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Blueprints for Small Credit Union Success

Compiled by Small Credit Unions for Small Credit Unions

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Passion, dedication, and doing the work

Please share your successful use of this resource. If you execute a new strategy based on the below submissions, share that in the Small Credit Union Community so that we can track this guide's impact!

The Small Credit Union Committee is pleased to share a new resource for the leaders of small credit unions across the country. Whether you're a board member thinking about your credit union's strategic priorities, a CEO looking to revamp your organizational structure, or a marketer considering ways to breathe life into your loan promotions, there's something here for you.

This project is the culmination of nearly one year of work by the members of this Committee, which is your voice at the national trade association. In early 2023, the Committee dreamt up the idea of sourcing as many "strategies for success" among small credit unions that they could. Those strategies would then be combined into a comprehensive book and made available to small credit unions nationally. This resource containing nearly 170 pages of strategy is the fruit of that work.

It can't be overstated how important it was to receive the participation from so many small credit unions in this effort. The strategies you'll find in this resource are a product of very real work that has been put in by your peers; leaders who have thought outside of the box, schemed up new ways to serve members, and made the leap to add something new to their organizations.

For many of us, taking that chance can be a scary proposition. Doing things the way they've always been done can be the comfortable, safe choice that won't draw the ire from members or regulators (or both). But we all know in our hearts that this is not a time for traveling the comfortable route. For smaller credit unions who fight tooth and nail every day to demonstrate their relevance, now is the time for bold action and big ideas.

We are so excited to present a resource that can serve as a jumping off point for you in thinking boldly and revolutionizing the way you operate your credit unions, no matter whom you serve, how large your asset size, or how many employees you have.

It’s also important to point out that everyone who contributed a submission also included their contact information so that if you are interested in learning more you can reach out. That’s a powerful gesture of collaboration. We hope you will take advantage. To those of you who contributed, a sincere thank you from the bottom of our hearts.

In the end, many of the submissions you’ll find here offer a significant amount of detail that will help inform the buildout of similar strategies at your credit union. There are some, on the other hand, that are simple in description, yet no less powerful. But the one common denominator among all of these submissions, is that they’ve all been accomplished by passionate, dedicated leaders who were willing to do the work. If you want the simplest blueprint for success possible: find those attributes in yourself and your teams, and you will surely get to where you want to go.

Sincerely,

Karen Madry,
President/CEO, Afena FCU,
Chair, Small Credit Union Committee

Deborah Fears
President/CEO, Chicago Post Office ECU
Vice chair, Small Credit Union Committee

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New Blood on the Board

Credit union name: Great Erie FCU

Location: Orchard Park, NY

Asset size: $133 Million

Field of membership: Community

Point of contact name and title: Robyn Young, President/CEO

Point of contact phone and email address: 716-662-1311

Summary

Our Board has always set the tone and the pace for the rest of Great Erie FCU. Their leadership and, more specifically, their desire to diversify the Board in recent time is one of, if not the greatest, reasons for our success.

It started with the leadership of our long-time Board president, who recently retired from the board after 50 years of volunteer service. He was a great leader, but he knew it was important to adjust the makeup of the Board so that it was more reflective of the community we wanted to serve.

He was a teacher, which was our original field of membership, and he felt it was important to go out into the community and make sure we had a solid cross section of members that resembled those individuals we were trying to attract to the credit union.

It was emotional for all of us to lose our long-time leader at the Board level, but we knew it was the right thing to do.

It took some effort to make this a priority for the rest of the board and the organization, but this intentional work proved very successful, and we now have people from all walks and backgrounds serving on the board, from the insurance field, to lawyers, to yes, even more teachers.

In addition to diversity in the community, we also have a great mix of legacy board members,

new board members, and those who are waiting in the wings to serve on the board via our associate board member program.

We can clearly tie this stronger representation back to the member growth numbers we've seen at the credit union of late that has trended higher every year for the past 4 or 5 years. Having a better understanding of the needs of our community by having a more diverse board has been a strategic advantage for us without question.

Getting members interested

We make it a priority to market the board seat openings in our regular channels, including newsletters and the website, using messaging around the fact that we are "seeking volunteers.

The greatest reason we have been successful in getting folks to volunteer to serve, however, is our presence in the community and our success as an organization. We're involved in the local Chamber and our team spends a lot of time out in the community and people notice. The reputation and credibility of our institution is something that people respect, and that positioning makes the opportunity to be a part of it attractive.

Once members are interested, the prospective board members will send in a resume and then there is an interview process, which allows us to identify whether someone is truly serious about serving on the Board.

Our best board members have been those who truly understood why credit unions are different. Maybe it was a regular member who had an experience with us that was extraordinary and felt compelled to want to be a part of the organization. But when they're already passionate about what we do, or if they become passionate, they become our top-performing board members.

To ensure we set the new board members up for success, we invested in the CUNA Training Bundle and all the board members went through the Certified Credit Union Board Member training program. That's a great place for boards to start because it opens your eyes to your responsibilities and how to effectively lead the organization forward.

We also work hard to make serving as a board member as fun as possible. Being a board member should be fun. Of course, there is responsibility and a seriousness to it. The role is important. But at the end of the day, we feel like we've been able to retain people because people enjoy the work and each other's company.

Associate board member program

To ensure we have more representation from the community and a reserve group of interested volunteers, we've also launched an associate board member program here at the credit union.

Individuals who serve as associate board members make a one-year commitment to serve, and if they want to continue, they are reappointed for another one-year commitment, unless they move into a full board seat. They have the same expectations as board members -- including the training – they come to the meetings, giving them the opportunity to ask questions, observe, and contribute. The only thing they can't do is vote.

As board seats open and these individuals have the opportunity to move into regular Board seats, it's crucial for them to see what the board dynamic is and what the meetings are like.

We would strongly recommend that credit unions invest a greater amount of time in their board strategy. Don't hesitate to conduct a board planning session about the future of the board. What do you want the board to look like so that it's reflective of the members you want to attract and retain?

Board Strategy

Making the Board Relevant Again

Credit union name: Lakehurst Naval FCU

Location: Lakehurst, NJ

Asset size: $36 Million

Field of membership: Navy Lakehurst Employees and Support Personnel and Families of Same

Point of contact name and title: Charles E. Adler, Board Chair

Point of contact phone and email address: 717-254-7613; chuckeddy933@gmail.com

High Level Overview

Two strategies were considered in the drafting of this application. The first was to discuss our adoption of new technology which helps maintain our relevancy with existing members by increasing our speed of service and our ability to provide financial products that meet their evolving needs. Our credit union is continuing to adopt the technology that enables the convenience the new generations of customers expect from a financial institution. The second was the importance to Lakehurst Naval FCU of forging and correctly shaping a dynamic and learned Board of Directors. We wanted to create a leadership team that was united in purpose. The goal is to establish a board that is willing and able to take the steps necessary to self-improve in order to guide and enhance the future of our credit union. As I am better able to discuss the Board Member Life Cycle, I have chosen to select this as the main strategic area to discuss herein. Our management team, the CEO and COO, are encouraged to alert and/or recommend potential supervisory committee (SC) members to the Board for consideration. It is the duty and responsibility of the Board to make final decisions on those who are asked to join the SC. As explained further in this essay, our Board members must first serve as supervisory committee members (unless nominated directly for the Board by the nominating committee and elected by the membership directly to the Board). The Board has chosen not to have any member of the credit union staff serve as a Board member, unless that person is no longer an employee of the credit union. We hold ad hoc meetings with the board as required, but board meetings are routinely in-person, via Zoom, or via Teleconferences. The core functions of the Board are to provide general direction and control of the credit union. The Board acts with unity of purpose when providing directions. New SC members need to understand the how and why of that Board duty. More importantly they need to be properly trained and developed to have the wherewithal to utilize sound judgment when serving the needs of the credit union members.

The Why and the How

About five years ago the Board consisted of board members 55 and older. Our CEO was approaching retirement, and Board Chair was quickly approaching 80 years old. Our membership was aging as well, and some major recruitment efforts were underway by the command to replace those lost through retirement. At the same time, the NAVAL AIR SYSTEMS COMMAND (NAVAIR) provided the base with responsibility for the award of contracts to companies selected for the Small Business Innovation Research program from contract award with potential through prototype. The SBIR program and the high numbers of new recruits equated to a high number of new employees to the Lakehurst community. All could become valued lifetime credit union members, if successfully marketed to. The Board realized with new generations of employees at Lakehurst, there was a creation of new demands and challenges. The challenges could equate to opportunities if recognized and met head-on. The engineers and other college-trained employees being hired were trained and acclimated to emerging technologies and social networking. New employees were quite adept at using new payment methods, and had a high expectation of ease and convenience in their use of financial services. The Board had to self-educate, obtain knowledge required from sources our small credit union board could access, and become cognizant of the demands placed on our financial institution. As our member base was changing, it was paramount that the board's demographics must also change. The Board realized it needed to change if it were to meet the demands of our member base. It was a case of "stay relevant", or risk becoming a Borders or a K Mart: extinct. This is not the future we wanted so we decided to increase our ability to adapt to our environment and our changing clientele.

How the Strategy to Increase Board's Relevancy is Being Accomplished

The board chair and vice-chair discussed with the directors the need for a strategy to efficiently recruit volunteers that met our needs and who in time would become effective, contributing board members. The first step was to recruit and select supervisory committee members that would meet our demographic needs. In conjunction with CEO and COO, we advertised via our website (and also directly reached out to members referred to us by personal invitation) the need for supervisory committee members. The number one pitfall and major impediment to our successful recruitment of volunteers was the pay. Recruits to the supervisory committee are required to perform financial fiduciary duties for their credit unions, to attend meetings, and to attend classes (and network as required), but receive no pay. The number two pitfall to our successful recruitment of volunteers is the fact that the vacancy might not be (and likely wouldn't be) available immediately. Despite the pitfalls, we have successfully replaced the Board Chair and two directors with former supervisory committee members. The two directors are NAVAIR employees both in their late twenties. Both new directors are smart, engaging, dedicated, and technologically savvy. They bring fresh ideas and a point-of-view based on their experience and education that supplements the more senior board members 'worldview. To bring the plan to life, supervisory committee members actively engage with board members during board meetings. The new SC members' expertise gained from experience and education has proven invaluable to the enrichment of the Board and consequently allows the board to make better decisions.

When a new supervisory committee member and future board member is selected by the board, they participate in a comprehensive orientation process. They become acquainted with the credit union's mission, values, governance structure, and strategic goals of the board. The members receive orientation on their roles and responsibilities. They learn the role of the board chair, and the relationship of the supervisory committee to the CEO. The new SC member is taught the difference between a credit union and a for-profit financial institution. The SC chair mentors the new SC member throughout the orientation process. Our supervisory committee members are encouraged to perform their duties successfully, and share their ideas with the board on topics discussed. The supervisory committee chair briefs the board on their duties accomplished the previous month, and alerts us with the necessary analytics for which the supervisory committee is responsible.

Once selected to the Board, the new director goes through a comprehensive orientation process or at least as comprehensive as time permits. What was learned as a SC member is reiterated and built upon. The process might take up to a year, although education and growth continues throughout the board member's term. New board members are taught what it means to govern strategically and not operationally and understand their legal and regulatory obligations. Training opportunities are provided. Mentorship by more experienced directors is offered. A smooth transition from the SC to the board is facilitated. Further emphasis on key financial ratios is provided to allow new directors (and senior ones) to know our CU's financial status. Financial statements and balance sheets are explained in detail. The importance of compliance with all regulations is explained and emphasized. The CU global and domestic structure within the credit union system is explained.

Benefit of the Board Succession and Onboarding Process

The major benefit is a supervisory committee trained to accomplish their role successfully, and to be ready to serve on the Board if nominated and selected by membership at large. In the event a Board member is voted to the Board by membership without benefit of having held a SC position, then the new board member will be acclimated to both roles as part of the on-boarding process. The members benefit from a smoothly functioning board that understands its roles and responsibilities: to select and retain the right CEO for our culture; strategic planning; to act as one body; to fill vacancies on the SC committees or board; corporate governance; risk management; and the like. The board must continually evaluate its strategy and adjust it as necessary. Environmental challenges must to be assessed. Threats to the viability of the credit union must be evaluated. Solutions to threats must be arrived at quickly and thoughtfully. Information must be shared with the Board and evaluated individually, then discussed as a team. Relevancy to our members must be maintained.

What Does this Part of the Organization Look Like Now?

The organization (namely, the Board and Supervisory Committee) looks exactly the same. But who comprises the SC and the Board is changing in ways that increase the diversity, background, gender, and experiential base of its teams. Culture is enhanced. Roles and responsibilities are better understood. Reading of financial reports is facilitated. Purpose is understood. Credit risk, interest risk, liquidity risk, transaction risk, compliance risk, and strategic risk are discussed and assessed. Reputation risk is also discussed. Cybersecurity is addressed and maintained at all times.   In other word, the Board and SC is doing exactly what they should be doing, but with a greater understanding of why and its importance. By knowing their roles and understanding their responsibilities, the team better serves its members and better safeguards their assets. “People helping people” is a phrase we take to heart. Our mission statement is short but explains how we value our members: “Your vision, our mission”.

Plans to Continue Enhancing and Advancing the Strategy Discussed Herein

The Board’s continued need for development is stressed in every meeting. Free educational classes related to the credit union role are attended by our board. Results and lessons learned are discussed, and information sharing continues to be emphasized at Board meetings. Class information received by one is shared with all. Training offered by regional CU associations (such as CrossState and MD/DC) is pursued. BSA training and Financial Literacy training and certifications are received every year by the SC and The Board. CUNA and NAFCU have been great training and learning venues. DCUC and NCUA have been further facilitators of our growth and expansion of our knowledge base. All policies are created by the Board and reviewed at least annually. Continued growth of our knowledge base is the Board and SC’s mission.

The Data to Back it Up

Our shares have declined from the end of the pandemic to date. Our net worth has grown. Our membership has remained stable. In January 2022, the CU's offices (and most equipment) were destroyed as a result of water pipes bursting (as heat to the building was compromised on a frigidly cold weekend when the offices were unoccupied). All restorations were finally completed in March of 2023. During that period our Credit Union remained open with the cooperation of the Board and staff. The major accomplishment was continuity made possible through our shared culture. Our management team and Board worked together during the physical compromise of our property to continue to meet our member's need without loss of service. Our unity of purpose was exemplified in our ability to maintain office operations with most of the physical property unusable. The technology improvements mentioned in the beginning of this paper was another major contributor to our success.

Branches

Be Ready to Pounce

Credit union name: Mountain Valley FCU

Location: Peru, NY

Asset size: $52 Million

Field of membership: Community

Point of contact name and title: Maggie Pope, President/CEO

Point of contact phone and email address: 518-643-9915; mpope@mountainvalleyfcu.com

Summary

Don't be afraid to build a new branch, no matter how small you are. Over the past five years, despite our small size, we have added three branches to the credit union. And it has added a significant amount of growth to our bottom line, both in terms of membership and loans.

As an aside, a big part of our strategy has also been the decision our board made to switch from a SEG-based credit union to a community charter. We feel that we would have lost our relevancy entirely had we not switched to a charter that allows us to serve the community. The way we saw it, we were on a dead-end street with a hard cap on the number of people we could serve. We were not growing in loans or members. By switching to a community charter and opening up branches in strategic and advantageous locations, the opportunities for growth and success grew exponentially.

To underscore the opportunity, only a few years ago the credit union had roughly 1,200 members. Now we're at roughly 5,000 members.

Opening branches

The first piece of advice we can give is being prepared to jump on an opportunity when it presents itself. We didn't necessarily outline a strategy of building a certain number of branches during a strategic planning session, but instead remained open to the idea and acted quickly when we became aware of a good deal and a good location.

We knew that adding branches was going to be successful for us, so we made sure to prepare for it financially by ensuring our capital was in a healthy position so that when the right opportunity arose, we were ready to pounce.

It's important to note that these good deals and locations didn't just fall in our laps. The first part of the strategy is doing a lot of research on the communities in which you might build a branch. We aim to serve underserved members of the community, so identifying areas that are underserved, researching the demographics, and understanding the member and financial opportunities that existed there gave us the confidence that if we built a branch in that area, it would be successful.

We also worked with the New York Credit Union Association to run financial projections on the costs of building our branches so that we could determine what our resulting capital position would be after we made the investment. Knowing our capital position would be lower, but still healthy enough to continue forward, was a great confidence booster as well.

Another indicator that gave us confidence in the success of a new branch was the absence of branches from other traditional financial services. A high-profile location on a main thoroughfare was also key for several of our branches.

We also work hard to network out in the community, whether that's the business, town hall meetings, or the member-facing community. And by being visible and building relationships, we gained knowledge of opportunities to build branches in strategic locations.

For example, for one of our branches, due to relationships we'd built out in the business community, we got wind of a bank that was pulling up stakes and laying off employees at one of its branches. So, we were able to move in and secure the property, take advantage of the existing infrastructure and reopen a branch. That branch, with just a few staff members, is now one of our busiest locations here at the credit union.

For our newest branch in Wilmington, we were able to open a small, two-person branch in a vacant storefront adjoined to a supermarket. Because of the vacancy and the ownership structure, the supermarket was able to offer us a great deal on the space, which is now a full-service branch with an ATM, and now also serves as our call center and a storage facility. Amazingly, because we have worked to build these branches and because the branches are effectively serving the members and their communities, we're now getting community leaders from other towns reaching out to ask if we would build branches in their communities as well.

Staffing

Our strategy for staffing the new branches continues to come together. It's largely dependent on how busy each of the branches are at certain times and on certain days. On some days certain branches can get by with just two employees, and on other days we'll need to increase to three employees. If there is ever an occasion that we will only have one person at the branch, we'll offer drive-thru only.

Pinpointing your strongest staff members and sharing our vision with them has been key as well. As these folks have bought in, they have performed at higher levels and some of them have moved up to key staff members in key leadership roles at the credit union.

Financial picture

The cost to build our branches on average came to roughly a little under $1 million. But because of the additional branches, we've grown very quickly – which the NCUA has readily pointed out.

From a growth standpoint, however, the branches are doing so well that we've been able to rebuild our capital fairly quickly. We started at around 12% capital, and after adding two branches in two years, it dropped our capital to roughly 8%, including the capital outlay for the buildout of the branches and the additional expenses of the extra staff. Our board was willing to make this investment because they believed that it would help grow the credit union, and it has paid off. Now our capital is back up to almost 9%.

With the physical branch strategy now starting to take shape and our capital position returning to normal levels for us, we are starting to turn back to enhancing the products and services that we provide, including digital services like artificial intelligence-based webchat and IRA accounts.

Ultimately what we think is the most important part of the strategy is working with your board, sharing a vision for growth, being financially and mentally prepared to build new branches, doing your research, and working to build your presence in communities that you want to serve.

CEO Success

Promotion from Within

Credit union name: Seaport Federal Credit Union

Location: Elizabeth, NJ

Asset size: $85 Million

Field of membership: Multiple Common Bond

Point of contact name and title: Elaine Thompson, CEO

Point of contact phone and email address: 908-558-6123; ethompson@seaportfcu.org

Summary

We are a small credit union with 21 employees and three offices. The CEO of 20 years was going to retire and a plan for her succession was necessary. The CFO was employed for 19 years and was intended to transition into the CEO role. This was not a last-minute decision; it had been in the works for probably close to ten years. When the former CEO officially decided her retirement date was seven years away, she started the process of grooming the CFO and making sure the Board of Directors agreed. The CEO and Board of Directors saw the potential in the CFO, even though in the beginning the CFO was not sure it was right for her. Open communication between all parties was extremely important.

