to a branded gift card solution that allows the credit union to bring in more interchange and fee income.

Novartis has also taken nontraditional approaches with financial literacy. Last year, the credit union hosted a live concert and featured programs designed for youth in three age groups ranging from six to 18. A panel of college students shared their expertise on

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issues important to their peers.

To ensure that Novartis' 21 employees are up to speed on all aspects of the credit union's offerings, there is 100% participation in CUNA's staff training and participation program. That's the same percentage of volunteers who have passed basic courses in the company's volunteer achievement program. Thirty-five percent of them have completed the program.

"Education is so important. Everyone has to understand the big picture," South said.

Under her tenure, Novartis' asset growth was 22.74% as of March 2009, which is the highest of all

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credit unions in New Jersey for those over \$50 million in assets, according to Novartis. Its 2.34% operating expense ratio was third overall in the state for the same asset category and the same period. Raddon Financial Group has ranked the credit union in the upper 80th to 90th percentiles in net charged-off loans, average savings balances and average household loan balances. Novartis' loan participation program added more than 45 basis points to its return on assets in 2009. Its auditing firm cited zero exceptions in its management report of internal controls, a first in the firm's history, according to the credit union.

An avid globe traveler who counts the pristine beauty of the Galapagos Islands among her favorite visits, South is looking forward to one day rafting the Colorado River. Until then, she acknowledged 2010 will be another tough year.

"We just want to survive," she said of the credit union industry. "I think we're going to see a lot of write-downs from corporates. I want to see the end of CU National bankruptcy issues. We are in the process of getting loans back from Fannie Mae that we feel were stolen. We've been fighting for over a year."

Like any good leader, South knows she is not an island. She abhors micromanagement but likes to strike a balance between being very hands on and delegating.

"I like to know what's going on. I can hand a project off to a staff manager because they know if I'm giving them that responsibility, they know that I'm counting on them to see it through," South said. "I wouldn't be where I am if it wasn't for my [staff and board]."

—msamaad@cutimes.com

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Basel, Switzerland, with nearly 100,000 employees and offices in 140 countries.

One can say South was weaned on credit unions. She still has pictures of herself in a playpen at board meetings at a military credit union. Her mother, who once served as a volunteer, traveled to different bases with her young child in tow. It was ingrained in her: "You always joined the credit union no matter where you live." When the Oklahoma native moved to New Jersey, she worked at several banking institutions and