

# Commonwealth



SPRING 2002 #50

## Stock Market Scams

Consider the following scenario. Richard Richway (not a real name), a stock analyst for an investment house, issues a buy recommendation for RME Widgets, citing the company's growth potential and disciplined management team. At the same time he's touting the stock, Richway is selling off all his shares and realizing a \$1 million profit. Four months later, the company tanks out, the stock drops like a lead balloon, and thousands of small investors incur heavy losses.

Farfetched? No. Illegal? No. A cautionary tale for our time? Yes.

During the 1990s, stock analysts, appearing on various cable-television shows and on PBS-TV's Wall Street Week, pumped up a variety of stocks: dot.com companies, bio-medical corporations, and, yes, companies like Enron and Global Crossing, both of whom are currently headed toward bankruptcy. There was a go-go mood in the air as analysts hyped both individual stocks and the market itself. Syndicated columnists joined the party, saying everyday Americans could become affluent simply by judicious stock picking or by choosing stocks for a 401(k) pension account at work. The pundits argued that wealth was being spread around; millionaire status was in reach for Microsoft's lowest-paid workers.

Ultimately, a somewhat different picture emerged. Thousands of Enron employees now face grim financial futures because their pension accounts were filled with the company's stock. In addition, state pension funds around the country took significant hits; Florida lost over \$320 million, according to the New York Times, while California's loss is estimated at \$144 million.

Not everyone took losses, of course. Many Enron executives cashed out well before the company hit bottom. Global Crossing's president, Gary Winnick, sold off a chunk of stock in 1999, turning a profit estimated at \$735 million. Political insiders like former President George Bush and Terry McAuliffe, head of the Democratic national committee, also sold Global Crossing at peak prices and profited handsomely.

Why should we care about such machinations? Many U.S. workers are employed by companies without any pension plan and don't have extra cash to play the stock market on their own, making such an investment. If they don't make that effort, they suffer the consequences. From another perspective, it's argued that stock investments are inherently risky. Therefore, people need to do research before making such an investment. If they don't make that effort, they suffer the consequences.



For starters, millions of workers are employed by companies that have turned from defined-benefit pensions, in which a retiree is guaranteed a set amount per month, to 401(k) accounts whose fortunes usually rise and fall with stocks. Second, Congress is again debating the future of Social Security, and some well-known players are calling for radical changes in that system. They want individual workers to have the right to by-pass the Social Security fund and its conservative strategy of investing only in government securities. Under several proposals, individuals could choose to invest their F.I.C.A. (the monies deducted from paychecks) dollars in the stock market.

That change in Social Security is far from certain, but the discussion does point us back to the stock market and its utility as a general vehicle for the U.S. public. Simply put, not everyone has access to the same information about companies. *Frontline*, a PBS-TV program, documented how insiders made millions from public offerings for dot.com companies in the late 1990s. They put their company's stock up for an initial sale, smiled as stock analysts hyped the company, and then sold the stock just two days later. Ordinary investors, meanwhile, usually suffered financial heartburn just a few months down the road. Although there isn't sufficient space here to extensively discuss stock analysts' role, it's important to note that they are often people with grave conflicts. On one hand, they are supposed to offer objective advice on stocks. On the other, they work for firms that make money by bringing a new stock to Wall Street. Given that situation, it's very unlikely that an analyst is going to damage the stock's prospects with a negative appraisal. The so-called wall between analysts and sales staff was usually as

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**20th  
Anniversary  
Celebration!**  
**SATURDAY, APRIL 20th**  
**From 8 PM to ?**  
**Westcott Community  
Center**  
**Dancing • Food • Drink • Festivities**

Summary Financial Report for 2001			
Balance Sheet		Income Statement	
Assets		Income & Expenses	
Real Estate Loans	\$4,345,341	Loan Income	\$441,351
Unsecured Loans	\$179,901	Investment Income	\$45,596
Other Loans	\$856,607	Fee & Other Income	\$66,729
<b>Total Loans</b>	<b>\$5,381,849</b>	<b>Total Income</b>	<b>\$553,676</b>
Allowance for Loan Loss	(\$66,960)	Salaries & Benefits	\$180,509
Investments & Receivable	\$1,948,646	Operating Expenses	\$81,904
Liquid Funds & Cash	\$1,799,504	Nonoperating Exp. (Inc.)	(\$522)
Fixed Assets	\$94,040	Provision for Loan Loss	\$12,181
Misc. Assets	\$63,398	Dividends/Cost of Funds	\$194,509
<b>Total Assets</b>	<b>\$7,348,932</b>	<b>Total Expenses</b>	<b>\$468,581</b>
Liabilities & Equity		Net Income	
Total Liabilities	\$54,489	Under an agreement with NCUA, \$265,484 is reflected as nonmember shares or deposits.	<b>\$85,095</b>
Total Shares & Deposits	\$6,761,331		
Reserves & Equity	\$533,112		
<b>Total Liability &amp; Equity</b>	<b>\$7,348,932</b>		

## Southwest Office to Open

SCFCU's Southwest Credit Union Office will open this Summer, barring any last minute snags. The new office will be located at the Southwest Community Center and will serve residents of the Southwest neighborhood as well as other members of the credit union.