While the CFO had her current role to fill, she was also always included in the day-to-day running of the Credit Union and the decision making during the seven years prior to the transition. Training and conferences were provided on an ongoing basis to continue to expand her knowledge and experience. The CFO was also awarded competitive executive benefits and bonuses in order to help with retention. A competitive salary and bonus were also proposed for when she officially became CEO. The salary and bonus considered her time with the Credit Union as well as the typical salary for the same position elsewhere. One mistake many make is paying less because it is an internal candidate. Take into consideration the cost of hiring outside and how much more training and work will need to be spent bringing the outside individual up to speed.

The final year prior to the official transition the retiring CEO allowed the CFO to take the reigns and lead as if already the CEO. For one entire year both worked together. The CFO would handle the CEO role with the comfort of having the support of the retiring CEO along the way. The Board also allowed the CFO to take on the role in all ways including decision making, board meetings, correspondence with regulators and auditors, strategic planning, budgeting, marketing, human resources, and lending. At the same time the CFO hired a replacement and began training her for the accounting position that was becoming vacant. This ongoing transition period and open communication also helped the remaining staff and members adjust to the changes in management.

When the official day came, and the CEO retired, and the CFO became CEO it was seamless and hardly noticed because of the gradual changes made over such an extended period of time. It has been one year since this transition has taken place, and there has been nothing but success in the execution of the CEO Succession Plan. During this time of having a new CEO the credit union was still able to grow and expand its products and services. The transition did not slow down the pace at all. Our strategy propelled the Credit Union forward with the change.

While this type of plan will not work for every situation, it highlights the point that CEO succession planning must begin well in advance. The advance planning will facilitate a smooth transition for those who have the time as we did, but it will also help those who unexpectedly find they need to replace the CEO. If there is always someone in mind and being groomed, there will always be at a minimum one great candidate for the position.

As the new CEO, only in the position for one year, I have already begun the process of identifying potential candidates for my succession. I plan to be here for another 20 years, but I know I must begin now. We have two employees at the moment, that we have identified as potentially strong leaders. We are embracing their strengths and empowering them to continue to grow and learn. Just as I was provided with the opportunity to attend trainings, seminars and conferences we are now providing that same opportunity for these individuals. I will also continue to monitor and improve as needed the benefits and bonuses provided in hopes of retaining these individuals until I retire. Creative and flexible benefits are additional keys to the success of employee retainment and set us apart from many other employers.

If for some reason, I am not here 20 years, we have a strong Chief Operating Officer who can step in. That would be the short-term plan. She also plans to retire within the next ten years. The plan would be to then have one of the two individuals identified step in her place and then work to eventually become CEO.

The key to successful CEO Succession Planning is to plan well in advance, give yourself multiple options/scenarios and be adaptable.

Financial Education

Financial Literacy and Tech Center

Credit union name: Shiloh Englewood FCU

Location: Chicago, IL

Asset size: $282,000

Field of membership: Church-based

Point of contact name and title: Winifred French, Board President

Point of contact phone and email address: 773-972-4638; wdrwwfpoo@aol.com

Summary

As a very small, church-based credit union that serves a severely underserved and financially challenged area, many of our members and community members have a significant need for financial education. As a credit union that works to help our members with their personal finances, we felt that we had an opportunity to not only serve as a place for savings and loans, but also to provide that formal financial education to help members gain a greater education about how to handle their financial lives.

Following the COVID-19 pandemic, the library room in our church had gone unused for a long time, and the space had grown old and worn. We decided that transforming the room into a technology and financial literacy center for our members and the community would be a great new way to use the space that would help our members and also beautify a place in the church that needed updating.

With very minimal resources, one of the main strategies we employ here at the credit union is to apply for as much grant funding as we can in order to make the investments we need to increase our service to our members. Once we identified the opportunity to transform the library into the financial literacy center at the church, we began the process of applying for a technical assistance grant from the National Credit Union Administration, in which we described our vision for the project, and with the help of our collaborative group of credit unions through the Faith-based Credit Union Alliance of Chicago and support from the Illinois Credit Union League, we successfully received a grant for this project. The original grant was for $125,000, however we only used a portion of that grant, coming in at roughly $25,000 for the entire project.

Once we received the grant, we reached out to local contractors to provide bids on the project. The scope of work included painting, new carpet, modern office furniture, an improved internet system, professional services to advise the credit union on how to properly provide financial education, and technology and hardware such as computers and cell phones, and after several months the project was complete and is now a beautiful, brand new amenity for our church and our credit union.

Our goal now is to provide financial education seminars and workshops for our members to help them understand how to take better care of their financial health, by understanding how to balance check books, make on-time payments on loans, and save. Members of the Board and other community members will start as our instructors/teachers for these financial education classes. We also plan to have all board members and staff of the credit union become certified financial counselors through the CUNA FiCEP program so that we're more educated in the financial education we can provide.

We also are holding classes on basic use of technology such as computers and cell phones to help our members and community become more technologically savvy in this technological world of ours.

A big part of our strategy is targeting young people who might have the technology know-how, but not the financial wellness education so that we can help them get on the right path for their financial lives, and also bring them into the credit union, hopefully leading to member and loan growth.

We also plan to partner with another nearby church that also has a tech center, but that provides services around job searching and resume writing/building, so that we would send our members to their center for career services, and their church would send their members to our tech center for financial education.

Lending

Pawnshop Alternative

Credit union name: Bridgeway Credit Union

Location: Phenix City, AL

Asset size: $69.9 Million

Field of membership: Multiple Common Bond

Point of contact name and title: Kimberly Nichols, CEO

Point of contact phone and email address: 706-566-9359; knichols@bridgewaycu.org

Summary

Small Credit Unions face unique challenges in serving their communities due to limited resources, constrained technology infrastructure, regulatory compliance burdens, and fierce competition from larger institutions. These limitations often hinder their ability to offer diverse loan products, compete effectively in the market, and efficiently manage lending risks. Bridgeway Credit Union's CEO, Kimberly Nichols recognized the challenge, and worked on discovering her members' strategic needs. Investing in innovative lending techniques becomes imperative for survival and growth. Innovative approaches enable Bridgeway CU to address the evolving needs of their members and community, foster financial inclusion, mitigate risks effectively, and differentiate themselves in a competitive landscape.

Member Growth Strategy

Bridgeway CU, aiming for member-centric progress, pursued CDFI certification and secured grants to expand lending portfolios and bolster member engagement. These grants provide the necessary capital and resources to expand lending portfolios and attract and retain members, ultimately fostering financial inclusion and community development. CDFI grants enable credit unions to conduct community outreach and financial education programs, attracting new members and empowering existing ones. By educating the community on financial literacy, small credit unions create a more financially aware and engaged membership base. Grants allow small credit unions to offer attractive membership incentives, such as reduced fees, higher interest rates on savings, or exclusive access to financial education workshops. These incentives enhance the value proposition of credit union membership. Investing in technology and digital infrastructure using the grant funds allows our credit union to reach a broader audience. Improved online banking services, mobile apps, and digital tools enhance convenience, attracting tech-savvy members. Adopting innovative lending practices with the support of CDFI grants helps Bridgeway FCU differentiate itself in the industry. By offering unique and member-focused solutions, they stay ahead of the competition and attract new members who value responsible and innovative financial services.

Community Impact and Success

Bridgeway Credit Union's initiative involves the Lending and Member Services Department. This area is staffed with loan officers, financial advisors, and member service representatives. We utilize a robust loan management system integrated with online banking platforms to streamline loan applications, approvals, and payments. The core functions include providing loans, educating members about financial products, and ensuring timely payments. Bridgeway aims to enhance financial inclusion by providing accessible, fair, and affordable lending options. Innovative practices ensure that members from diverse financial backgrounds have access to credit and financial services, reducing reliance on predatory lending sources.

The credit union identified a need to address financial challenges faced by the community, such as high-interest title pawning and difficulties in meeting timely payment schedules. Through extensive market research and member feedback, we recognized the need for alternative lending solutions prioritizing financial wellness, prompting the credit union to focus on enhancing this area.

Initially, the credit union invested in technology upgrades and staff training to launch the 12/24 on-time payment service. This program states that if a member has 12/24 on time payments with another institution, we will refinance the loan to save the member on rate and/or payment. We allocated a portion of the CDFI grant to develop an innovative program to offer low-interest, non-predatory loans as an alternative to title pawning. The costs were managed through a combination of the CDFI grant and strategic financial planning, involving minimal fee adjustments and no substantial changes in staffing or organizational structure.

The focus on 12/24 on-time payments resulted in reduced delinquency rates, improving the credit union's overall loan portfolio quality. Offering an alternative to title pawning improved the financial health of members, reducing reliance on predatory lending and enhancing their relationship with the credit union. Loan growth has increased considerably from 3.70% in 2018 to 28.93% currently. The overall growth of Bridgeway CU is remarkable. Total assets have increased from $6 million to over $70 million. The credit union also merged in a larger credit union that resulted in overall asset growth.

At the program's inception, the credit union experienced higher delinquency rates and limited member financial wellness. In 2016, delinquencies were as high as 12.3%. Currently, they're at 1.28%. Now, we've seen a significant reduction in delinquencies, increased member satisfaction, and an improved loan portfolio quality. These positive shifts translate directly into enhanced financial health for both members and the credit union itself.

Currently, the program boasts a robust member base benefiting from the 12/24 payment initiative, displaying improved credit scores and financial stability. The alternative lending program has gained popularity due to its fair terms and lower interest rates. The personalized financial education offered alongside these services has been instrumental in members' financial empowerment. These practices enable Bridgeway CU to positively impact the local community. By providing non-predatory lending alternatives, they contribute to economic stability and empower individuals and businesses to thrive financially.

To advance further, Bridgeway plans to expand outreach efforts, enhancing financial education programs and establishing more community partnerships. We aim to refine our lending products based on ongoing member feedback, ensuring sustained growth and positive community impact, as well as continuing to grow beyond our current membership of over 8,400 members. As financial landscapes evolve, member needs also change. Investing in innovative lending practices allows Bridgeway CU to adapt swiftly to these changes, ensuring that they continue to meet the dynamic demands of their members. Bridgeway CU truly lives out the credit union difference. Not only in member relationships but with policies and processes of the credit union. You know your members best; don't be afraid to propose innovative lending opportunities to benefit your members!

This comprehensive overview showcases Bridgeway Credit Union's successful execution of lending and member growth strategies supported by a CDFI grant, focusing on 12/24 on-time payments and an alternative to title pawning. By embracing innovation in lending, Bridgeway CU has enhanced member satisfaction, expanded their loan portfolio responsibly, and contributed positively to their communities, ensuring their relevance and sustainability in the financial industry. It underscores their journey, achievements, and future plans for sustained growth and community impact, providing insights for other credit unions aiming to implement similar programs.

Lending

Saving Residents From a Filthy Catastrophe – A Community Impact Story

Credit union name: CommStar Credit Union

Location: Elyria, OH

Asset size: $96 Million

Field of membership: Dual Charter: SEGs and Community of Lorain, Huron, Eria and Cuyahoga Counties

Point of contact name and title: David A. Jezewski, CEO

Point of contact phone and email address: 440-545-2022; DAVEJ@COMMSTAR.ORG

Summary

September 11th is not a date that will ever be forgotten. In 2019, 107 parcel owners of the City of Avon were invited to receive impactful news on that very day.

The Ohio Environmental Protection Agency had mandated that 107 parcels in Avon must tie into a new city sewer project and crush their septic systems. The mandated project would commence in 2021 with tie ins available that Dec 1st. The estimated assessment was a whopping $1,893,921. This left each parcel owner on the hook for $17,700 in assessments. On top of this each tie in would cost the parcel owners an estimated $11,842 in fees, surcharges, and licensed contractor fees for 150ft of lateral piping. These residents and parcel owners did not leave smiling and voiced their anger to the Administration and elected council members. They listened.

Ten Financial institutions in Avon were invited by the city administration to discuss and devise a unique solution to help these residents. Only three showed. One returned a solution and then bravely hosted a public Town Hall meeting to share that solution. That one was CommStar Credit Union.

Prior to the Town Hall, we met with the city to get their blessing on the solution. Afterall, the City of Avon is our SEG group, and their residents are in our community FOM – it is our mission to serve them. A 3-stage affordability program and resident financing plan was constructed.
The S.ewer H.ome I.mprovement T.ype loan was born.

The Process

Commstar's team came together and identified the framework and mutual benefits of a unique program.

- Residents had about 12-18 months to comply with the mandate by early 2022
- The City needed a promotable solution to reduce the anxiety and public ire of impacted owners
- How many of the 107 will need varying degrees of help (none, some or critical)?
- How could CommStar maximize the short timeframe and offer options to fit specific need of the 107 to get them as close to $12,000 as possible?
- How could CommStar reduce risk in the niche product?
- How will we handle affected borrowers outside of normal lending guidelines?
- The Town Hall:
  - Here for the community 1st
  - Working with the City not FOR the City
  - Press attendance messaging
  - Transparency = trust

Stage One: Plan and Save Now – budget and start early to save more and borrow less:

- Create a Sewer Savings Club
  - Pay a dividend premium up to 25bp over normal savings rates
  - Restrict access to the Club account to avoid withdrawal for non-project purposes
  - Add ACH deposit function with additional dividend incentive
  - Add debit card "change round up" deposits direct into the club
  - Funds directly disbursed to the city/contractors upon inspected project completion

Stage Two: Finance the near future

- Create a niche loan product with discounts for non-savers or shortfall savers
  - S.H.I.T loan created on the bones of a standard home improvement loan program
  - APR discounts for the 107
  - Terms out to 15 years
  - Auto payment discount options
  - Completely unsecured
  - City approved contractor accepted estimate at time of application
  - Commstar to provide project pre-approvals to contractors

Stage Three: Apply the right fit

- Club first, loan next, interviews with the underqualified
  - Identify need over the next 12-18 months

  - Prequalify
  - Council the underqualified and create a success plan

War-Room discussions and results

- Staff and technology
  - Loan department would handle the lending side, Ops the CLUB side and Marketing the PR side. A real team effort. Electronic applications and membership openings for efficiency. No additional staff required.

- Risk
  - **Property transfers:**
    Asked the City to create a "hold-back" like a utility bill. This would create a lien position of sorts until the loan was discharged like how the utility company will hold around $500 on a final bill until all title transfers and disbursements are completed. We were concerned about the loan being funded and then the owner selling the house. The loan would not be transferred to the new owner even though they had the benefit of the project. The CU wanted to reduce the loan interest rate if we could guarantee disbursement back as a condition of sale. The City declined after much discussion because they did not feel they had the authority to apply such a condition and did not have a mechanism to administer it. Based on this CSCU reduced the rate but not to the level we had originally intended.

  - **Unsecured and Underqualified:**
    Avon is a city of "halves." The explosion of retail and highway access in Avon has created a 2-tier demographic in housing. The "original" ½ of the city is the section that fell into this mandate. That area is traditionally occupied by an aging population and/or residents that are traditionally underserved. We were committed to serving them all and would have to update lending policies and procedures for this unique lending niche. The Board was completely supportive with the potential increased lending risk. We would not incur costs of traditional appraisals for HELOC's and Lien searches nor pass that on to the resident increasing the burden. LTV was taken out of the equation.

  - **Investment:**
    107 x $200 Club match = $21,400. If 100% utilized, the Board supported this up-front investment to get the affected owners to save and reduce their loan burden upon project scheduling. The City was impressed that we would make this commitment to their residents.

- **Town Hall:**
  Based on discussions we had with the Mayor and City Council members, reputation risk was a consideration when we offered to host an open town hall meeting. We also had discussions about creating trust in the residents as some may think this was an opportunity to profit and a shill for the City. We knew that the press would attend. We knew that the 107 were mostly not happy with the mandate. The City gave us the contact information for the 107 and we personally invited each one of them. We also opened it up to the rest of the City as other neighborhoods may fall into these mandates in the near future. It was a full house that night. We committed to stay until all their questions were answered. One brave city council member attended to talk about "city" things.
  Greatest Q&A:
  Resident "why are you here and doing this?"
  CSCU: "this is our mission – not for profit, not for charity, but for service."

- **Loss reserves:**
  Discussed if we should set aside an increased level of loss reserves based on the underqualification of loan recipients. We decided to react to delinquency just like any other member loan holder and follow our standard methodology for loss reserves.

- **Exposure:**
  We had been sponsors of multiple recreation areas in the city in the past. Pool, minor league baseball, duct tape festival, etc. Those items involve less investment, less risk and more public exposure. However, the S.H.I.T program was a need-based target-limited initiative. The executive and marketing team took a long-term approach to both sides of the exposure argument. In the end we decided that this niche program was truer to the mission and believed the membership as a whole would be supportive. We considered the other municipalities in our FOM that may need a similar niche product if the Ohio EPA mandated the same in their city. Elyria, Grafton, Avon, North Ridgeville cities were all SEGs within our FOM. They all have the potential to need a version of this program – so Avon could set the groundwork and we would benefit from historical performance data.

- **What do they know that we don't?:**
  We discussed how only one out of ten FI's in the City built a proposal. What were we missing? Why did no one else come back to the table? We chalked it up to this not being a box with a pretty bow on it for them and their balance sheet.

- **What do they know that we don't?:**
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a box with a pretty bow on it for them and their balance sheet.

- **Dave's Credo "get to Yes":**
  This was the embodiment of that ethos.

Retrospective and no crystal ball

It is not that uncommon to hear the phrase "never saw that coming." This community impact story said that a few times.

- **Covid19:** the challenge to operate and create member value during a time of uncertainty and fear. The silver lining was that the pandemic delayed the mandate and allowed the 107 to save for a longer period and rely less on loan dollars.
- **The relocation:** our 1938 founding SEG, Bendix-Westinghouse, moved its headquarters to a brand-new beautiful building in Avon. What were the chances?
- **Avon City Council:** an at-large city Council member was elected who was a former credit union executive.

Small credit unions must take wins by the inch. We cannot afford to always swing for the fences with shallower safety nets. However, we must remain relevant by living the mission and communicating the power of cooperatives. Innovation is not the same as investment. Innovation is finding opportunities to create unique positive impact, relieving stress, exploring opportunities, and creating time. Flexibility and execution are not possible without the support of the team and the membership at large through their elected Board members. We did not add staff, we did not create double digit member growth, we did not add millions and millions of loan dollars. We did something better. We created a solution to a problem we did not create. We created small wins for the City and for the 107. We created good will. We made good on our promise to support the community we were in. We did what nine others were able to do but refused to.

This project is essentially completed. The Club accounts have been disbursed and we put some loans on the books which are all paid as agreed as of this submission. In 2024 we will be creating a new Community Impact Coordinator to work more in our FOM and search for additional unique opportunities to serve. We may not come up with equally clever project names – but we will try.

Lending

Generating Income/Growth with Lending and Counseling

Credit union name: Embarrass Vermillion Federal Credit Union

Location: Aurora, MN

Asset size: $60 Million

Field of membership: St Louis County – north of highway 16, and Bois Forte Tribal Members.

Point of contact name and title: Olivia Brookshire – Loan Officer

Point of contact phone and email address: 218-229-2048; olivia@evfcu.org

Summary

While there is no high-level overview yet, I am working on implementing a credit counseling course for members and non-members to attend. Along with myself, there is another loan officer who has completed the Certified Credit Union Financial Counselor course. Having only completed this course two weeks ago, unfortunately, I have not gotten very far on the plan to ensure our CEO and BOD are on board.

I would like to set up dates and times with the schools, community centers, and libraires in our area to start. I believe starting with tips on enhancing your credit score along with things to avoid would be a great place to start and see how the turn out is. Eventually evolving into how to handle garnishments or levies, how settlements are reported to the credit bureaus, how important it is to pay your medical bills, etc.

During these courses I started to include a lot of the information I was learning in my lending practices. It has helped me understand that while a consolidation and bringing down their monthly bills can be great temporarily, it does not teach our members to change spending habits, leading to needing the same consolidation at a later date. Of course, there are going to be situations where they are beyond our expertise, that is where we are partnered with a third party, Lutheran Social Services is one that we have, who offer debt payment plans that are out of our reach. I believe we will need more third-party partnerships in the future, such as investment managers for members who wish to take their savings to the next level.

With the increase in expenses these past several years, it has led to many members not having enough funds for groceries or regular monthly bills. In our credit union bylaws, we do not borrow for monthly bills such as rent, phone bills, insurance, and so on. I would like to be able to help members understand what they can afford and where they can cut costs, along with avoiding being sent to collections, or helping handle the debt collectors in a proper way to ensure they can get paid, as well.

If we can offer these services to non-members, we can potentially lead them to become members with us, thus increasing our membership, income, and the stability the members feel. As I mentioned in the beginning, we do not have a program set up yet. As I implement my learning into my lending strategy, I have had non-members calling requesting to speak with me, due to the help I provided a member who was their friend. In our small area, word of mouth can travel faster than a newspaper or commercials.

When I first started as a member service representative at Embarrass Vermillion in the beginning of 2020, the brink of COVID-19, our asset size was $56,000,000, we have grown to $60,000,000 in 3 years. As we grow as a credit union, we also grow as a family and team, leading to more opportunities to learn and grow. Embarrass Vermillion is planning on having at least one employee a year go through the CCUFC course, letting us potentially offer more classes, as we can spread them throughout our area.

Lending

1 Application, 2 Loans

Credit union name: Energy Plus Credit Union

Location: Indianapolis, IN

Asset size: $40 Million

Field of membership: Local utilities & communities surrounding our branches

Point of contact name and title: Cari Palmer, CEO

Point of contact phone and email address: 317-261-5916; cpalmer@energypluscu.org

Summary

In this narrative we will explain how our credit union used the 2008 financial crisis to as a catalyst to make major changes to our loan program.

Energy Plus Credit Union was formed by the merger of IPALCO CU and Citizens Gas & Coke Utility CU in late 2007. Prior to the merger, both credit unions were able to keep stable loan portfolios with strong loan to share ratios in the seventies. The management teams were excited to take advantage of the economies of scale and use the additional net income to reinvest in the CU. Unfortunately, shortly after the merger, one of the major gas company plants was forced to close. A quarter of the credit union's membership was affected by the closure and the loan portfolio suffered significant losses.

The plant closure, coupled with the ensuing collapse of the financial market, took a major toll on EPCU. The net income that the management team had anticipated having was quickly soaked up with funding for the Provision Account and eventual charge offs. Loan volume slowed significantly, and the credit union was forced to examine the entire lending program.

Management discovered that loan officers had been getting by with loans walking in the door, but that very little cross-selling was actually taking place. Staff were intimidated by cold calling and felt that they were putting pressure on the members when they brought up options for borrowing.

We wanted to have a multi-stepped approach to increasing our loan volume. We knew that we wanted to offer an incentive to the membership and also to the loan staff, but we felt like we needed a strategy to help them get the ball rolling. The credit union decided to implement a policy of “two loan applications for every loan request”. The plan didn’t have a catchy phrase, but all of the loan officers understood the objective.

With a credit report being pulled for every loan application, we realized that we were leaving low hanging fruit on the vine by not attempting to capture other loans from the credit file. Loan officers with approval authority were not allowed to input an approval if only one application had been entered. The goal was to contact the member with their requested approval and offer the second loan already approved at the same time. The staff learned to highlight the ease of closing both loans together and slowly they started to build their cross-selling skills. Even for members who didn’t have loans listed on their credit report, the staff learned that they could offer our Visa Credit Card or get the member pre-approved to go car shopping often times opening up a conversation that member was already having with a dealership or a bank.

To incentivize the members, in October of 2008, the credit union offered a “Holiday Loan Special”. The loan came with a discounted rate (3% below our regular personal loan rate), a maximum draw of $2500 and a set term of 12 months. Each loan generated an average of less than $200 in interest income, but the bigger payoff came in the form of the credit reports we were able to access. The holiday loan carries zero delinquency still to this day and has become a lucrative staple of our loan program. From October 1- December 31 each year, Energy Plus closes around $50,000 in holiday loans, helping our members in the holiday season and giving our loan staff a bank of credit reports to work with in Q1 of the following year.

We also added new incentives for staff. For our loan officers we created incentives for our add on products. To bring our front-line staff into the fold, we started offering an incentive for every loan that they referred to a loan officer.

Our loan portfolio grew by $2 million from 2008 to 2009 and has had a trajectory of growth ever since we made these changes to our loan program. In the past 15 years we have increased our loans by over $13 million. We are fulfilling our mission of helping our members by saving them on their total finance charges and using the income to fund new and exciting projects for the credit union, such as adding an online member application, offering electronic signature and updating our mobile application remote deposit capture.

Broker Your Mortgages!

Credit union name: FedFinancial FCU

Location: Silver Spring, MD

Asset size: $83 Million

Field of membership: Federal Government Employees in Washington, DC and Baltimore, MD Metropolitan Areas

Point of contact name and title: Jonathan Rhodes, President/CEO

Point of contact phone and email address: 301-468-0299; jrhodes@fedfinancial.org

Summary

While many small credit unions are reluctant to hold fixed-rate mortgages on their balance sheet due to interest rate risks, brokering mortgages through a company like United Wholesale Mortgage (UWM) allows you to generate income for your institution while providing the members with significant value due to their low rates.

Since 2021, the Credit Union made $523,549.00 by brokering mortgages through UWM. UWM allows you to always brand the mortgage offering and provides you with ways to market to your members.

Since we are so involved in lending to members, providing them with mortgages is an easy transition and all members need great mortgage rates.

You need to either train and/or hire an employee or employees that are very skilled in selling mortgages to your members. This usually results in an upfront expense, but you can mitigate the expense by offering the employee(s) a commission-based salary instead of a fixed salary. You also must train all staff members on mortgages so that they can send warm leads to the people responsible for selling mortgages.

Our members think of us when they are in the market for mortgages, and we have made $523,549.00 by brokering mortgages since 2021.

Most small credit unions do not have a Director of First Mortgages and blindly send their members to a CUSO when they want a first mortgage. They are unaware of what happens to their members unless the CUSO contacts them. We maintain the relationship with the member throughout the first mortgage process including after the mortgage closes.

We continue to learn more about the marketing tools available through UWM and mortgage sales techniques and we create excel spreadsheets to provide analysis to members when they compare the mortgages we offer to competitors.

We have used the income from mortgage brokering to weather a lot of changes in interest rates throughout the last 10 years.

Brokering mortgages through a company like United Wholesale Mortgage can be very lucrative for small credit unions and can help enhance the total value that members receive from the credit union.

Lending

Hiring a Mortgage Lender

Credit union name: Healthshare Credit Union

Location: Greensboro, NC

Asset size: $52 Million

Field of membership: Hospital and healthcare workers

Point of contact name and title: Genice DeCorte, President/CEO

Point of contact phone and email address: 336-832-8206; Genice.DeCorte@conehealth.com

Summary

The business strategy that has made the biggest impact for us as a credit union in recent years has been our new, strong commitment to mortgage lending. By bringing mortgage lending in-house, and hiring a mortgage specialist, we have seen our income grow exponentially in recent years. A success that will now allow us to invest in new opportunities to grow the credit union, such as hiring a marketing company that will continue to grow the visibility of and engagement with our credit union.

The other note we would make is that our decision to make this investment in mortgage lending stemmed from a strategic planning session we held; and that strategic planning should always play a significant role in how you determine priorities and growth strategies as a credit union.

Background

In roughly 2017, our credit union began to offer mortgage loans when our credit union's lenders, the CEO included, went through mortgage training to have the capability to do so. Learning the process gave the credit union's leadership the ability to understand how mortgages worked and what resources were needed to be successful. We began offering new mortgages slowly at first, only doing five mortgages the first year totaling roughly $1 million. It is important to choose the right mortgage partner. Our partner held our hand through the entire training process. They worked with us for a few months before we launched our program and were there to answer every question. We did not have any previous mortgage lending experience and they provided all of the support needed for each loan. We are the only contact for our member. Our partner supports us and we take care of our member directly. We prefer this process because we go the extra mile for our members on each and every loan. This is important in order to gain referrals from members.

In 2018, we did five more loans totaling $1.2 million, and in 2019 the credit union hired a mortgage lending specialist. While the person didn't have a mortgage lending background, the individual had a strong sales personality that we believed was key to the role. A recommendation we would make to any credit union thinking about hiring someone to fill such a position is that the person be outgoing and a go-getter; someone who is hungry to develop the mortgage business for the credit union and almost acts as a self-employed person.

That year, our mortgage specialist performed 15 loans totaling $2.3 million, tripling our average number of loans in less than a year. In 2020, we did roughly 50 mortgages totaling nearly $10 million in loan volume.

As a credit union that serves hospital workers, our mortgage specialist made it a point to spend a lot of time in and around the hospital, networking, meeting employees, and raising awareness of both the credit union and the new mortgage services that we provided. We also incentivized our frontline staff to refer members to our mortgage service, to the tune of $20 per referral.

However, once word began to spread that the credit union did mortgages, the volume continued without a huge need for greater investments in business development or marketing work.

The other key component of this strategy is the salary and incentives we set for the mortgage specialist position. We set a lower than typical base salary for the position, but then provided significant compensation when the employee hit certain marks in terms of overall loan volume.

This year in 2023, we plan to hire another staff person focused on overall member engagement and business development that will follow the strategy executed by the mortgage specialist, meeting with hospital staff and raising the visibility of the credit union. Again, we will set the salary low, but create higher incentives that will allow this person to earn higher income as long as goals are met.

Selling mortgages on the secondary market

While we appreciate the value of keeping mortgages on our books to earn the interest income, our balance sheet doesn't have the capacity to accommodate every mortgage that we do, so we ultimately sell many of our mortgages on the secondary market, averaging about 2-3% of the loan balance for each mortgage that we do in income. For example, if we do a $600,000 mortgage, we'll earn $15,000 on that loan. Our mortgage partner allows us to either retain or sell each loan. The loans that we sell are FNMA compliant and they handle all of the details for the sale. We just process the loan as normal and then they send the funding back to us.

Financial picture today

Due to the success we've had in the mortgage program, we can now make investments in new strategies and programs that will help the credit union grow, including the new business development/member engagement representative and hiring the new marketing company.

To illustrate the growth we experienced over the course of these past 6 or 7 years, in 2016 before we started the mortgage program we showed ~$12,000 in net income from mortgages, in 2017 we made ~$29,000 in net income.

Once we reached our first full year of the mortgage program in 2018, we earned $202,000 in mortgage income, followed by ~$250,000 in 2019, ~$287,000 in 2020, ~$360,000 in 2021, and in 2022, $380,000, all while working to pay our staff healthy salaries and compensation and investing in new technology.

At this point, 26% of our income comes from first mortgages, and we believe that number will continue to grow into the future.

Winning Through Indirect

Credit union name: Illinois Educators Credit Union

Location: Springfield, IL

Asset size: $100 Million

Field of membership: 9,200 Members

Point of contact name and title: Jody Dabrowski, CEO

Point of contact phone and email address: 217-718-5015; jdabrowski@iecumember.org

IECU
bank. learn. excel.

Summary

In 2016 we began a journey of implementing changes that have increased our loan portfolio, decreased charge offs, added new members, posted impressive net income and grew our net worth. The successes we have had also improved our staff retention and satisfaction with their work. Becoming a part of the Indirect Lending market has been a game changer for IECU.

The impetus for change

With the leadership of a new CEO in late 2015 and her infusion of ideas, the Board began assessing the current status of the credit union. What we found was that despite a healthy loan to share ratio of 80%, delinquencies and charge offs were high, total outstanding auto loans were declining, our expenses were higher than peer, net income lower and there was a high level of unsecured loans. We knew that growth and stability would require reviewing the data causing these alarming trends, exploring new approaches, and adapting to change.

First Steps

The Board had to step back and realistically look at the credit unions current state and its potential. New loan products and more members were both needed to ensure our future. Indirect lending and opening our field of membership pushed us outside of our comfort zones. However, the Board knew changes were needed, and so with direction from the CEO and COO, the Board entered into difficult discussions about our current membership and the past-held beliefs that opening our field of membership and indirect lending should both be avoided.

IECU had always prided itself in being a credit union for teachers and support staff. Yet, the Board came to the realization that we had to increase our membership count in order to see real growth and a future. Our closed field of membership of only educators and their families had not led to any significant growth for years and was not going to lead to growth in the future. The Board determined that those who had been educated in our schools should be recruited as members into the credit union. As a state-chartered credit union, the process was fairly simple, requiring a letter from our Regional Superintendent of Schools, requesting that students and alumni be added to our field of membership.

At the same time, our CEO and COO shared with the Board an in-depth presentation of the lending process. We learned that while IECU would provide members with a pre-approval letter to take to the dealership, only about 1 in 10 letters resulted in a loan. Ninety percent of car buyers were persuaded to take financing at the dealership. And so began a serious review of indirect lending. Leadership shared with us insights learned from conversations with local credit unions, trend data, costs, technology requirements, and risks. We even sent one of our loan officers to shadow an indirect loan officer at another credit union, allowing him to return with a better understanding of the process and what was needed in order to make our program a success. After nearly 6 months of discussion, the Board embraced the new loan idea.

Indirect lending transformed our lending department. In 2015 we had 5 loan officers on staff; today we have 2. By using DealerTrack software, the loan process is much more efficient. We have added a loan processor who reviews the loan packets and books the loans onto our system and requests the accountant send via ACH the amount needed to fund each loan. Our Director of Lending submits a monthly report to the Board detailing a number of important metrics we track.

Execution

We learned early on that DealerTrack had eliminated its costly upfront fee. There is a per application fee that is billed monthly. We are invoiced for each application presented to us, not just the ones we approve. Not knowing how high the expense could be, we signed on just a couple of dealers at a time in order to gauge the volume. This allowed us to approve loans, earn a bit more interest income and then add more dealers. We currently have 27 dealers under contract; however, we see most of our volume from 5 of them.

Our 2017 Indirect loan numbers, reported on the September 5300 Call Report, prompted a visit from the NCUA. They sent an indirect lending specialist to review our program. Thankfully, our

CEO and COO had prior experience in indirect lending and had modeled our program after much larger credit unions. We passed the exam with flying colors.

Indirect lending comes with some unique challenges and risks, the largest being how quick we need to be in the decision-making process. This can and will result in loans that make their way to collections. As a small credit union, with limited staff and expertise, we contracted with CU Recovery, now Triverity to assist. They call our indirect loans at day 10; this quicker response has helped. We were able to afford their services as a result of the additional income earned from indirect lending, about 10 months after we launched the program.

Data Proves Success

A review of statistics comparing end of December 2015 to end of December 2022 proves indirect lending has been successfully implemented at IECU.

Assets: Nearly doubling from $52M to $100M.
Return on assets: Improving from .09% to 1.32%.
Net Income: Increasing from $47,333 to $1,580,652.
Capital ratio: Growing from 9.14% to 10.52%.
Unsecured Loans: Decreasing from nearly 30% of the portfolio to 10%.
Auto Loans: Increasing from $24 million to $54 million.
Charge offs: Falling from .99% to .20%
Members: Increasing from 7,128 to 8,997

Impact on Staff

For several years we experienced high staff turnover. Our team was working hard to write and rewrite signature loans in an attempt to increase outstanding balances. However, that led to collection problems and high charge offs which impacted our net income negatively. Our wage rates were barely competitive. The growth that indirect lending brought has changed that trend. While we are able to operate with fewer loan officers, we have added other staff. All are trained to know the basics of various capacities of our credit union, not just their particular area, which helps them direct calls to the appropriate staff person for specific needs. We have promoted a loan officer to a lending manager and now to the position of Director of Lending, which has opened opportunities for the promotion of other staff members.

Being a part of and working for a credit union that is growing is very exciting. The atmosphere is much different than it was before. Moving away from the way we always did car loans to the way our members like to buy cars, has shown our staff that we truly are here for our members.

Staff know they have a leadership team and Board who are willing to listen and make changes when needed. Staff are much happier with the work, and they are staying.

Moving Forward

Over the last 7 years, our leadership team has met with other small credit unions and shared our story of moving into Indirect Lending. They have shared documents, processes and key contacts.

Our credit union merged with a credit union in another city after the death of their CEO. That has added new members and opportunities for growth. Plans are underway to build an indirect loan program with car dealers in that city which will increase membership and loans.
We are also in talks with a local small credit union in regards to indirect lending. We are determining if we will assist in creating their own program (from FOM expansion, to Board Approval, to adding DealerTrack, to process and funding) or possibly do the heavy lifting for them and have our loan officers operate an indirect program for them.

Lending

Checking Account Dominance (and Savvy Money)

Credit union name: Ironworkers USA FCU

Location: Portland, OR

Asset size: $115 Million

Field of membership: Ironworkers nationally

Point of contact name and title: Teri Robinson, President/CEO

Point of contact phone and email address: 503-774-3848; teri@ironworkersusafcu.org

Summary

The simplest way to describe our strategy for success here at Ironworkers USA FCU is that we work to make sure ironworkers nationwide know that we are here to improve their financial lives by offering them better loans.

We are entirely about lending here at the credit union. So much so that recently we made a change to our staffing model that requires all employees to be lenders.

There are many tried and true strategies that we execute to not only increase our loan volume but to become better lenders. But we also have added a new channel that has funneled a significant amount of new loan volume to the credit union as well.

Starting with what's worked for us in the past:

Prioritizing checking accounts and data mining

We place a strong emphasis on convincing members to open checking accounts because it makes their membership sticky. Even more important, it provides a window into the rest of their financial lives. We scrape our members' payment histories through their checking accounts to see where else they might be making payments for other loans, and we work hard to contact those members and bring the loans back to our credit union.

We pay special attention to those predatory lenders that pop up on these ACH reports such as One Main, as well as the dealer financing companies like Harley Davidson, that can charge exorbitantly high interest rates. When speaking with those members about how much we can save them on their loans, the “sell” becomes quite easy.

Loans on top of loans

If a member comes into the credit union looking for one loan, we dig into their credit report to see where else we might be able to help them, whether that’s a credit card balance transfer and consolidation, or another auto loan at a different financial institution.

Due to the nature of the habits of our typical members, who often think about what they want to buy first, and how they’re going to pay for it second, we tend to see a lot of bad loans on their records. In some cases, we can save our members hundreds if not thousands of dollars, and their appreciation for our work to help them is profound. So much so that they’ll spread the word about the work we do for ironworkers to other ironworkers across the country when they travel for different construction jobs.

Marketing to the ironworker persona

When you look at our website, our marketing materials, even the way our credit cards look, there is never a doubt about whom we serve. Our target members are rough and tough, blue-collar workers, and so our credit union looks rough and tough and blue collar. Black and silver. Iron and grime. We have worked hard to feel like a part of the ironworker brother and sisterhood. Making it obvious whom we serve through our brand and our marketing is a constant reminder of our presence and our commitment to these individuals and their families. And, because our ironworkers aren’t all local any longer (we changed to a national charter several years ago), we’ve gotten creative in how we distribute our marketing materials and paraphernalia.

We started by sending hearty black cardboard boxes filled with Ironworkers USA FCU gear in them to every new member who opened an account with us. Strategically, the boxes are filled with goods that are perfect for displaying on jobsites in easy view of other ironworkers: Coffee thermoses, hardhat stickers, air fresheners for work trucks, sunglasses, t-shirts, etc. This way, our new members receive a very nice thank you from the credit union for opening an account. Then, they become walking billboards for us on job sites, leading to potential new membership growth. We’ve recently updated the box to a cigar box that continues our commitment to this strategy and brand (they also look really cool). It’s been a fantastic and successful strategy for the credit union in recent years, and our numbers speak for themselves:

Our membership growth is skyrocketing, posting 40% organic growth in 2022, and nearly 12% in 2023. Our ROA sits comfortably above 2% year-in and year-out, and our loan growth is consistently in the 25%+ range. We attribute all that success to our TRANSPARENT commitment to ironworkers, in all ways.