Planning and raising funds for the office started in 1999. A future newsletter will have more details of the collaboration and planning needed to achieve this goal. The credit union will also express its thanks to lots of people, organizations, and agencies that are making service to the Southwest neighborhood possible.

## Annual Meeting Report

The credit union's annual meeting was held on Sunday, March 24 at the Westcott Community Center. David Andrews, SCFCU board president, called the meeting to order. Members approved last year's minutes, then heard reports from officials that were brief and informative.

Larry Young reported on the board's deliberations in 2001. In addition to general oversight, the board has been occupied with the effects of rapid growth, dramatic changes in interest rates, and outreach. Treasurer, Ron Ehrenreich, reviewed highlights of credit union activities and gave the financial report. Ron explained graphs that showed financial trends. One key issue is capitalization. New members and assets are growing much faster than reserves. He discussed steps the credit union is taking to address this issue. Karen Hall, credit committee secretary, delivered the report on loans. The Supervisory Committee report on the audit and other activities was given by committee chair, Liz Crockett, who also serves as board secretary.

Members asked a lot of good questions and received clear and complete answers. There were suggestions that ranged from offering special loan products for alternative energy to having a calculator on the counter for member use. Mary Hanick reported for the nominations committee. Members reelected Liz Crockett, Susan Hamilton, Mary Hanick, Ruth Pierce, and Peter Scheibe to the board. Reelected to the credit committee were Ron Ehrenreich, Aggie Lane, and alternate Cindy Squillace.

Most discussion focused on the new Southwest Office and the expansion of credit union programs: the Microenterprise IDA, **Ready-Set-Go** homeowner readiness service, the new **Urban Homestead** Program, financial education courses **Your Path to Financial Freedom** and **Money & Stuff** for teens. Also covered were plans for new service by phone, internet and ATM. Members also expressed appreciation for the work of the credit union. Andy Majer commended the board for following up on the last meeting suggestions, and expressed surprise at the degree of "levity" and that the meeting "was actually very enjoyable."

Credit union founder and door prize maven, Sondra Roth, distributed door prizes to most members present. The meeting was adjourned and we sat down to a scrumptious vegetarian dinner prepared by members Steve Susman and Mickey Schechter.

## Common Cents Vote

Purchases made with SCFCU's **VISA Check Card** generate "small change" to be shared with local nonprofit groups. Credit Union members vote to tell us how to distribute funds to the groups below. **The more you use your VISA Check Card for purchases, the more we donate.**

INSTRUCTIONS: A member may vote for up to 3 choices, but may submit only one ballot.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

Print your name \_\_\_\_\_

Your Signature \_\_\_\_\_

NAME & SIGNATURE FOR VALIDATION ONLY - YOUR VOTE IS CONFIDENTIAL

- Beyond Boundaries
- CNY Citizens Awareness Network
- CNY Circle
- CNY Colombia Support Network
- Eastside Neighbors In Partnership (ENIP)
- ENACT
- Hiscock Legal Aid Society
- Inter Religious Council (IRC) of CNY
- Jewish Peace Fellowship of Syracuse
- Jowonio School
- Near East Side CDO (NESCO)
- Open Hand Theater
- Peace Action of CNY
- Partners for Arts Education
- Planned Parenthood of CNY
- Syracuse Community Radio
- Syracuse - La Estancia Sister Comm
- Syracuse Peace Council
- Syracuse United Neighbors
- Westcott Community Center
- Westcott CDC



MUST BE RECEIVED AT THE CREDIT UNION OFFICE BY JUNE 1, 2002

## VISTA Update

**Ready...  
Set...  
Go!** *Program Celebrates First  
Home Available Through  
Urban Homestead.*

The Syracuse District of the NYS Credit Union League has joined forces with SCFCU and Home Headquarters (HHQ) to purchase and rehab a Westcott Street home as part of its **Urban Homestead** Project. In the summer, volunteers from area credit unions will help with unskilled work such as interior painting and landscaping while HHQ will provide skilled rehab expertise. The like-new property will be made available to a qualified owner occupant and that lucky new owner could be you!

To encourage you to consider home ownership, SCFCU is sponsoring a panel "*A Home of Your Own*" on Thursday evening, May 16, at Westcott Community Center from 7:30-9:00 PM. The panel will answer your questions about how much house you can afford, qualifying for a mortgage, and maintaining or improving your newly purchased home, plus you will have an opportunity to sign up for SCFCU's **Ready... Set... Go!** program. Through **Ready... Set... Go!** you will have access to a free prequalification interview with a SCFCU loan officer, a free credit report review, referrals to helpful Syracuse home agencies, and advice regarding down payment and closing costs. Most importantly, you will have access to information about terrific bargains on rehab houses. Don't miss this chance to explore your potential as a homeowner!

For more information on the May panel or the **Ready... Set... Go!** program, call Betsy McCabe at 492-1038.

"*Your Path to Financial Freedom*" will be offered Thursday evenings in July. Mark your calendar for 6:30-9:00 PM July 11, 18, 25 and call 492-1038 to register. Create a map to guide you on your journey to financial well-being. This course is a terrific first step!



## So Long, Mike!



Mike Musler's involvement with the SCFCU spans all of our 20-year history. He was one of the people who worked to start our credit union back in 1981 and 1982, and he later served on the board's personnel and credit committees. Then he worked as a teller from February 1996 until March 2, 2002, when he retired from our staff. Given that experience, he's well-equipped to reflect on various stages of our development. At the very beginning, he, Ron Ehrenreich and other members of the Syracuse Real Food Co-op talked about the possibility of founding a credit union and housing it

within the co-op at 618 Kensington Place. That dream, plus a lot of hard work, led to the birth of our organization. "I thought we would continue to be a very small credit union," Mike said. "That we would grow to our current level was beyond my wildest dreams."

Our growth was steady but modest until we moved into our current home, 723 Westcott St., in 1994. As we settled into the new building and expanded our field of membership, there was a period of radical growth during which our assets doubled. As a teller, Mike experienced that change firsthand, seeing more and more members come into the office. "It was exciting to see new groups joining our credit union," he said.

## Two More Workshops for Business Savvy



Thursday, April 18  
7:30 to 9:00 PM

### "Make Your Business Plan Work for You!"

You have a business plan.  
Now make it work  
for business success.

Thursday, May 9  
7:30 to 9:00 PM

### "Bookkeeping and Quickbooks"

You got into business to  
make money. Here's how  
to make sure every dime  
counts.



Upstairs in Westcott Community Center

### Scams: continued from page 1

sturdy as Swiss cheese.

What about independent analysts who operate outside the circle of investment companies? They do exist, and some of them predicted the crash of dot.com stocks well before 1998. A few even questioned Enron's freewheeling operations. However, the reality is that the independents usually had to fight for media exposure, for the opportunity to engage with the public.

And so, we can draw several conclusions about the stock market. It's not a land of milk and honey for ordinary people; they find it difficult to compete with insiders and fat cats for information. It certainly isn't a guarantor of financial security. Most of all, we need to be very skeptical of the notion that the market is the cure for Social Security's ills. Quick fixes aren't the answer. In the next issue of *Commonwealth*, we'll talk about other perspectives on Social Security.

"However, given the explosive growth and the number of staff, it's become harder and harder to provide the same level of service. That's put a strain on staff."

In assessing his six years as a teller, Mike says there's been improvements in internal communication, giving staff more say regarding their jobs, and in the pay scale. He's very positive about the person-to-person contact he experienced. "It was great interacting with members," he said.

With a more flexible schedule in place, he's seeking a publisher for a novel, which he just completed, and is pursuing a wide variety of interests.

Thank you, Mike, for all your contributions to our credit union.



# Around the Office

We are having a very busy 2002!!!

**Lisa Bailey** returned to the Credit Union in mid-March after nine months of local missionary work for her church. **Lisa** will be telling as well as working in the Loan Department at the Westcott and Southwest Credit Union Offices.

**Bill** will be attending a Neighborhood Reinvestment Training Institute seminar in Chicago April 1-6. The Institute provides training to the staff and boards of organizations committed to improving the affordability of neighborhood housing, the vitality of neighborhood economies and the quality of community life.

**Ron & Ace** will be attending a seminar on April 4th devoted to the various regulatory compliance issues related to Websites.

**Bill** has been teaching Basic Bookkeeping and Quickbooks Accounting Software at the South West Economic Business Resource Center to a group of 7 women and minority business owners. The BRC, which is on West Onondaga Street, provides comprehensive training to small business

entrepreneurs and has six computers which are available for use by participants.