SavvyMoney

We do our best to stay current with the times here at the credit union, and adding a solution like SavvyMoney helped us add a new technology-based channel for our members to access our loas in a way that's consistent with our philosophy, while also improving the member experience.

To quickly summarize the services they provide, SavvyMoney offers real-time credit score monitoring for members, budgeting tools, financial education resources, and recommendations for how members can improve their credit, all through an online portal embedded into our website and our mobile app.

This last part is the key. Members receive emails with updates to their credit scores and offers for loans at our credit union that would improve their interest rates and therefore lower their payments. Once they're on our website, they'll see opportunities for personal loans that they can easily apply for and receive, and that is a core part of our business. That means we've made it even easier for members to access loans that they're already getting from the credit union, speeding up the process and improving the member experience, while also, we believe, leading to additional loan growth.

Here has been the performance of the service after just a few months of offering it:

Auto loans – 1,056 clicks, leading to 160 applications.
Credit cards – 873 clicks, leading to 316 applications.
Home equity loans – 68 clicks, leading to 26 applications.
Personal loans – 827 clicks, leading to 224 applications.
Other loans – 569 clicks, leading to 192 applications.

Overall, we have funded 155 loans totaling $1,625,627.
- Auto loans $1,009,152
- Credit cards $71,400
- Other $167,580
- Personal Loans $317,495
- Home Equity $60,000

Despite only investing in this service in the summer, we're already seeing a great return, and forecast that usage of this program will only grow over time.

Lending

Low, Low, Rates

Credit union name: Kinzua FCU

Location: Warren, PA

Asset size: $15 Million

Field of membership: Community

Point of contact name and title: Amy Lyon, President/CEO

Point of contact phone and email address: 814-723-3661; alyon@atlanticbbn.net

Summary

As a small credit union, we know that identifying a competitive advantage in our market so that we can stand out from the competition from other banks and even the other credit unions – that we are friends with – is duly important.

And, as a credit union, we ultimately want to provide the best deal and the best rates for our members on loans and savings that we can. That's what we were founded for as National Forge Credit Union (now Kinzua FCU), and that's what we still aim to do.

Fortunately, we feel that keeping our rates as competitive as possible not only helps our members in their personal financial lives, but it is also our differentiation in the local marketplace here in rural Pennsylvania. It's what has made our credit union successful over the years.

Competitive rates

As mentioned, our members do have other options in the community, including other community-based credit unions. We work hard to collaborate with those credit unions to help each other the best that we can. But our main strategy for success is to always set our rates lower than the rest of the competition, which, yes, includes our friendly credit union neighbors.

Obviously, we can't give the house away, so to speak, so we spend a great deal of time tracking rates at other financial institutions to ensure that our rates are competitive, but not "too" competitive.

But because we play such close attention to detail when it comes to rates locally, our members can come to the credit union with confidence and know they are going to get the best rates in town. That keeps a healthy pipeline stocked with returning borrowers. We believe what we potentially give up in terms of returns on higher rates, we make up for in higher loan volume.

Over the past two years we have averaged 15% year-over-year loan growth, in large part due to this lower rate strategy. When we communicate with members about why they choose our credit union for their borrowing needs, they almost always say because our rates are better.

Loan promotions and marketing

Loan promotions figure into our success in a significant way as well. Our current members and borrowers know we offer great rates. But we always want to attract new members. The key to that strategy is baking our low rates into loan promotions that we market.

Importantly, we constantly update our fee schedule online, we post our rate sheet on social media through Facebook and Instagram, and we also publish our rates regularly in the lobby of the credit union.

Additional lending tactics

Beyond offering low rates, we also have bolstered our loan growth by working to accommodate borrowers of all kinds in our community. We try to give as many people chances as we can, especially when other financial institutions won't take that chance. Our rates are still competitive for borrowers with lower credit scores, but we do use risk-based pricing to ensure that we can keep lending to these individuals and families who come to us needing help. The higher-priced loans, in turn, ensure that the credit union is protected.

Our latest strategies around lending have been to improve the member experience when taking out these loans. We now offer online account opening and online loan applications, and our staff has really created an efficient framework for processing those loan applications. Our members have shared feedback that they look for a speedy loan approval process and so we work hard to deliver that to them in line with their expectations.

What's next for our credit union

We are excited to have opened a new branch in a nearby community, and also we are in the process of building a new main branch for the credit union here in Warren. Our success and service to our members is starting to get noticed by other communities as well, and we have been contacted on several occasions to open branches in neighboring communities — opportunities we will be exploring in the near future.

We also have a great partnership with a local high school's co-op program that sends two students to the credit union who work in our marketing and accounting areas, providing much-needed support in key areas at a very low-cost to our organization. We're hoping to build on that relationship with the schools here locally as well to further deepen our involvement in the community.

Lending

Car Sale in the Credit Union Parking Lot

Credit union name: LOCO CU

Location: Alamogordo, NM

Asset size: $66 Million

Field of membership: Community

Point of contact name: Deanna Schlensing

Point of contact phone and email address: 575-437-3110, deanna@lococreditunion.com

Summary

For our submission, we wanted to showcase a creative way that we partner with small car dealerships in our community to drive more people to their vehicles and more people to our credit union.

Twice per year, we host “car sales” in the parking lot of the credit union, where we invite local car dealers to park their cars in our lot. We then invite our members and the community to come shopping!

It’s a win-win-win for everyone involved, as the dealers can sell more cars, we’re able to make more loans, and members are able to buy a car that they need. People looking for a car also receive the convenience of only having to go to one place to find a car, as they don’t have to travel to all the different dealerships in the area.

Both the dealerships and the credit union have staff on-site throughout the week when the cars are here to answer questions, open accounts, and, of course, process loan applications. Most of the activity takes place in the first few days of the event. But we’re typically still processing loans through the end of the week that were initiated during the car sale.

To make the process easy on members and prospective members, borrowers can start the loan application right in the parking lot. They also have the option of coming right into the branch to meet with our loan department. Because we fully staff the branch during the sale, new members not only can shop for a car, but they also get exposure to who we are as a credit

union and what we do for the people we serve.
From the marketing side, we try to incentivize people to come to the car sale by making it more than just a car sale, whether that's hosting food trucks in the parking lot or selling hotdogs. We've also held the event during the local community festival where LOCO staff will hand out flyers promoting the event. Our other primary promotional channels are radio ads and social media.

During these events, we typically book more than $1 million in loans, usually in just over a couple of days. The car sales also of course bring new members to the credit union and give us great exposure within the community.

We also want to add that a key piece of the strategy to host these events successfully – and for the success of our auto lending throughout the year -- is building strong relationships with the local dealerships.

We don't participate in a formal indirect auto lending program with the dealers, meaning they don't get a "kickback" or revenue for sending borrowers to the credit union. But they send them to us anyway, either because the car buyer has requested financing through our credit union (which we love!) or the dealership knows that we can give them a good deal based on their financial situation.

Because the dealers don't earn anything in return for sending a borrower to us, that tells us that our relationship with them is beneficial. They benefit because they know they can send borrowers to LOCO and that we will do everything we can to give that person a loan, no matter their credit history.

The truth is, a large number of members who take advantage of the car sale have lower credit scores. But through risk-based lending and pricing, we're able to do everything in our power to approve these loans so that they can leave with a reliable form of transportation.

We have so many members who come in nervous about asking for an auto loan because they have been turned down time after time from other financial institutions. But we're here to listen and help them, and it's rare that we can't approve a loan.

Lending

Text Collections, Indirect Lending

Credit union name: Roswell Community CU

Location: Roswell, NM

Asset size: $43 Million

Field of membership: Community

Point of contact name and title: Karen Griffo, President/CEO

Point of contact phone and email address: 575-623-7788; karen@roswellcu.org

Summary

Being a credit union from Roswell, N.M., I get asked all the time if "I believe" (in aliens), and what I say is:

I believe it helps our economy.

Similarly, I believe that our unique approach to lending, both from an organic standpoint and an indirect standpoint, is the biggest driver of our success as a credit union. And I'm thrilled to share with you the ways in which we've become one of the most effective lenders in our community and beyond.

By the numbers

First the numbers: Roswell Community Credit Union, at $43 million in assets, has gone 28 consecutive months lending over $1 million. We sit at 98% loan-to-share, and we have seen consistent double-digit year-over-year loan growth over the past five years, including 35% in 2022 and 13% in 2023 (through the end of September).

We've also posted more than 1% ROA annually for the past five years, including 1.71% in 2023, and we have seen more than 6% membership growth consistently in recent years as well.

At just seven staff members, we are a well-oiled machine, and we are good at what we do!

What we do

We are almost equally balanced in our loan portfolio between indirect loans and organic loans. The success of both programs starts with the relationships we build with the stakeholders involved.
On the indirect side, which we started in earnest in late 2019, we work very hard to build solid, strong relationships with the dealerships and their finance professionals in our community. It wouldn't be out of the ordinary to see me out to lunch or dinner with these finance folks, because our relationships matter that much.

Because at the end of the day, when a car buyer walks into a dealership, we want to be at the top of the list. And our relationships are the first line of defense – or offense – to ensure we're at the top of that list. We know we must make visits into the dealerships to make contact on a regular basis. We make phone calls to them. We must be top of mind at all times.

Being friendly with the dealerships is one thing, but providing great service is also critical. We've learned that dealerships want us to be really timely and quick with our approval process. As such, I have a staff person who has a cell phone and a laptop at home, even on weekends, and if she gets a ding that an application has come in, she'll drop everything and process the loan application.

For those looking to dig deeper into their indirect strategies, our advice would be to really understand what the dealership's finance priorities are, but then also to make sure they understand what your priorities are so that when borrowers/car buyers come in, they know when it's right for them to keep the deal and when it's right to send the person to the credit union.

Now, as we start to see indirect loans pay off, we are working hard to try and encourage these folks to stay on as members. We don't just say that your loan is nearly finished or that your account is dormant, we leverage those opportunities to communicate what we do as a credit union: here are our services and here how we can help you, and we're starting to see success in retaining those members.

On the organic side

While used-auto loans make up the bulk of our loan portfolio, we are particularly proud of our shared-secure portfolio. Our shared-secured loans comprise 20% of all the loans we make, which of course boosts our bottom line, but more importantly it helps members with all types of credit scores in impactful ways.

We serve underserved individuals and families, but we're not giving away the farm. We don't take overt risks. It's really getting to know your members and trying to find ways to say yes. We'll finance anything, whether it's a horse trailer, a ditch witch, we'll work to make an approval.

We also manage collections extremely well. We haven't had a charge off in 24 years, including more recently on the indirect side. We pay attention to details; we pay attention to collections (that members might have from other financials), and we pay attention to insurance, and that keeps our success rate extremely high.

Second-chance re-fis

One of our more successful programs is our second-chance re-fi program that we started a few years ago.

We initiate a three-step process with members who have lower credit scores where we first open a credit card with a member, second, offer them a shared-secured loan of $4,000 that we place into a savings account, and third, after 30 days, we transfer $3,200 as their first payment. After that, we start $25 payments for the remainder of the balance.

This builds up a fantastic savings tool for our members and it gives them capacity on their credit report. Naturally, these members come to us first when they need a bigger loan for a car or home.

A few other tactics that we leverage here at the credit union:

- If someone comes in to take out their money to go buy something on the larger side, we find a way to show them how they can keep their money in their savings account and instead pay for it through a shared-secure loan, allowing them to keep their money but still buy what they want.
- We're good at mining our members' credit reports. If you come in for a car loan, it's not unusual that you will leave with two car loans and a signature loan.
- Collections is extremely important. If you're 10 days late, we're already in contact with you. We're texting you. We're emailing. We're on Facebook. We're using all those resources that are now at our disposal to stay in contact with our members and borrowers.
- We've learned whether it's a collection or a loan, we'll get you out the door quickly. We've become efficient in our processes and we approve loans on the weekends quickly. That service has become well-known in the community, leading to great word-of-mouth growth for the credit union.

Lending

Lending to ALICE Families

Credit union name: Southern Chautauqua Federal Credit Union

Location: Lakewood, NY

Asset size: $140 Million

Field of membership: Community Charter

Point of contact name and title: John E. Felton, CEO

Point of contact phone and email address: 716-665-7000; jfelton@665-7000.com

Summary

ALICE (Asset Limited Income Constrained Employed) families are the model member for credit unions. Middle class and working poor Americans are truly searching for a trusted financial partner. Southern Chautauqua FCU (SCFCU) has passionately focused our resources to raise the standard of living in Chautauqua County.

Building trust within these communities has proven to be crucial to attracting these ALICE families.

The main strategy for growth at our Credit Union is the active work of serving individuals who come to us with C, D, and E credit. We change people's lives who are C paper, heading towards D and E. Our goal – that we are quite successful at – is to raise their standard of living and their credit score.

Our work within C, D, and E paper causes the most impact to our members, our staff, and return on assets to the Credit Union.

The model/approach

Through the development of appropriate underwriting standards, appropriate products, and lending officers who are empathetic, compassionate, and knowledgeable (well-trained) have proven to be a source of strong income. Our strong income supports a staff of 75 people who offer a customized, high-touch member experience that few other institutions offer. SCFCU is here to answer their questions and guide them down the best available pathway.

Within our five branches, SCFCU has 22 well-trained lenders on staff that all understand the importance of building relationships to become their trusted financial partner. We train our people to “Interact before you Transact”. Additionally, we focus on listening, we listen to bond and not to respond. That training helps provide the same personal, one-on-one service to all our members. We create an experience that is shared with family members, friends, and coworkers, leading to additional members and growth.

SCFCU recognizes the need to serve financially secure families with high credit scores with a “quick turnaround” with regard to their lending needs. We also recognize the importance to ALICE families of the need for a trusted partner that can guide them in their financial decision making. The process begins with ALICE families, when SCFCU lenders take the time (up to an hour) to interview the members and understand their specific needs. We can’t serve all their financial needs unless we understand the full financial picture. With our understanding of their complete financial picture, our lenders have identified and successfully refinanced more than 500 loans (amounting to more than $6.5 million dollars) in 2023 alone. The result of these efforts has saved our members on average $2,100 in interest, reduced their interest rate by 7%, and have cut 23 months off their remaining term.

SCFCU has an interview process that is designed to determine the member’s ability and intent to repay. Additionally, during the interview process opportunities for appropriate refinancing of existing debt (including predatory and credit card debt) from other financial institutions, to improve their overall financial well-being are identified and explained.

Traditionally, uncollateralized loans (signature loans) are risky and therefore may not be aggressively offered to eliminate a member’s credit card debt by other financial institutions. Some other credit unions have asked what gives us the confidence that the member will pay? Our theory is that if a borrower has paid their high-rate credit card for the past 12 months, they will continue to pay us as we would have decreased their rate significantly. Many financial institutions feel that these products are too risky, however we have seen a consistent net yield greater than 10 percent.

Our goal is to embrace our members and build a loyalty that allows SCFCU to become their “Only Financial Institution”.

As reported in the Custom Performance Report dated September 30, 2023, provided by New York Credit Union Association, the average membership growth rate of SCFCU is twice the

New York State average. A statement that has been true for the past four years. The return on assets of 2.01% is more than double the NY State average of 0.90%.

GPS units

As we recognize that in the rural area of our county, individual transportation is a necessity as there is not an effective mass transit system. Therefore, we also leverage a GPS starter interrupter program that allows us to lend to individuals that do not meet our already generous lending policies. This allows us to delve even deeper within our community in order to save individuals from predatory buy-here pay-here lenders. If a borrower comes in and doesn't qualify for a loan with our typical underwriting standards, they still have the ability to get the loan by opting into the GPS starter interrupter program.

As with all loans, the interest rate is based on credit score. The need for a GPS Starter interrupter will not affect their interest rate and the cost of the unit (approximately $400 including installation) is covered by the credit union. The member is informed that if they are five days behind on their payment, they will get an alarm in their car reminding them to make the payment. If no payment has been made or an arrangement made with the Credit Union, then after another two days (a total of seven days past the due date of the payment date) the car won't start. (NOTE: These units do not turn a car off while it is operating, but after it has been turned off, it will not start).

This program has been an integral part of the SCFCU plan to reach deserving individuals who are being taken advantage of by predatory lenders and finance companies.

Referrals

We all know that grass roots marketing is very effective and affordable. With this in mind, we utilize a member referral system to assist SCFCU in attracting new borrowers. This system is a text referral program designed to increase our loan growth and to increase our reach to the communities that we serve. We send a text message to members, and in that text, there is a coded number special to the member who would share it with another person. If the person shows that coded number to the Credit Union officer when getting a loan, the referring member gets $50.

For the fiscal year of 2023 we will have attracted a minimum of 200 new loans to the Credit Union through member referrals.

Member service ... THE Southern Chautauqua FCU way of communicating:

The Ring Back program is designed to deepen our relationship with our members. We believe that it illustrates that SCFCU truly cares about our members satisfaction. Whenever a product or service is added to an existing or new member, that member will receive a phone call within 45 days to review the features of the added product as well as a reminder of other products that SCFCU can offer. Additionally, we explain that calls from the Credit Union will never request personal information, and should they ever receive a call requesting that information, it is likely fraudulent.

Once they've made a full year's worth of payments, the lender that wrote the loan makes an anniversary call. The purpose of the anniversary call is to remind the member that we care about them and that we are here to assist them in any way that we can. We offer a financial check-up to specifically identify if their credit score has improved and/or if there is other debt that they might like to refinance in order to save money. The existing debt at the Credit Union is eligible to have the interest rate lowered if their credit score has improved (based on current rates at the time of the call).

All staff have been trained in the Southern Chautauqua method of communicating. This method involves:

1. Asking the member for their preferred method of communication
    a. Phone, Text, Email
2. Based on the members choice, staff will use the preferred method of communication first.
3. If needed, they will also utilize other means to reach out to the member.

As a final note, there may be some credit unions who read this story and who shy away from lending to riskier borrowers. But I would encourage those credit unions to look at their financial pictures. Is membership growing or is it stagnant? I believe it is easier to attract members that other financial institutions do not embrace. I have no desire to allow my lending portfolio to be dominated with low-yielding A+ and A paper. I believe that credit unions are designed for those families who often are forced with very difficult decisions of which bill to pay. Good people who are desperately seeking a trusted, non-judgmental solution based, compassionate, financial institution. I would challenge every credit union to embrace this philosophy.

Lending

Seasonal Loan Promotions

Credit union name: St. Tammany FCU

Location: Slidell, LA

Asset size: $47 Million

Field of membership: Community

Point of contact name and title: Glenda Rushe

Point of contact phone and email address: 985.643.1237; grushe@sttammanyfcu.com

Summary

While our credit union prides itself on a strong lending strategy throughout the year, we have excelled in recent years in pumping up loan volume at St. Tammany FCU through the rollout of high-profile loan promotions that have exploded in popularity.

The biggest boost to our bottom line has come from our Black Friday Loan, which we introduced a few years ago for new, used, and refinanced auto loans featuring an unchanging interest rate of 1.99% regardless of credit score. The only part of the loan that changes – based on the borrower's credit – is the amount they are able to borrow. Better credit scores can borrow greater amounts at 1.99%, while borrowers with lower credit scores also receive the 1.99% rate but just have access to smaller loans.

Members also have 30 days to car shop and we honor the rate.

We began promoting the loan via text message (more on that later) and our other marketing channels on Black Friday, requiring applications to be submitted by the following Tuesday at 5 p.m. During the first time we ran the campaign, we booked more than $1 million in auto loans. As a matter of fact, we booked more loans during those few days than we ever had in a single month.

With interest rates rising in recent years, we've updated the promotion to offering a 2% discount on our auto rates for the Black Friday Loan and have continued to see great results. What's more, we've seen very little delinquency and charge-offs during and after these campaigns.

This year, we replaced the auto loan with a certificate of deposit promotion, promoting a 6.43% for eight months, and saw more than $2 million in deposits come in. This demonstrates that the promotion continues to gain interest among our members and that our process for promoting the loans remains successful.

The channels we use to promote the campaigns are our website, email blasts, and a text messaging blast, which is probably the most important part of the marketing for the campaign. The question is, how do we get those cell phone numbers for our texting channels?

Winter Wonder and Summer Super Loans

We get them through a pair of different loan promotions.

We run our Winter Wonder and Summer Super Loan promotions every year for three months apiece, and not only do these loans net solid income for the credit union, they require the borrowers to include their cell numbers and agree to text message communication from the credit union in order to be eligible.

That allows us to increase our engagement with our members, not only in terms of promoting our loan products and services, but also to alert them of trends in fraud. It also enhances our collections process by opening up that new channel for communication.

The Summer Super Loans and the Winter Wonder Loans are preapproved loans of $1,000 at 17.95% that require direct deposit from the member, regardless of credit score. The member can have their interest rate reduced to 17.45% if they take credit life and disability. We also require to see two direct deposits before we issue the loan. The loans also must be submitted with a $25 application fee.

In 2022, we booked roughly 1,600 loans between the two seasonal promotions, leading to a rough net income for the program of about $200,000 for the year.

We've also seen stickiness with these loans because they lead to deeper engagement with the credit union, especially as members are required to have direct deposit, and thus are more likely to have a checking account and a debit card. We're also now the place they consider first when they're thinking about the next auto loan (especially around Black Friday).

As for the process for our staff in running these loan promotions, we've run them enough times that we've become very efficient in how we finalize the loans. For the seasonal loans, it only takes one person to process all of the applications. Our two loan officers split the applications for the Black Friday Loans. We now offer online applications and the majority of borrowers apply online.

Because of the volume, having a clear plan in place for the process that these applications will go through to be finalized is important. We would recommend to keep the journey narrow, meaning fewer employees touching the applications, so that it's as efficient as possible.

Miscellaneous

Shaping Our Organization Around the 8 Cooperative Principles

Credit union name: Acclaim Federal Credit Union

Location: Greensboro, NC

Asset size: $57 Million

Field of membership: SEG Multiple Common Bond

Point of contact name and title: Christie Smith, President/CEO

Point of contact phone and email address: 336-332-3175; christie@acclaimfcu.org

Introduction

In the dynamic and ever-evolving landscape of financial institutions, credit unions occupy a distinctive role as member-centric cooperatives. Our approach unfolds the intricate and transformative journey of a credit union, delving into the nuances of its evolution from a conventional financial entity to an organization deeply rooted in cooperative principles. The narrative doesn't merely focus on financial transactions; it unravels the cultural transformation marked by a strategic overhaul of mission and values, a profound embrace of cooperative principles, and the infusion of volunteerism into the organizational DNA.

Overview

At the core of this cultural shift lies the acknowledgment that the essence of a credit union transcends the realm of financial transactions. A comprehensive exploration of the eight cooperative principles that underpin the credit union movement becomes pivotal. Simultaneously, the credit union embarked on a journey to redefine its mission, vision, and core values, aligning them seamlessly with these principles. Volunteerism, an intrinsic facet of the cooperative identity, is interwoven into the very fabric of the credit union, laying the groundwork for a purpose-driven culture.

Decision and Investment Rationale

The impetus for such a profound cultural shift emanates from a stark realization – the credit union had not effectively communicated the profound significance of the eight cooperative principles. Recognizing the need for stability, both for employees and members, the credit union acknowledged that a cohesive team is not just integral to member satisfaction but is also a cost-effective measure. The decision-making process involves a strategic focus on creating a resilient culture while simultaneously introducing credit union history and emphasizing the paramount importance of the credit union movement.

The Beginning

Creating buy-in from employees was the cornerstone of the initial steps in the transformation journey. Recognizing the imperative nature of ensuring that every team member comprehends why the eight cooperative principles are paramount, the credit union embarked on collective efforts to rewrite our mission, vision, and values. This ensured that each team member had a voice in shaping the organizational identity, fostering a sense of ownership and alignment.

Executing the Strategy

The credit union's approach involved making decisions based on its newly defined values. This extends beyond internal processes to influence vendor choices, product and service offerings, and even community service projects. One significant initiative in this realm is the meticulous planning of community service projects, treated with the same meticulousness as any other organizational endeavor.

Navigating Challenges

The road to cultural transformation is seldom smooth. Resistance from some employees, who are not aligned with the changing culture, led to the departure of a few team members. However, the vacancies were filled with individuals who not only embraced the new culture but also became advocates for it. This dynamic allowed the credit union to set new expectations and reinforce the importance of the eight cooperative principles.

Benefits and Outcomes

The impact of the cultural transformation is substantial. Employee retention, a key metric for organizational stability, witnesses marked improvement. The credit union adeptly navigates the challenges posed by the "great resignation" phenomenon with minimal disruption, showcasing the resilience of a team united by a shared purpose.

Consecutive Dora Maxwell Awards

One of the pivotal outcomes of the cultural transformation is the consecutive winning of the prestigious Dora Maxwell awards. These awards, named after one of the pioneers of the credit union movement, recognize credit unions for their outstanding community service efforts. The credit union's community service projects, meticulously planned and executed, earn recognition at regional levels for three consecutive years.

Details of Award-Winning Projects

In the first year, the community service project centers around Mental Health Awareness. This acknowledges the importance of addressing mental health issues post-pandemic. Collaborating with a local mental health organization, the credit union conducted educational video, provided resources to the community, and engaged in open dialogues to reduce the stigma surrounding mental health. We sponsored a 5K race/walk with the benefits sponsoring mental health sessions at affordable rates for members of our community.

The second year's project, "50 Acts of Kindness," celebrates the credit union's 50th anniversary by spreading kindness throughout the community. This initiative aimed to foster a culture of compassion and community engagement. From supporting local charities to surprising community members with acts of kindness, the credit union became a catalyst for positive change.

In the third year, the project revolved around bringing awareness to food insecurity in the community. Beyond immediate relief efforts, the credit union actively volunteers at a local food warehouse, sorting and distributing meals to those in need. The team also participates in delivering meals to individuals facing food insecurity, establishing a direct and impactful connection with the community.

Lessons Learned and Continuous Improvement

The journey of cultural transformation is recognized as a dynamic process. Reflecting on this experience, the credit union emphasizes the importance of highlighting the lessons learned and maintaining an unwavering commitment to continuous improvement. Engagement in community service projects is not merely an external impact strategy but also a means of strengthening internal bonds among team members.

Current State

The credit union's current state is a testament to the success of its cultural transformation. A vibrant team culture permeates every facet of its operations. Initiatives such as party committees, open communication forums, monthly meals, and a robust support system foster collaboration and innovation. This positive energy has become the driving force behind the credit union's success.

Execution Visualization for Other Credit Unions

The program's execution is visualized as a holistic approach, seamlessly integrating credit union history, emphasizing the eight cooperative principles, and actively engaging employees in the process of rewriting mission and values. This foundation not only imparts a sense of purpose to employees but also instills a proactive mindset that becomes integral to the organizational culture.

Crucial Elements for Success

Key to the credit union's success is the creation of buy-in from employees and the clear communication of why the eight cooperative principles are vital. This communication and alignment ensure that the cultural shift is not merely a top-down initiative but a collective and shared effort.

Future Plans and Next Steps

The credit union's commitment to continuous improvement propels it to explore new horizons. In the coming year, a novel concept is introduced – a "target family." This fictitious family serves as a representation of the credit union's member base, aiding in tailoring its mission, vision, values, and offerings to meet the evolving needs of its diverse membership. This initiative underscores the credit union's dedication to creating tangible and real change within its staff and the broader credit union community.

The Data to Back It Up

Quantifying the financial impact of the cultural transformation proves challenging. However, as a small credit union undergoing leadership transitions, the decision to prioritize cultural transformation over easier routes, such as merging, becomes a testament to its commitment to survival, its members, and its community. The credit union thrives as a purpose-driven team, with the eight cooperative principles serving as the bedrock of its success.

Expanding on the Impact

Beyond internal transformations, the impact of the credit union's cultural shift resonates outward. Its involvement in the community not only garners recognition but also solidifies its position as a trusted partner. The impact on employee morale and well-being is immeasurable. The positive work environment created through cultural transformation translates into higher job satisfaction, ultimately leading to increased productivity.

Addressing Member Needs

The success of the credit union's community service projects and consecutive Dora Maxwell awards not only elevates its standing within the credit union movement but also facilitates partnerships with other community organizations. Collaborative efforts with local charities, schools, and non-profits create a network of support that extends beyond financial services. This network proves invaluable during challenging times, fostering a sense of community resilience.

Educational Initiatives

As part of its commitment to cooperative principles, the credit union extends its educational initiatives beyond internal staff training. Actively engaging with local non-profits and community centers, the credit union promotes financial literacy, creating a ripple effect that empowers individuals to make informed financial decisions. This alignment with cooperative principles becomes instrumental in building informed and empowered communities.

The 8 Cooperative Principles

1. Voluntary and Open Membership:
Cooperatives, by definition, are inclusive and open to all individuals without discrimination. This principle ensures that our credit union welcomes everyone who is willing to use our services and accept the responsibilities of membership. By adhering to this principle, we foster a sense of belonging and equality, ensuring that financial services are accessible to all, regardless of gender, social status, race, political affiliation, or religious beliefs.
This principle not only shapes our membership policies but also influences our outreach initiatives. We actively engage with diverse communities, striving to make our credit union a reflection of the rich tapestry of the society we serve.

2. Democratic Member Control:
At the heart of cooperative governance is the principle of democratic member control. Members actively participate in setting policies and making decisions, ensuring that the credit union operates in the best interest of those it serves. This democratic structure empowers our members, giving them a voice in the direction of the credit union.

Our commitment to democratic member control extends beyond the voting process. We foster a culture of open communication, seeking input from members on key decisions and initiatives. This principle ensures that the credit union is a true reflection of the collective will of its members.

3. Member Economic Participation:
In the cooperative model, members contribute equally to the capital and democratically control the cooperative's resources. This principle ensures that the benefits derived from the credit union are tied to the business conducted with it, rather than the amount of capital invested. Members, regardless of their financial capacity, have an equal stake in the cooperative's success.

This principle underlines our commitment to financial inclusion and equitable access to services. It guides our approach to product and service development, ensuring that the benefits are distributed based on usage rather than financial capacity.

4. Autonomy and Independence:
While cooperatives may engage in agreements with external organizations or seek capital from external sources, the principle of autonomy and independence ensures that these engagements are conducted on terms that maintain democratic control by the members. This principle safeguards the credit union's ability to make decisions that prioritize the needs of its members over external influences.

Our commitment to autonomy and independence is reflected in our partnerships and collaborations. We ensure that any external engagement aligns with the values and objectives set by our members, preserving the cooperative's ability to act in their best interests.

5. Education, Training, and Information:
Education is a cornerstone of the cooperative movement. This principle emphasizes the importance of providing education and training to members, elected representatives, managers, and employees. By doing so, we empower our stakeholders to contribute effectively to the development of the credit union.

Our commitment to education extends beyond the internal structure. We actively engage in educational initiatives aimed at informing the general public about the nature and benefits of cooperatives. Financial literacy programs, workshops, and community outreach efforts are integral to our mission of building informed and empowered communities.

6. Cooperation Among Cooperatives:
Cooperatives are interconnected entities that thrive when they collaborate. This principle encourages cooperatives to work together through local, national, regional, and international structures. By fostering collaboration, cooperatives can better serve their members and strengthen the cooperative movement as a whole.

In line with this principle, we actively collaborate with other cooperatives. Whether it's sharing best practices, participating in joint initiatives, or contributing to cooperative development at a broader level, our engagement with the larger cooperative community enhances our ability to deliver impactful services.

7. Concern for Community:
While focusing on member needs, cooperatives are also committed to the sustainable development of communities. This principle guides our policies and programs, ensuring that our actions contribute to the well-being of the communities we serve. Beyond financial services, our credit union actively engages in initiatives that address broader community needs.

This principle shapes our community service projects and outreach programs. From supporting local charities to participating in community development projects, we strive to be a positive force for sustainable change. Our concern for community extends beyond immediate financial transactions, reflecting our commitment to holistic community development.

8. Diversity, Equity, and Inclusion:
The eighth principle underscores the importance of diversity, equity, and inclusion. Cooperatives recognize that strength lies in proactive efforts to engage everyone in governance, management, and representation. By embracing diversity and ensuring equitable participation, cooperatives foster an environment where every member feels valued and included.

Our commitment to diversity, equity, and inclusion extends to all aspects of our credit union. We actively promote diversity in leadership roles, ensure equitable access to opportunities, and foster an inclusive culture. This principle reinforces our belief that a diverse and inclusive credit union is better positioned to understand and address the diverse needs of our members and community.

In Conclusion

Our approach concludes by emphasizing that the eight cooperative principles serve as more than guiding principles for the credit union; they are the very foundation upon which its entire ethos is built. These principles shape every interaction with members, guide decision-making processes, and inspire community initiatives. By staying true to these principles, the credit union not only upholds the values of the credit union movement but also actively contributes to creating a more inclusive, equitable, and empowered society. Through this steadfast commitment, the credit union aims to be not just a financial institution but a catalyst for positive change in the lives of its members and the broader community it serves..

Miscellaneous

Targeted Micro Lending Innovation Via Scalable and Measurable Implementation Strategies

Credit union name: Florida A&M University (FAMU) Federal Credit Union

Location: Tallahassee, FL

Asset size: $29 Million

Field of membership: Employees of FAMU, Students of FAMU, Members of the FAMU National Alumni Association, Members of the Tallahassee Branch of the NAACP, Members of Church Congregations in the FAMU Campus Area

Point of contact name and title: Ramon Alexander, Director of Capacity Building, Community and Business Development

Point of contact phone and email address: 850-222-4541, 850-222-1192; RAlexander@famufcu.com

Summary

The FAMU FCU long standing impact in targeted socio economically challenged geographic footprints, continues to be driven by a strong desire to effectively address a myriad of critical economic impacts derived from generational cycles of poverty and despair. The negative economic impacts include a decrease in above average wage jobs and a widespread expansion of poverty via a systematic expansion of the racial wealth gap. The 32304- zip code, which is four miles from the FAMU FCU, was designated the poorest zip code in Florida prior to the pandemic in 2018. Disparities in access to lending resources between Black Entrepreneurs and Non- Minority is derived from low levels of generational wealth, liquidity constraints, and poor credit history. The mission of the FAMU FCU dating back to 1935, aligns directly with the communities significantly impacted by the targeted micro lending implementation strategies utilized and listed in this Small Credit Union Blueprints for Success document over the past 18 months; via a scalable model redefining loan readiness to achieve racial economic equity to maximize lending resources for Black Entrepreneurs.

The Following Programmatic Strategies Were Implemented:

- Offered competitive rates to borrowers below a 650-credit score to mitigate Black Entrepreneurs engaging with Predatory Lending.

- Ensured all loan approvals were made by a diverse lending committee that were all trained prior to serving on the lending committee with shared values of approaching financial services as human services, along with mandating implicit bias /conflict of interest training for all committee members.
- Significantly modified and streamlined the FAMU FCU Business Loan Credit Memo, to facilitate a more cohesive and timely process with underwriting.
- Established an internal process to ensure same day follow up calls with prospective borrowers after all Business Lending Committee Meetings.
- Implemented a required weekly Business Lending Virtual Informational Session for all prospective borrowers; including immediate follow up with user friendly document explanation email/application link to apply.
- Allowed borrowers to utilize equipment purchased via an approved loan as collateral.
- Established an ongoing database of interested borrowers that signed up for the virtual session but did not participate in the informational session. Managed data with a custom color-coded format to enable FAMU FCU to follow up via targeted messaging and outreach efforts in partnership with the Capital City Chamber of Commerce.
- The FAMU FCU in partnership with the Capital City Chamber of Commerce hosted annually six workshops (Bi-monthly) for entrepreneurs participating in the micro lending program. Entrepreneurs are required to participate in three of six (3 of 6) workshops for the calendar year.
- Starting in 2024, entrepreneurs participating in the micro lending program will receive a one-year membership to access a myriad of business development services/tailored resources designed forentrepreneurs.

Loan Amounts
$5,000 - $50,000

Loan Terms
- Terms: Loans are financed for 60 months
- Amortization: Depending on the amount approved, the loans can be amortized for a longer period of time with a 5-year balloon.
- Interest Rate: Fixed interest rate based on the WSJ Prime Rate Plus 4%
- Reserve Fund: 3 monthly payments will be deducted from the proceeds of the loan and will be on hold until the loan is paid in full. The payments will earn interest at the CU share rates. The payments will be returned to you once the loan is paid off.
- Fees and Charges: All deducted from loan proceeds.
- Typical Closing Cost average: 1.5% of the loan amount
- Real Estate as Collateral: Mortgage closing fees will be at a higher average cost.

Key Micro Lending Program Indicators
- Indicator One: Cash Flow

- Indicator Two: Personal Credit
- Indicator Three: Collateral

Factor Analysis for Program Indicators
- Very low percentage of Black Entrepreneurs getting underwriting approval.
- Higher interest rates offered by lenders to Black Entrepreneurs
- Lower approval amounts offered by lenders to Black Entrepreneurs
- Declining number of Minority Depository Institutions (MDI's) to serve Black Entrepreneurs
- Institutionalized Racism
- Implicit Bias

Factor Analysis Micro Lending Opportunities
- Large volume of designated Federal, State, and Local Funding available to disburse to Minority Businesses.
- Underwriters working with smaller MDI's to developed customized systems to process loan request.
- The number of Black Entrepreneurs seeking lending resources to grow.
- Major opportunity to address Financial Illiteracy

Key Program Accountability Components
- Use of Funds Pre-Assessment/Approval
- Directed Funds
    - Loan funds will be placed in an active FAMU FCU business savings account but on hold.
    - Funds released as needed for business expenses.
    - Funds can be sent directly via check, ACH or wire transfer.
    - Funds can be used to reimburse previously paid invoices.

5-Step Business Loan Process
- Application
- Documents
- Zoom
- Underwriting
- Closing

Requested Documentation & Information
- 2021 & 2022 Personal Tax return
- 2021 & 2022 Business Tax Return
- Business Bank Statement (2 months)
- Your Personal Bank Statement (2 months)
- A Personal Financial Statement (PFS)

- A Business Debt Schedule (BDS) A Use of Funds Statement
- A Business Plan
- Financial Projections
- A List of Available Collateral

New/Start-Up Businesses

- Business Plan
- Proof of Income/Tax Returns
- Business Financial Projections & Assumptions

Existing Businesses

- Business Tax Returns (Two Most Recent Years)
- Business/Personal Financial Statements
- Income Statement & Balance Sheet
- Debt Schedule
- Profit/Loss Statement
- References
- Proof of Sunbiz Registration

Successful Program Outcome

FAMU FCU successfully reached our fiscal year goals by significantly increasing the number of business loans awarded over 300% ($825,000.00), compared to the prior fiscal year. The critical capacity we have developed via innovative and customized business lending practices has established infrastructure to successfully meet future micro lending goals.