**Bill** will also be teaching a similar, but condensed version of the course to the participants in the Credit Union's Microenterprise IDA program.

Our field of membership has taken a quantum leap forward. We are pleased to welcome:

- The Employees, Directors and Instructors of the **Pupil Transportation Safety Institute**.
- The Members, Employees & Volunteers of the **CNY Chapter of the NY Civil Liberties Union**.
- The **Southwest Neighborhood** which includes anyone who lives, works, worships or attends school in the Southwest Neighborhood.

**Tom** has organized and coordinated our Intern program in conjunction with the Syracuse University Internship Program. Our 3 Interns will be working on various projects between March 18 and April 30:

- **Gregory S. Gyszack** will develop a Student Loan Program Model.
- **Ria D. Bacchus** will develop a marketing survey for the Southwest Credit Union Office.
- **Kadri Ozemede** will develop a Computer Based Teller Training Program.

## Board of Directors

David Andrews  
Cheri Capparelli  
Cynthia Carrington  
Liz Crockett  
Ron Ehrenreich  
Susan Hamilton.  
Mary Hanick  
Earl Johnston  
Ruth Pierce  
Peter Scheibe  
Larry Young.

## Supervisory Committee

Liz Crockett  
Frank Mt. Pleasant  
Bob Pandori  
Marilyn Willits  
Valerie Woods

## Credit Committee

Ron Ehrenreich  
Karen Hall  
Aggie Lane  
Simon Morrin  
Osupa T-Dabis

## Credit Alternatives

Lisa Bailey  
Joe Branagan  
Bill Hammler  
Gerry Russo  
Tom Smith  
Cindy Squillace

## Committees and Volunteers

Carol Baum  
Ken Bobis  
Stephen Bittner  
Joe Branagan  
Dan Bowers  
Mark Feldman  
Susan Finkelstein  
Joel Gelburd  
Jennifer Glancy  
Gerie Greig  
Duane Hardy  
Jeanne Hammer  
Ann Herman  
Chris Hickey  
Don Hughes  
Tim Judson  
Sekgoma Kgama  
Barb Kobritz  
Jean Lynch  
Frank Machnaigh  
Stan Maziuk  
Carl Mellor  
Mike Musler  
Frederick Noyes  
Dan Reeder  
Chris Riley  
Sondra Roth  
Larry Rutledge  
Jane Slabowski  
Hilary Weeks

## Staff

Adrienne "Ace" Allen  
Lisa Bailey  
Michael Burton  
Ron Ehrenreich  
Margaret Gelfuso  
Karen Hall  
Bill Hamler  
Greg Knipe  
Gerry Russo  
Tom Smith  
**VISTA**  
Gail Bering-Porter  
Elizabeth McCabe

## Show This To Your Teenage Kids!

By the time you're 18 you'll have received at least ten credit card offers.  
By the time you're 21 you could be \$10,000 in debt.  
Try getting out of that!

at the  
"Galleries  
of Syracuse"  
(Downtown  
Library)

Know what you're up against with  
**"Money & Stuff"**  
**Financial Smarts for Teens**

A one shot deal to learn what it's REALLY all about! Bring a friend

Your Afternoon is FREE (so is this event!)

Saturday, April 27th  
from 8:30AM to 1:30PM  
Pizza! Soda! Prizes\*!  
\*guaranteed - IF you register!



For more information and to make reservations, call Betsy at 492-1038

## FIELD OF MEMBERSHIP

Syracuse Real Food Co-op	472-1385	Syracuse Community Choir	472-9386
Syracuse Peace Council	472-5478	Employees of Common Works	425-1019
Jowonio School	479-7744	Syracuse Community Radio	234-2000
Women's INFO Center	478-4636	Westcott Community Center	478-8634
Wellspring (Syr Center for Self Healing)	475-7230	Appleseed Trust	424-9485
Eastside Neighbors in Partnership (ENIP)	428-2480	WENA	479-7301
East Side Soccer	445-2165	Jubilee Homes/ Time of Jubilee	428-0070
Westcott CDC	426-0243	Syracuse United Neighbors (SUN)	476-7475
SAGE/Upstate	478-1923	Employees of Maziuk & Company	474-3959
Syracuse Cultural Workers	474-1132	Boom Babies	472-1949
Peace Action of CNY	478-7442	Pupil Transportation Safety Institute	476-7475
Open Hand Theater	476-0466	CNY Chapter of the NY Civil Liberties Union	471-2821
		Anyone who lives, works or worships in the SW Neighborhood	