2024 Program Growth Strategies to Enhance the Micro Lending Program

- Distribute an effective monthly electronic communication (E-Blast) via the FAMU FCU Constant Contact Account to our members, regional/national partners, and vested community stakeholders. The monthly constant contact email will incorporate financial empowerment tips, written/visual content that captures the historic legacy, mission, and myriad of financial services offerings/resources offered by the credit union.
- Implement the FAMU FCU Business Elite Program to effectively recognize the accomplishments of our members. The Business Elite Program will highlight monthly the significant progress and community impact achievements cultivated via an array of small business lending partnerships. Highlighting monthly successful business lending partnerships via our social media platforms and a monthly constant contact E-Blast will create new interest in our financial services offerings.
- Work with our IT Partners or a secure credible external service provider to establish a

dedicated virtual phone number to drive business owners/prospective members to the credit union. Prospective borrowers/members will be able for example to simple text the letters “FAMU FCU” to a secure virtual number and receive immediately a web portal link back via text to complete a short informational form. The contact information will automatically be transferred to a secure excel spreadsheet controlled by the FAMU FCU.

- Complete the Field of Membership (FOM) Reengagement Efforts with Tabernacle Missionary Baptist Church, Jacob Chapel Baptist Church, Jerusalem Missionary Baptist Church, Tallahassee Chapter of the NAACP, FAMU Metz Employees and the FAMU National Alumni Association (i.e.- Customized FOM signage and membership engagement web portal, Virtual Financial Empowerment Zoom Sessions, and Designated Partnership Events/Programs).
- Launch a strategic engagement effort via marketing a small business mini grant in the amount of $1,500 to specific micro targeted universes. Furthermore, prospective small business owners will become eligible to apply for the grant after texting “FAMU FCU” to our secure virtual number. When they complete the brief web portal link information form sent directly to their phones, we will invite them to participate in one of our weekly Thursday informational sessions via zoom. Upon completion of the informational session, we will provide the next steps of how they can formally apply for the small business mini grant.
- Maxime the impact of the Junior Ambassadors Financial Empowerment Pilot Program grassroots network. The Junior Ambassadors program earned media and layered social media engagement efforts will directly impact new prospective businesses being introduced to the Micro Lending Program between the ages of 17 and 35.
- Host a bi-annual targeted small business lunch and learn at the credit union.
- Host a large-scale open house event at the credit union.
- Host an annual Small Business Elite Mixer that highlights the strength of our membership base to attract other perspective members/businesses.

2024 Performance Measurements for Micro Lending Program

- Number of Government funded lending partners targeted Black Entrepreneurs
- Number of business loans not recommended for approval by underwriters.
- Number of business loans not approved by FAMU FCU
- Number of delinquent business loans with the approved borrower having a credit score below 650
- Number of Business Loans not recommended for approval for underwriting but approved by FAMU FCU
- that are in good standing.
- The percentage (%) month to month increase of loans approved.
- The number (#) and percentage (%) of business loans approved with a credit score below 650.
- The number (#) and percentage (%) increase of loans distributed to black entrepreneurs.

Long Term Systemic Strategy Initiatives

- Build network of informed partners to change state policies to broaden the scope and capacity of the Florida Black Business Loan Program, including the percentage of funding that can be utilized for administrative purposes for smaller MDIs to meet the critical needs of the Black Community.
- Work with the Florida Department of Commerce and the Office of Economic Vitality (OEV) to conduct pilot program testing and data collection, specifically to the needs of small black business owners and emerging black entrepreneurs.

Conclusion

The FAMU FCU has made tremendous strides via well versed senior level staff, to effectively elevate our community impact, product offerings and all essential technology interface platforms. Professional operational practices and the capacity to build out more aggressive measurable organizational goals and objectives have been established in recent years. Internal controls and best practice protocols are common practice and now the norm. The FAMU FCU track record of activities all highlight vital experience in successfully executing a multimillion-dollar statewide black business loan program, and a regionally based micro lending program.

The organizational capacity and track record to support the ability of the FAMU FCU to execute the above listed measurable goals and outcomes are the following:

- Currently the oldest Minority Depository Institution/Community Development Credit Union in the State of Florida and the fourth oldest with two designations.
- Formed a statewide strategic partnership with the Florida Department of Economic Opportunity in 2018, to administer a 1.1-million-dollar revolving loan fund for Black owned businesses across Florida.
- Formed a regional strategic partnership with the Office of Economic Vitality in 2021, to manage a 1- million-dollar microloan program for minority business owners.
- Successfully awarded the CDFI Rapid Response Grant in 2021, in the amount of 1.8 million dollars.
- Successfully awarded the Inclusive Resilience Grant in 2020, to revitalize the business loan department.
- Successfully awarded NCUA Cybersecurity Grant for P2P services
- Positive organizational earnings for four consecutive quarters
- Increased positive ratios over a three-year period in Portfolio/Asset Growth Rate, Loan/Share Ratio,Delinquency Rate and Net Capital Ratio
- Active member of Inclusiv, the African American Credit Union Coalition, League of Southeastern Credit Unions (LSCU), National Association of Federal Credit Unions (NAFCU)

Miscellaneous

Taking Advantage of Every Resource and Idea

Credit union name: Holy Rosary Credit Union

Location: Kansas City, MO

Asset size: $40 Million

Field of membership: Catholic Dioceses of Kansas City St. Joseph and many small groups

Point of contact name and title: Carole Wight, President

Point of contact phone and email address: 816-668-8556; cwight@holyrosarycu.org

Do what you can with what you have, to further the mission

I realize that this is not exactly the summary you are requesting, but it is literally what helped my credit union grow and serve. Without this strategy and the mission, Holy Rosary would no longer exist. It was truly a dying credit union. The capital was good, but that was it. The membership was declining, and the assets were shrinking. We had no website, no online banking, nothing. Our strategy was to use every grant, every great idea or opportunity we could find to help us develop Credit Union Services. Every time NCUA had a small grant cycle, we applied. We read the CUNA daily newsletter and watched for opportunities and ideas. We listened to groups such as Inclusiv and followed their ideas. We found mission driven partners and CUSO's and we fought to remain in existence because we believed we served a segment of people no one else wanted to serve.

We learned how to open SAFE Accounts so that we could offer services to the underserved and lower crime. We received an NCUA Grant to open a school branch. The kids from that branch brought their parents. We received an NCUA grant to hire a student intern who spoke Spanish. We used a small grant to offer debit cards and then credit cards. We received community grants and developed community partnerships. Each development provided a foundation for the next development.

We added a self-made website we could afford and received assistance from a mission driven marketer from another credit union. We then developed our capacity for the bigger initiatives such as Qcash, mortgage lending, etc. but we couldn't have jumped to that without the little steps we took along the way. The list goes on and on, but it was not one simple strategy. I am not sure there is one simple strategy. It is just hard work, utilization of the resources of our movement and a mission to serve the underserved.

Miscellaneous

Fighting to Add It All

Credit union name: Midwest Coalition of Labor Credit Union

Location: Countryside, IL

Asset size: $70 Million

Field of membership: Union construction workers in the Midwest

Point of contact name and title: Casey Martin, President/CEO

Point of contact phone and email address: 708-482-9606, cmartin@mclcu.org

Summary

Due to limited time, I am summitting this video that we released on our website and to our membership.

5 years ago we were $55 million in assets with a capitalization ratio of 8.5%, an average ROA of approximately 0.50%. We were a little less than 50% loan to share, with no online presence, rigid in operations, unable to accept loan payments and deposits unless they were in person or physically mailed in. We also had limited visibility financially with “modified” cash accounting practices.

Today, we are $70 million in assets, with a capitalization ratio of 12.4% (although it will decrease a little with the $100,000 bonus dividend) Our ROA has been over 1.00% for the last 3 years. We are at 76% loan to share. We recently launched a new interactive website, with web forms for conscience. We added an app with remote deposit capture and started originating ACH transactions through our corporate credit union. We also went with contactless cards and recently adopted tokenization to offer that to our members.

In short, we didn't fight one thing, we fought everything.

Full Video: https://youtu.be/fX93ctrS3bg

Miscellaneous

Short but Sweet

Credit union name: Taylorville School Employees Credit Union

Location: Taylorville, IL

Asset size: $40 Million

Point of contact name and title: Nancy Montgomery

Summary

Taylorville School Employees Credit Union was chartered in 1955 by a group of forward-thinking teachers in our district. We have maintained our credit union through the years with the office in the home of our Manager/Treasurer. I have managed our credit union for twenty-one years in my home. Our membership is open to all employees of our town's schools and their spouses. Last year, we opened membership to the children of our school employees. By doing so, we have increased our membership and our loan portfolio. In the past, our loans have totaled about $800,000, but they now total $1.35 million.

Our credit union is healthy and growing!

New Niche

Strengthening Low-Income Families

Credit union name: Afena FCU

Location: Marion, IN

Asset size: $96 Million

Field of membership: Community Charter

Point of contact name and title: Karen Madry, President/CEO

Point of contact phone and email address: kmadry@afenafcu.org

Summary

In a world with seemingly endless consumer banking options (i.e.: big banks, small banks, credit unions, fintechs, etc.), the business case for growing your small credit union by finding your niche has never been stronger. The idea of leaning into a niche target market can be scary for small community-chartered credit unions, because the goal is often to attract as many new members as possible. There is a fear that focusing too intently on marketing to a niche audience will exclude many desirable individuals from becoming members. Rather than focusing on serving a specific target audience really well, you work hard to trying to be everything to everyone – ultimately resulting in wasted resources, reduced efficiency, diluted brand awareness, and limited growth.

Rather than attempting to be a credit union that every single person in your field of membership likes, a much more effective strategy is to become a credit union that a specific segment of individuals in your field of membership LOVE. Identifying the right niche market and aligning everything in your business strategy to support serving your target demographic can create exceptional growth opportunities for small credit unions seeking to expand their market share in an ever-growing sea of competition. Of course, shifting from a mass market to a niche market growth strategy is a large-scale organizational change effort that starts at the top and requires buy-in from every employee and board member at the credit union. It requires a CEO with vision, passion, and a willingness to do hard work, but the pay-off can be invaluable.

Leadership from the new CEO

When Afena hired its current President/CEO, Karen Madry in 2014, the organization was a sleepy $53 million credit union with 7,400 members. The credit union was originally founded in 1957 by a group of employees at the GM plant in Marion, IN and although the credit union had been community chartered since the early 2000s, Afena had struggled to find their foothold outside of being known as "the GM credit union." During her first interview, the board told her they were looking for a CEO that could do two things: grow the credit union and be involved in the community.

While some CEOs would have looked at a credit union in Marion, IN – a town in economic decline, with limited job opportunities, a declining population, substantial blight, the highest rate of childhood poverty in the state, that also happened to be heavily over-banked (nearly 20 FIs in a town of only 28,000!) – and ran the other way; For Karen, Afena screamed opportunity! Her childhood experience of growing up in poverty had made her extremely passionate about serving under-banked, under-served, low-income populations. She researched the area and found that despite the prevalence of financial institutions and the substantial economic challenges faced by area residents, none of the banks or credit unions were focused on meeting the financial needs of low-income individuals.

Karen asked the board two very important questions before accepting the job. First, she asked about Afena's identity. How was the credit union perceived in the community? What did it stand for? The response, in short, was that Afena had no identity other than being GM's credit union. "Afena" was a made-up name that was chosen because it started with A, allowing the credit union to be placed in the front of the yellow pages. Her follow-up question, was about the board's willingness to give her the latitude she needed to give meaning to the name Afena. Would they support the creation of a brand that would allow the credit union to stand out in a unique and different way among the other financial institutions in town? Despite much hesitation, the board said they were open to new ideas. Karen was offered the position, and she set out on her journey.

The first year as CEO, Karen invested a great deal of time in the community, attending every possible event that she could to learn about the community first hand, from the people who lived there. She walked in various economic circles to hear different perspectives. She visited churches and spent time at the end of service meeting people, but more importantly listening to them share stories of their experiences in Grant County. She heard from people who were currently members of Afena, those who used to be members but opted to leave the credit union and those who said they would never bank with Afena. The latter was because people in the community felt that despite the fact that the credit union had a community charter, it still catered to its initial membership, employees of General Motors and their family members. People shared that Afena was happy to cash their checks but turned their backs on them when they needed financial assistance. She learned that a large number of people felt that even though there was a multitude of banks in the city of Marion, individuals had to fit a certain persona in order to be able to take advantage of the full suite of products and services that the financial institutions offered. She quickly learned that the town was heavy laden with residents that were underbanked and unbanked, people who had lost faith in the banking system.

Identifying the credit union's new niche

After gathering all of her research she believed that the only way to grow the credit union and help it to become a prominent and highly respected financial institution was by gaining a reputation as an equal opportunity credit union. Her goal was to always keep the founding principles of credit unions "people helping people" at the heart of the organization, while creating an environment that was warm and welcoming to everyone who chose to step across the threshold. This was how Afena would distinguish itself from the competition and that was the beginning of developing the niche.

Although the work of developing your niche starts by conducting market research, working through a competitive analysis, and identifying the unique strengths, weaknesses, opportunities, and threats that exist within your credit union and your field of membership; once you identify the niche you want to serve, the real work begins. Successfully leveraging a niche market strategy to create growth demands that every aspect of the credit union – from mission, vision, values, and culture to management practices, processes, procedures, and product offerings – is aligned around serving your target market. At Afena, identifying low-income, under-banked, and under-served consumers as the target market that we wanted to serve was the tip of the iceberg which gave way to a large-scale, multi-year, change initiative that remains a work in progress, even to this day.

It is important to note that the payoff lags behind the investment. When Karen approached the board with the idea of re-branding the credit union, it was presented as a five-year plan that made no promises of a return on investment in the first three years. She shared with the board that the cash outlay would be great and made sure the board was aware that it would only be a success if they were committed to ride out the process recognizing that we may lose a little capital along the way.

Rebranding to match our new identity

After laying the internal ground work to ensure employees were aware of the vision for change, we engaged a consulting company specializing in brand development to conduct a full re-brand for the credit union. The consulting firm reviewed the information that had been provided by the credit union, but they ventured out into the community to perform their own investigation about the perception of Afena and learn how residents would define their vision of an ideal financial institution. They talked with staff, both those who were excited about the inevitable change that was on the horizon as well as those who were skeptical and resistant. Throughout the process, consultants worked with credit union staff, members, and leadership to develop a new mission, vision, and organizational values that were aligned with our commitment to serving low-income and underbanked individuals.

Our mission statement changed from, “Our mission is to encourage savings, promote sound financial decisions and educate our members to help them achieve their financial goals” to “Afena Federal Credit Union will inspire its members to dream big, knowing that we will walk alongside them every step of the way, helping them to develop the perfect financial plan needed to achieve their dreams.”

Additionally, we crafted a clear vision statement describing our intended future state for the credit union: “Afena’s vision is to establish itself as an exceptional financial institution who focuses on guiding its members towards a healthier financial future while maintaining its commitment to exceptional member service and sound business practices to ensure healthy and sustainable growth. Afena Federal Credit Union will become the financial institution of choice, meeting the needs of all we serve in our communities, regardless of socio-economic background. Afena will continue to provide products and services that provide solutions to the financial and economic challenges our members face. Afena will remain committed to adhering to the founding credit union principles of people over profit and guiding its members towards making sound financial decisions that will help them improve their overall financial health.”
We created a value statement that every employee of the credit union lives and breathes by, “Afena considers your whole story – not just your credit score. Nobody’s perfect, but you work hard at carving out a life for yourself. We want to hear that story.”

The re-branding process was an essential component to our growth and success in transitioning to a niche market growth strategy. The redesigned logo and updated tag line were a physical representation of our shifting vision and new strategy, while the updated mission, vision, and values statements ensured that our internal and external messaging, marketing, and communication points were aligned with our target demographic. To successfully attract new members from your intended niche market, everyone in the credit union must be singing the same song, investing in a branding consultant to help us build our new brand was invaluable in that process. The initial cost for the branding consultant was $17,000.

Changes to staff

As with any change initiative, once we committed to serving our niche demographic, it was imperative that all of the leaders in the credit union not only supported the vision for serving low-income and under-banked individuals, but were willing to do the hard work and make the necessary changes to ensure the successful execution of that vision. At times, it was a messy and complicated process and we experienced a few years of high-turn over at both a senior management level as well as among lower-level employees. Of course, there were many times that this created tumultuous, stressful, challenging conditions for the credit union. It is never pleasant to lose staff, although at times of great change, it can be essential. As we lost some members of the team who were not fully bought in to our new vision for serving a niche demographic of consumers, we were able to hire new team members who believed in the vision and were committed to doing the work.

One of the things we learned through the implementation of our strategy is to make more of our hiring decisions based on cultural fit. If we are committed to providing high-quality financial products and services to low-income and under-banked members, we must ensure that we hire employees for our team who are equally committed. We work to hire people with a heart for service, who want to help others, who believe in second chances, and who treat others with dignity and respect, regardless of their credit score or income level.

Earlier we shared there were members of the community that had negative feelings about Afena. We realized we could not simply rely on traditional marketing to spread the news that Afena had undergone a major shift in the way we did business, so we coached our staff on how to approach members, deal with objections, and tell people about the “new” Afena. It wasn’t easy to convince members who had been turned down multiple times that things had changed. The entire team made a commitment to tell everyone to give us another try. When we started this journey, we created cards that said “share the love” and when we approved a member for a loan, we gave them five cards and encouraged them to tell five friends about Afena. The cards were referral cards that rewarded the referrer up to $50 when a they referred a new member or referred convinced an existing member who had never had a loan with us to apply for a loan. This was the initial step to getting the community to start to share stories about how we were different. We called it “experiencing the Afena difference.” We are also careful to ensure that all of our marketing campaigns and external communication pieces speak directly to our target audience and are an authentic reflection of the credit union brand.

After ensuring that our branding, communication, marketing, leadership team, employees, policies, and growth strategy were all in alignment and designed to serve our target demographic, we realized that there were still barriers that prevented us from achieving our desired level of success. Our branding messages included “Afena says YES”, but statistics showed that we were still denying a larger than desired percentage of loans. This was concerning, because it went again our brand messaging and caused concern about the impact to our reputation. For a two-week period, we had every loan officer write down the reasons they were denying loans. This was followed up with a series of meeting with loan officers to discuss each denied application, while there were a small percentage of members, we were not able to help, this exercise also recognized that sharing information with lenders regarding their statistics as it related to delinquencies and charge-offs (something they were concerned about) hindered them from taking calculated risk. We also learned that ideas about lending that had been ingrained in our lenders from the previous managers who were never comfortable with the new direction of the credit union also created barriers; it takes time to change one’s mindset. But more importantly, we went back to the drawing board and loosened ensured that our policies no longer contained guidelines and educated our lenders on the difference between a guideline and a policy. Probably one of the biggest barriers was that when lenders were uncertain about whether or not they should approve a loan, they consulted with a colleague, two risk-apprehensive individuals will not lead to a yes for the member. As a result of these meetings, we realized that we needed to make some additional changes to our lending policies and internal practices in order to allow our lenders to feel confident that they had the authority to take more risk and better serve our low-income and credit-challenged members.

The importance of strategic partnerships

An additional area of focus that has contributed to our success has been to develop strategic partnerships with non-profits, civic organizations, and even other financial institutions in the area. Of course, the specifics of these partnerships will look different based on what niche your credit union chooses to focus on, but whatever you choose, look for strategic partnerships that will help you advance your mission and grow your organization. We were able to partner with the Community Foundation of Grant County to develop a unique loan program designed to provide small-dollar, low-interest, emergency loans for low-income individuals in our community. Additionally, we have members of our senior management team serving on boards of various local nonprofits that align with our mission and vision. On of the more surprising partnerships we have found has been with other local banks and credit unions. Loan officers don’t like telling people no, but many find their hands are tied when one of their customers doesn’t meet their institution’s credit score or income requirements as part of their underwriting process. Now, instead of telling their customers/members “no” many loan officers at other institutions in town are able to tell them, “Go talk to Afena.” This allows the loan officer at another institution to be the hero instead of the villain, it allows them to preserve valuable customer relationships, and they can trust that Afena won’t try to steal the entire banking relationship; we are grateful to have the opportunity to try to help.

Since launching the niche market growth strategy in 2015, Afena has grown in asset size from $53 million to $96 million dollars.

The success we have experienced has allowed the credit union not only to grow financially, but to grow physically as well. In 2020, we opened a new retail branch location in Upland, Indiana, which is a small town approximately 12 miles away from our two branches in Marion. After opening the branch in Upland, we found ourselves turning away individuals who desired to join the CU because they were not eligible due to FOM restrictions, as the new branch was located less than one mile from a bordering county not within our field of membership. Afena's motto is that we work hard to find a way to say YES, which led us to seek a charter expansion to avoid turning away individuals who needed an institution that looked beyond a person's credit score when making prudent underwriting decisions. In January 2023, our charter was changed to include 3 new counties, and today we hold a rural community charter that includes five Indiana counties: Grant, Wabash, Blackford, Jay and Wells. With this expansion, Afena's FOM now stretches across a corridor in Central Indiana that touches the Ohio state line. And finally, in 2023, we completed a new corporate headquarters and retail branch in North Marion that we are particularly excited about, as it has created nearly 10,000 sq ft of new space that we desperately needed in order to continue to grow and hire more employees.

New Niche

The Hispanic Market

Credit union name: Avestar Credit Union

Location: Waterloo, WI

Asset size: $66 Million

Field of membership: Residents/Workers of Columbia, Dane, Dodge, Iowa, Jefferson and Rock Counties

Point of contact name and title: Kay Radloff, CEO

Point of contact phone and email address: 920-478-2151; kay@avestarcu.com

Summary

Many years ago, shortly after I started in the credit union world, we began to notice that very young children were coming in to translate for their parents. We found this to be very unacceptable because these people were opening accounts and borrowing money without enough understanding. We would talk to them, and the child would translate. I don't know about you but I would think there was a big communication barrier there. The realization came to us that we needed Spanish-speaking Member Service Representatives. We found that a good place to start was our local high school. We talked with the business ed teacher and she in turn spoke to a few students that 1. Could use a job and 2. Spoke both languages very fluently. Our target for this endeavor was our juniors and seniors from the local high school. The Spanish population is very dependent on word-of-mouth from their family and friends. So, we found our membership growing in leaps and bounds. We also had a board member that knew of a young mother that was looking for a job, she was our first full time Spanish speaking employee.

As time went on, we were always on the hunt for talent to fill MSR's, we continue to evolve our program, including the addition of Spanish forms. In 2021, we applied for a grant with the Wisconsin Credit Union League and received $10,000 to add a Hispanic website. These tools and our talented staff have helped us continue to improve this program.

At our annual Planning Meeting with our Board and Staff the decision was made to focus on this population as much as possible. These people want to work and have direct deposit, they want to take out loans and understand the terms. Year after year we discuss what has been working or not, what we need to add or improve.

There were always challenges along the way in all areas, one of the biggest being compliance. We looked to the League for rules on opening accounts. Two big revelations were finding out people didn't need a social security number and didn't need to work under their real name. The II Release (compliance book through the League) of safely serving our non-Americans was very helpful and opened the door for many more people to have an account. As we learned when CIP rules were greatly enhanced after 2001, we need an unexpired government ID from their country. We are able to accept passports as well.

Bumps and bruises

Quite often potential members present false documents to us and want to open an account. After helping them understand that we don't need a social security number to open an account they are usually able to go home and come back later with a valid ID from their own country. Unfortunately, these people are scammed and pay a lot of money for false documents, such as social security cards and Driver's license. Again, they are not trying to be dishonest, they are just using and doing what they are told. As people are informed that they don't need a social security number, we are seeing this to be less of a problem. Once we are all on the same page, we have another great loyal member!

Adding people to get their direct deposit under their new account also became a big problem. One person would open a valid account and then give direct deposit information to multiple other persons. On payroll days 3 to 4 direct deposits would come in under the same account number. Then one person would come in to withdraw all the money, separated out by how it would come in. Our member service representatives made this discovery while doing the withdrawals. It took several discussions between compliance and accounting to decide on the correct way to fix this. While compliance struggled with BSA, we again asked for help from our League Compliance Officer. We determined we needed to focus on BSA. We could not allow people to use an account when we had no personal information about those individuals. Over a few months' time, all account owners were notified. Once the extra users realized they didn't need a social security number, most of them opened their own accounts. Again, we believe they were misinformed and were able to meet compliance requirements once they had the correct information.

Another big issue that came up was the discovery that people's payrolls were coming in under a false name. We also learned that if a company is fine with someone not using their real name, that isn't our problem as long as we are in compliance. We need true, correct personal information at Avestar Credit Union. We have several amazing staff who are able to spot counterfeit identifying documents. Some members had been doing this for quite some time. Again, we turned to the League Compliance. Great news to hear was that John Wayne's real name was not John Wayne, and he would have had checks written to him. If they are working under an a k a, we need to know what the name is. As long as we made sure we had their correct name, we were in compliance with CIP. On our new account documents, we have our new members sign that they understand they are the only person whose payroll can come into their account unless someone else was added as joint.

Accounting tends to lean to ACH rules, where all is well if the account number matches. We went with BSA rules. The High-Risk Account list has turned into a time-consuming challenge. Every account without a social security number needs to be on a high-risk account list for one year. Although we have never had any problem with any of our members without social security numbers, it is the best way to pay attention to members in this new program.

Investment cost wasn't all that extreme. We needed to improve our website and with that we wanted to add a Spanish side. We applied for a grant with The League Foundation in December of 2020. We laid out the expenses: English version $8955, Spanish version $7950, this totaled $16,905. We never applied for a grant before, so we didn't know how much to ask for. We felt like we were going out on a limb but decided to ask for $10,000. We received the grant and went full speed ahead with the site. The Website was very well accepted.

Adding staff is a part of growth so I don't feel that was a direct part of the investment. We sure couldn't do any of this without their skill of speaking both English and Spanish languages. We are looking into the cost of Spanish loan documents for the coming year. I believe the quote for 1 year is about $500 for the form and then we would need it put into our software system, which is about another $500. Looking at that expense and knowing about half of the new members could use those forms, we are anxious to get this started.

Other than our website, which we got with our grant from the Wisconsin Credit Union League, our expenses were very minimal. While our average number of new members used to be around 25, it is now consistently over 40. Our loans, share drafts and debit card income have increased. Loans from 2010 were $15.8 million vs. 2020 Loans were $23.5 about a 50% increase. Checking accounts in 2010, $2.5 vs. 2020, $7 million is about a 180% increase.

As we go forward, we have our program in a good position to adjust as needed. We have several procedures in place to stay in compliance. Three credit unions have called us for guidance on getting their program in place. We participated in 2 CUNA projects over the past few years. Jennifer, a CUNA employee who went through the CUNA Management School, used our Credit Union as her project. CUNA then came out to Waterloo to create a fantastic video

of our Hispanic members and our Hispanic employees. We now have 7 employees who speak fluent Spanish. Gone are the days when a small child is attempting to translate for a loan. In fact, we are training an employee to be a loan officer. I believe the most important element for our program is our excellent staff.
We also were approached by Members First Credit Union in 2021 and asked if we would like to merge. The talks started and this December of 2023, we made it happen. We now have Members First in Madison as one of our four branches. They also serve the Hispanic population and have several Spanish-speaking employees, including a mortgage loan officer. They have participated in a Spanish radio broadcast once a month. Our staff has also participated with them. They talk about what they need to open an account, the different account types (ex: Savers Sweepstakes) they also talk about different loans, including mortgages.

As we have done from the start, as situations arise, we will decide, together with our whole staff, what we need to add or what we need to do to fix a problem. The whole extent of this program has been a learning experience. Many of our new members have taught us important things about their culture. This helps us do a better job, understanding their needs.

Financials then and now:

Year:	2010	2016	2019	2022
Assets:	17.8m	24.1m	25.7m	37.3m
Income:	95t	255t	288t	187t

Income is in thousands not millions, you can see a steady increase, in 2022 we increase wages by a good portion, so we didn’t lose the great staff we had due to wage increases across the country, hence the reduced income.

In summary, this program has been such a rewarding experience for all of us. So many important steps just fell into place as they came up. We could certainly say it was “learn as you go”. Most of all, it is how happy we all are to be helping this underserved population. We could not be more proud of our wonderful staff and board for their continued support. This program would not be possible without them.

We are very happy to share any parts of our program that we can to help other credit unions to get a program started to help their members.

New Niche

Investigating New Opportunities

Credit union name: Northwest Community Credit Union

Location: Morton grove, IL

Asset size: $67 Million

Field of membership: Community

Point of contact name and title: Jose Garcia, president/CEO

Point of contact phone and email address: 847-647-1030; jose@nwccu.com

About Northwest Community Credit Union

Northwest Community Credit Union (NWCCU) was organized in 1939 by parishioners of Immaculate Conception Church located in the northwest suburbs of Chicago. Since 1939, NWCCU has had three field of membership (FOM) changes. The initial FOM was expanded to serve the communities of Main Township, Niles, Des Plaines, Skokie, Lincolnwood, and Glenview as well as several Select Employee Groups (SEGs). In 2018, the FOM was expanded once more allowing NWCCU to serve a significantly expanded geographic area including Suburban Cook, Lake, and Will counties.

While we will continue to grow organically in the communities we serve, we have enhanced our focus on small businesses particularly those impacted by the pandemic, concentrated on financial literacy among both adults and children and targeted the large Latino market in our FOM. In order to maximize our impact in these areas, we have developed many new partnerships which will be noted in the various sections in our Blueprint.

Blueprint Initiative Focus – The Numbers

	2022	2026	% Growth
Total Loans	$39.3 million	$58.8 million	50%
Total Shares	$58.8 million	$72.5 million	23%
Membership	2,680	4,000	49%
Assets	$64.5 million	$79.1 million	23%
Capital	$5.4 million	$6.5 million	20%

Loans

Historically, NWCCU has had a high long-term asset concentration ratio due to our emphasis in mortgage lending. During the last five years, it was our goal to lower the long-term asset concentration ratio by offering short term loan products. One of which was our Adjustable-Rate Mortgages (ARM). This allowed us to offer a greater diversity of mortgage loan products. The change also included underwriting risk tolerance, which historically had been very conservative. NWCCU's policy and producers have changed vastly in the last five years. The changes have dramatically benefited our members, employees, and the bottom line. Within the last five-year period, NWCCU loan policy has evolved and changed to allow for niche products and services including:

- **Consumer Loans:** Increased credit risk tolerance (approving loans with lower credit scores – D paper)
- **Unsecured Lending:** Increased from $18,000 to $1 million in outstanding unsecured loans. Our goal is to continue to increase this number.
- **Mortgages and Investment Property:** Increased lending limit to $1.2 million, offering FHA, VA, Conventional, and Investment Property up to 4-unit buildings.
- **ITIN Loans:** Serving the underserved Latinx community, with purchases of homes and investment property.
- **Loan Participations:** NWCCU retains 10% to 15% of every loan participation.
- **Business Loans:** Partnered with CBS (Cooperative Business Services), a CUSO based out of OH. NWCCU participates in a BDO (Business Development Officer) program with six other credit unions in IL. The aggregate loan is shared with all six credit unions and funded by each credit union.
- **Small Business Administration Paycheck Protection Program (SBA PPP):** This program was developed during the pandemic, assisting many small business members.
- **Lending applications are electronically available to members.** This has given us the ability to be efficient with underwriting decisions and collecting of necessary support documents. Most of the loans can be closed and funded electronically.
- **Partnered** with the Illinois Hispanic Chamber of Commerce (IHCC) and the Illinois Credit Union League (ICUL) to provide assistance to small businesses and entrepreneurs throughout the Chicagoland and surrounding counties. The service provided at no-cost to member businesses/participants, is a collaboration with IHCC, The Small Business Administration (SBA) Community Navigator Pilot Program.

Shares

NWCCU is in a high paying dividend geographic market area. In 2018, NWCCU went through a deposit insurance conversion from NCUA to ASI. Per NCUA rules and regulations, members were allowed to close their CDs without penalty. This caused a strain on our net income margin that took time to recover.

Since 2019, interest rates have been historically low. However, in the last several months rates have increased more than 300BP going from a low-rate environment to a competitive rate environment. The same challenges are present with net interest income. The credit union's goal is to grow its deposits by offering competitive rates, producing above average cost of funds. Additionally, it is our goal to focus on managing net interest margin to ensure profitability.

NWCCU will focus on growing low-rate deposit products including Regular Shares and Share Drafts. Less focus on competing on high cost of funds deposits. This initiative will entail converting the underserved members from cash cards to debit cards with home-banking. Our goal is to grow Share Drafts to $8.5 million by the end of 2026 from $5.1 million in 2022...a 67% increase.

Marketing

Promoting the credit union has evolved from traditional media to digital campaigns pushed to members through Constant Contact, social media, and our website. The marketing director stays engaged with current and relevant marketing strategies and oversees our student employees who assist with social media posts from multiple platforms. When introducing new products/services, the credit union maintains a continuity of look and feel across all mediums. All marketing campaigns are measured to provide a true assessment of their success.

The Blueprint

The Blueprint was developed to guide our credit union team (Staff and Board) to obtain the goals established by the board of Directors of NWCCU. The plan was approved at 2022 planning meeting. Details below:

The intent of this blueprint initiative is to provide clear direction for Northwest Community Credit Union (NWCCU). It defines the guiding principles, direction, and goals to accomplish from 2023-2026.

Definitions (Purpose, Mission, Core Values)
The Purpose Statement reflects our credit union's reason for existence. It sets out a result to be attained and the direction we are moving. Our Mission Statement says the type of organization we have chosen to be in striving to accomplish our Purpose. This clarifies the objective we are charged to pursue for our members. By carrying out this Mission, we hope to

fulfill our Purpose in the lives of our members.

Core Values are the beliefs of our organization. They are the principles, standards and qualities regarded as essential to our success. They also serve as the boundaries of behavior to accomplish our Mission. Our Core Values underpin all policies, objectives, procedures, and strategies because they provide an anchor and a reference point for everything we do. Core Values guide our plans, decisions, and actions. Values become real only when demonstrated in our organization's activities.

Guiding Principles

Purpose Statement: We, as a credit union, are committed to the "people helping people" concept of credit unions as cooperative financial institutions.

Mission Statement: Our mission is to offer our members exceptional products and services which provide value and enable them to live financially healthy lives as we play an active role in our community and uphold the credit union philosophy of People Helping People.

Core Values:
- Members First – To provide information, products, and services of the greatest possible value to our members. To develop products, and services for members when the business plan indicates it will contribute to the accomplishment of our mission.
- Cooperative Nature – To make available our products and services internally or through our business partners.
- Financial Strength – To maintain a position of strength and leadership through controlled growth limited by our resources and the needs of our members. To achieve sufficient earnings to finance growth and to provide the resources needed to achieve our mission.
- Our People – To help our staff share in the credit unions success, which they make possible; to provide opportunity based on performance; to recognize individual achievements; and to foster the personal satisfaction that comes from a sense of accomplishment in their work.
- Ethics – To maintain a consistently high standard of business conduct.
- Citizenship – To honor our obligations to society by being an economic, intellectual, and social asset in the communities we serve.

Goals
To achieve our mission, we have established strategic annual goals for Northwest Community Credit Union to accomplish by December 31, 2026. These goals will be reviewed during strategic planning and adjusted accordingly. To achieve these goals, we have established Performance Objectives that outline how we will measure our success, Primary Strategies that describe how to achieve the goals over the next several years, and Action Plans to describe

specific steps to take in the next 12 months to keep us moving forward.

GOAL 1: Grow Loans 10%

Performance Objectives

- Increase the number of loan products/services.
  - Focus will be on unsecured loans, auto, real estate and commercial loans.
  - On-board QCash as a new product in 2024. QCash will enable members to apply for instant loans using a mobile device.
- Increase the revenue generated by our loan products.
  - Loan yield will generally be 2-4% higher than investments and therefore the goal is to achieve 80% loan/share ratio.

Primary Strategies

- We will regularly interact with our board/peers to ensure the latest products are available to our members.
- We will pursue business loans/participations to help small businesses.
- We will effectively communicate the value of membership to our members and prospective members.
- We will continually enhance credit union staff knowledge and expertise which will be regarded as a resource for our members.

Action Plan

- Actively pursue small business loan opportunities by being engaged with local/national business chambers.
- Promote credit union products and services at networking events.
- Actively promote loan products to new Employer Groups (SEG).

GOAL 2: Grow membership by 150 members per year.

Performance Objectives

- Promote our credit union at local chamber events.
  - Provide small business technical assistance through the Illinois Hispanic Chamber of Commerce
- Target the Latino Community
  - Promote the credit union as the official credit union of the Illinois Hispanic Chamber of Commerce.
  - Attend the Illinois Hispanic Chamber of Commerce business expo.
  - Promote the credit union on Latino media.

    - Partner with the Illinois Credit Union League on promoting credit unions to the Latino Communities.
- Grow our younger member base
    - Utilize Saint Xavier University media and radio station.
    - Expand our financial literacy program to educate younger members via social media and educational seminars.
- Be present at local charity and community events.

GOAL 3: Maintain a $50,000 * Net Income

Performance Objectives
- Increase year over year net profit margin generated from new product offerings.
    - Note: 2024 will be a net loss year due to the COF increase. Recovery will begin in late 2024.
- Increase year over year % of new product revenue to total revenue.
    - Non-interest income will be the focus of growth.
    - Mortgage fee originations
    - QCash related fee income
    - Trustage Income

Primary Strategies
- We will stay abreast of current market trends in financial services.
- We will regularly interact with our members to ensure the best quality products and services.
- We will identify and explore opportunities to diversify NWCCU product/service offerings.

Action Plan
- Maintain competitive rates on loans and deposits to maintain a strong Net Interest Margin (NIM).
- Continue to increase our fee and other Income.

*Best projection based on current rate environment; we anticipate a net loss of $131,000 in 2024.

GOAL 4: Maintain Solid Financial Condition

Performance Objectives
- Increase net income to a level of $100,000 by December 31, 2026.
- Improve capital position to 10%.

Primary Strategies

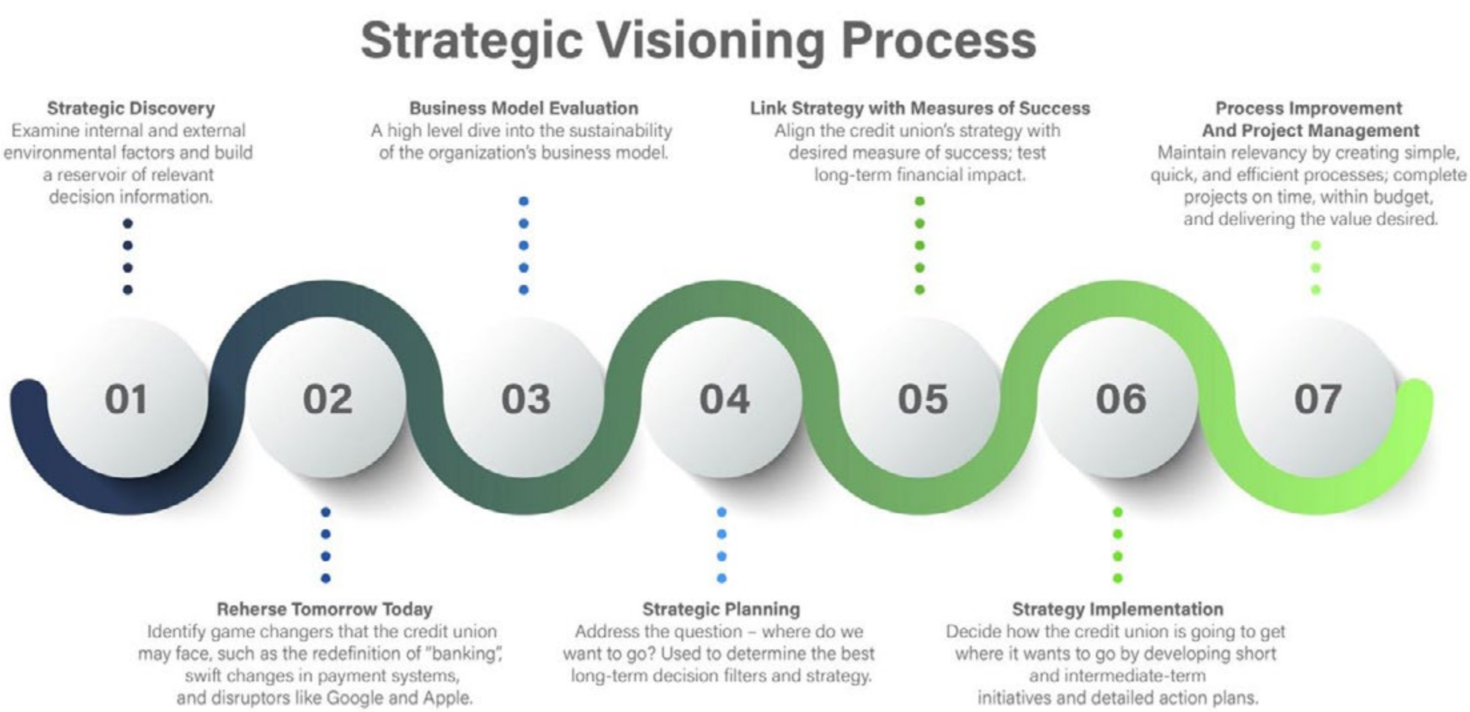
- We will assess capital needs and develop plans to achieve appropriate levels.
- We will look for ways to decrease operating expenses through efficiencies.
- We will evaluate current product lines for maximum effectiveness and profitability.
- We will explore ways to improve the value of our investments.

Action Plan

- Generate net income of $100,000 by December 31, 2026

Planning Methodology

In late-2022, NWCCU began working on the Strategic Visioning Process with the Board and Management, the desired result being consensus on a strategic direction for NWCCU. The Strategic Visioning Process guided participants through a series of evaluation and review steps.



- **Environmental Scan.** The Environmental Scan was used during the sessions to recognize and discuss trends and uncertainties in the credit union environment that can influence NWCCU strategic and tactical decisions. Notable factors included:
    - **Finding Relevance with Young Consumers:** Focus is to target Gen Z and Millennials. NWCCU will be revamping its entire online and mobile platforms to provide a better

"banking" experience.

  - **The Talent Evolution:** NWCCU will continue to develop staff in technology and the ever-changing payments systems. This includes enhancing products and services that will process more efficiently. NWCCU will continue to provide viable benefits with minimal costs to the staff.
  - **An Economic Fork in the Road:** NWCCU continues to monitor economic data to adapt to constant changes in the banking environment. Factors that tend to affect our credit union include inflation, labor markets, and earnings. NWCCU will always react quickly to meet the needs of our members.
  - **Diversifying Revenue Sources:** The credit union has partnered with Cooperative Business Services and Member First Mortgage to provide new products as market conditions change. The focus will be on enhancing our insurance products and creating a wealth management program.
  - **Artificial Intelligence (AI) Enabled Underwriting:** AI underwriting is now more relevant and active in the banking industry. NWCCU will partner with Alloya Corporate CU to implement this type of technology in late 2024.
  - **Member Focus Advocacy:** NWCCU will continue to advocate for an improved regulatory environment by participating in regulatory advocacy. Recent bills like CRA and Interchange Income will have a negative impact on our industry.
- **Plan Follow-up:** To ensure the strategic plan is accomplishing its purpose, a regular review of the goal progress and long-term direction is necessary. The leadership of NWCCU will adhere to the following review schedule:
  - Annual Planning Session with the Board of Directors and Management.
  - Quarterly review of plan progress and results by Senior Management to the Board.
  - Monthly review of plan progress and results by Management.

Northwest Community Credit Union

Pro Forma Balance Sheet Trend

Projections from 2022-2026

($ thousands)

Account Name	Actual 12/22	Projected 12/23	$ Change	% Change	Proj. 12/24	% Change	Proj. 12/25	% Change	Proj. 12/26	% Change
Assets										
Total Net Loans										
Total Loans										
Consumer	1,422	1,439	17	1%	1,972	37%	2,725	38%	3,789	28%
Auto Loans	5,399	5,606	207	4%	6,193	10%	6,842	10%	7,558	9%
Auto Loan - Indirect/CULS	2,928	4,046	1,119	38%	5,094	26%	6,972	37%	8,200	15%
Credit Cards	859	780	(79)	-9%	820	5%	862	5%	906	5%
Share Secured	126	592	467	372%	102	-83%	102	0%	102	0%
Line Of Credit	915	1,172	257	28%	1,295	10%	1,430	10%	1,580	9%
Real Estate	22,547	22,463	(84)	0%	23,612	5%	24,820	5%	26,090	5%
Loans- Business Participation	6,000	8,000	2,000	33%	9,250	16%	10,000	8%	10,500	5%
Total Loans	**$40,194**	**$44,098**	**$3,904**	**9.71%**	**$48,338**	**9.61%**	**$53,753**	**11.20%**	**$58,725**	**8.47%**
-- Total Allowance	(80)	(359)	(278)	346%	(386)	8%	(415)	8%	(446)	7%
Total Net Loans	**40,114**	**43,739**	**$3,625**	**9.04%**	**47,952**	**9.63%**	**$53,338**	**11.23%**	**$58,278**	**8.48%**
-- Total Cash on Hand	545	693	148	27%	693	0%	693	0%	693	0%
Total Investments										
Total Corporate	3,179	2,026	(1,153)	-36%	1,561	-23%	186	-88%	(103)	-280%
Marketable Securities	9,479	8,686	(793)	-8%	8,686	0%	8,686	0%	8,686	0%
Investment Certificates Of Deposit	8,717	8,963	246	3%	8,963	0%	8,963	0%	8,963	0%
Total Investments	**21,374**	**19,675**	**($1,699)**	**-8%**	**19,210**	**-2%**	**$17,835**	**-7%**	**$17,546**	**-2%**
- Total Other Assets										
-- Total Other Assets										
--- Total Other Assets	2,189	2,458	269	12%	2,458	0%	2,459	0%	2,459	0%
Total Furniture And Fixtures	102	149	48	47%	149	0%	149	0%	149	0%
-- Total Other Assets	**2,291**	**2,607**	**$317**	**14%**	**2,608**	**0%**	**$2,608**	**0%**	**$2,609**	**0%**
- Total Other Assets	**2,291**	**2,607**	**$317**	**14%**	**2,608**	**0%**	**$2,608**	**0%**	**$2,609**	**0%**
Total Assets	**$64,324**	**$66,714**	**$2,390**	**4%**	**$70,463**	**6%**	**$74,474**	**6%**	**$79,126**	**6%**
Liabilities										
Accts Payable and Other Liab	176	107	(69)	-39%	107	0%	107	0%	107	0%
Total Member Shares										
-- Total Member Shares										
Regular Shares	19,640	17,741	(1,899)	-10%	18,919	7%	20,176	7%	21,517	6%
Club Accounts	1,289	975	(314)	-24%	985	1%	994	1%	1,004	1%
Money Market	5,751	5,058	(693)	-12%	5,317	5%	5,589	5%	5,875	5%
Shares Draft Accounts	4,738	4,610	(127)	-3%	5,647	22%	6,916	22%	8,471	18%
Escrow	452	447	(5)	-1%	447	0%	447	0%	447	0%
Ira Shares	985	1,203	218	22%	1,203	0%	1,203	0%	1,203	0%
IRA Certificates	2,806	3,133	327	12%	3,133	0%	3,133	0%	3,133	0%
Regular Certificates	23,169	28,198	5,029	22%	29,055	3%	29,939	3%	30,850	3%
-- Total Member Shares	**$58,830**	**$61,364**	**$2,535**	**4%**	**$64,706**	**5%**	**$68,398**	**6%**	**$72,500**	**6%**
Total Member Shares	**$58,830**	**$61,364**	**$2,535**	**4%**	**$64,706**	**5%**	**$68,398**	**6%**	**$72,500**	**6%**
Total Liabilities	**$59,005**	**$61,471**	**$2,466**	**4%**	**$64,812**	**5%**	**$68,504**	**6%**	**$72,606**	**6%**
Equity										
Total Reserves										
Regular Reserve	2,203	2,203	0	0%	2,203	0%	2,203	0%	2,203	0%
Undivided Earnings	4,407	4,331	(75)	-2%	4,198	-3%	4,267	2%	4,567	7%
Unrealized Gain/(Loss) On Afs Investment	(1,291)	(1,291)	0	0%	(750)	-42%	(500)	-33%	(250)	-100%
Total Reserves	**$5,319**	**$5,243**	**($75)**	**-1%**	**$5,651**	**8%**	**$5,969**	**6%**	**$6,520**	**8%**
Net Income	179	134	(45)	0%	(133)	-200%	69	-152%	300	77%
Total Equity	**$5,497**	**$5,377**	**($120)**	**-2%**	**$5,517**	**3%**	**$6,038**	**9%**	**$6,520**	**7%**
Total Liabilities & Equity	**$64,324**	**$66,848**	**$2,524**	**4%**	**$70,330**	**5%**	**$74,543**	**6%**	**$79,126**	**6%**
Capital Ratio (NET)	**8.55%**	**8.04%**			**7.84%**	**-2%**	**8.10%**	**3%**	**8.24%**	**2%**
Capital Ratio (GROSS)	**10.55%**	**9.97%**			**8.91%**	**-11%**	**8.77%**	**-2%**	**8.56%**	**-3%**

Northwest Community Credit Union

Pro Forma Net Interest Income Statement

Projections from 2022-2026

($ thousands)

Account Name	Actual 2022	Projected 2023	$ Change	% Change	Proj. 2024	% Change	Proj. 2025	% Change	Proj. 2026	% Change
Interest Income										
Total Interest Income										
Total Interest On Loans	1,437,510	1,919,892	482,382	34%	2,175,544	13%	2,269,868	4%	2,396,641	5%
Income From Investments	330,546	556,110	225,564	68%	587,897	6%	663,089	13%	762,404	13%
Total Interest Income	$1,768,056	$2,476,002	$707,946	40%	$2,763,441	12%	$2,932,957	6%	$3,159,045	7%
Total Interest Income	$1,768,056	$2,476,002	$707,946	40%	$2,763,441	12%	$2,932,957	6%	$3,159,045	7%
Interest Expense										
Interest Costs	54	0	(54)	-100%	0	0%	0	0%	0	0%
- - Total Dividend Expense	318,414	1,066,062	747,648	235%	1,346,466	21%	1,293,981	-4%	1,288,534	0%
Total Interest Expense	$318,468	$1,066,273	$747,805	235%	$1,346,466	21%	$1,293,981	-4%	$1,288,534	0%
Net Interest Income	$1,449,588	$1,409,729	($39,859)	-3%	$1,416,975	1%	$1,638,976	16%	$1,870,511	12%
Total Provision Expense	0	15,100	15,100	100%	25,200	40%	25,200	0%	25,200	0%
Total Provision Expense	$0	$15,100	$0	0%	$25,200	40%	$25,200	0%	$25,200	0%
Net Interest Income After Provision	$1,449,588	$1,394,629	($54,959)	-4%	$1,391,775	0%	$1,613,776	16%	$1,845,311	13%
Non-Interest Income										
- - Total Fee Income	59,438	69,643	10,205	17%	72,000	3%	72,000	0%	72,000	0%
- - Miscellaneous Income	125,314	115,249	(10,065)	-8%	133,203	13%	133,203	0%	133,203	0%
Other Operating Income	101,990	206,215	104,225	102%	0	0%	0	0%	0	0%
Total Non-Interest Income	$286,742	$391,108	$104,366	36%	$205,203	-91%	$205,203	0%	$205,203	0%
Non-Interest Expense										
- Non Int Expense										
Total Employees Benefits	693,833	727,031	33,198	5%	718,729	-1%	718,729	0%	718,729	0%
Total Travel And Conference	40,360	44,507	4,147	10%	69,596	56%	69,596	0%	69,596	0%
Total Office Occupancy	223,657	229,954	6,297	3%	262,595	14%	280,094	7%	280,094	0%
Total Office Operations	272,471	310,691	38,220	14%	337,293	9%	337,293	0%	337,293	0%
Total Education And Promotional	88,453	95,262	6,809	8%	83,743	-12%	83,743	0%	83,743	0%
Total Loan Servicing	53,299	57,444	4,145	8%	46,881	-18%	46,881	0%	46,881	0%
Total Professional And Outside Service	138,339	160,964	22,625	16%	174,491	8%	174,491	0%	174,491	0%
Total Insurance	47,789	31,811	(15,978)	-33%	36,994	16%	39,394	6%	39,394	0%
Total Miscellaneous Expense	(662)	(223)	439	-66%	0	-100%	0	#DIV/0!	0	#DIV/0!
- - Non Operating Expenses	0	0	0	0%	0	0%	0	0%	0	0%
- Non Int Expense	$1,557,539	$1,652,118	$94,579	6%	$1,730,322	5%	$1,750,221	1%	$1,750,221	0%
Total Non-Interest Expense	$1,557,539	$1,652,118	$94,579	6%	$1,730,322	5%	$1,750,221	1%	$1,750,221	0%
Net Income	$178,791	$133,619	($45,172)	-25%	($133,344)	-200%	$68,758	152%	$300,293	77%

New niche

Transforming Into a Business Lender

Credit union name: Skyline Financial Federal Credit Union

Location: Waterbury, CT

Asset size: $39 Million

Field of membership: Community

Point of contact name and title: James Higgins, President/CEO

Point of contact phone and email address: james@skylineffcu.com

Summary

Credit unions thrive in areas where people need it the most. The problem is those who need it also don't know who to ask to help them solve it. They also don't know that the help can be found in their neighborhood credit union.

For 2023 and going forward, Skyline Financial Federal Credit Union has jumped into the business landscape. Small business owners are the ones who need our help in our community. We decided strategically that it made sense to get a business program off the ground. We switched our core provider in 2023 so that we could focus on enhanced technologies and compete with large banks.

We launched a series of new products and services to include business accounts, business money markets, business saving accounts, merchant services, card payment solutions, business solutions through the Clover point-of-sale system, business lending, business auto loans, and business refinancing loans.

Our entire staff is ready to help the small business owners in our community. Our entire credit union is run by six individuals and every time the phone rings members get one-call resolutions. My team is competent in the business world and finds a way to help the business member.

It is unusual for credit unions to be in the business space, especially as our credit union is only $39M in assets. My team members underwent business training through various sources, I was Moody's-trained as a business banker at my former institution, and several of our team

members were trained in business products at their former institutions as well. We've been able to harness our collective knowledge and put together a program that made sense to us and the community members we serve.

Our credit union decided to jump into business because when we looked around us, large FIs were closing branch after branch and leaving no support but a toll-free line and teleprompts that led someone in circles. We rebranded some of our business cards to be sleeker and stripped the "fancy" sounding titles and made it relatable to the business owners we serve. Financial conversations are so stressful for so many individuals. We wanted our community to feel comfortable when they walked in the door. We proudly hung the inclusive flag outside of our building for all to see. We adopted a casual dress code as well. As simple as a polo shirt and jeans may sound, the member is already intimidated walking into a FI and we wanted to give them an environment that felt safe, comfortable, and casual. We knew this was important for the community because with small business comes a thriving and supportive community.

When it comes to executing a new program, due diligence is obviously the more challenging component. We created the wheel from scratch and had to fit a bunch of square pegs into round holes, especially before our core system upgrade. Luckily for us, the new core system meant that we got to design the program exactly how we wanted it, and that lead to great ease when it came for employee training, system reports, and more.

On paper it was easy: come up with the disclosures, and everything made sense, but making sure that the system was doing what the disclosures said they were doing was a challenge. We had to test everything 100,000 times and ensure that everything worked as intended. Launching something new means ensuring that the member does not have a negative experience and doing it with little or no hurdles is challenging, but we prevailed.

When it came to investing in the right items, it meant figuring out what to turn on. Before the core system switch, we had to run break even analyses to see if it meant paying for the old system to work or just manually computing things until the new system turned on. That analysis alone took some time and required some analytical thinking. Not to mention the 1,000 cups of coffee to help with the focus on executing the project and helping the members at the same time.

Don't forget, we're only six team members strong but work like we're 100 team members strong.

One of the breakthroughs we had was the relationship pricing tool that our new core system came with. This allows us to enable relationship pricing for better loan rates that are more favorable to the business member if they also signed up for merchant services or one of our other products. By doing that, we can offer sticky products and reasons to stay with us as it's all bundled together and cost-free to the member. During the contract negotiations of the core system, we opted for an "all-in" pricing. Meaning that no matter what new enhancements come, if the core did it, we got it, and it didn't cost us more. This allows for us to have way more options than we need but allows for us to scale our model into the functions that we can turn on without additional cost. Our balance sheet evolved as we were able to add member business accounts and regular accounts. Immediately upon launching the business products, we instantly had close to $300,000 in loans in the first 60 days. As for organizational changes, when you only have six team members, we remained the same solid team, and we each got to learn something new!

This business membership has allowed for Skyline Financial FCU to be a staple to our community in which we add value. A place where the business owners feel comfortable and worry-free about the questions they have. Imagine as a business owner you can walk into your local credit union and instantly feel at ease, when you didn't at the bank. Where the business owner doesn't feel "stupid" for asking questions or feel inferior for not knowing what to ask, how to ask, or even if it's okay to ask questions. That's where we've succeeded. One business member hears about us, and this organic advertising web happened. Since we've launched the business program, we now service 15 small businesses and growing. We think for 2024, we'll be serving close to 50 businesses at the rate we're gaining new business members. The business members can also share their business information on our community bulletin board and we're often referring our members to the business members' businesses. If you need a plumber, an HVAC person, electrician, security systems, locksmith, or even a good ice cream cone, we know where to send you! Plus, the partnerships that have developed are stronger too. Our credit union has ice cream at the annual meetings, has our locks, security systems, and wiring all done by the businesses who support us too. It's a relationship.

The program looks simple in its current form because it is. There are no hoops to jump through, there are no hidden fees. Just like the core of every credit union, it's good, easy, clean banking and lending that the community needs. There is one small financial institution that had findings on their business program and immediately shut down the business program and are referring them over to Skyline. The fear of a finding should not dictate the credit union's choices. There will be stumbles and there where be fumbles, but with practice makes for solid audits and solid income protentional. What's most crucial for being successful at business is to start with programs that are simple. Keep it easy by starting with a savings account or a checking account. When it's time, then you can learn how to compute debt-service-coverage-ratios and analyze business tax returns like a commercial banker does. It doesn't have to be a full-fledged program all at once. We got a bit lucky have a strong business banking background from our existing employee group, and all credit unions should know that Skyline is only a phone call away. We'll be more than happy to share our plan, numbers, disclosures, you name it! Keeping it simple and expanding slowly is key.

Our future looks very promising. We're only 500 members away from establishing a low-income-designation, which then means we can apply to become a CDFI and then apply for additional grants to help bring in additional employees who speak the native languages of the community we support. While the budget doesn't promote it in 2024, in 2025 we're likely looking to add business development as a position in our credit union in which someone can be out in the field daily getting more business members into the credit union. This will also help take some of the load off my shoulders as CEO. As a small credit union CEO, we really are underwriting loans, opening accounts, handling the financials, plunging toilets, and changing light bulbs and that's only on a Monday, forget about the rest of the week! As aim to get the 500 new members, which we plan on doing all of 2024, we'll continue to support our organic growth for everyone who needs it. We also landed a deal with the local municipality. We'll be the first credit union to finance a fire truck, and that will add about $1.1M in loans just for one truck. We are currently waiting for the truck's delivery, which is scheduled for March 2024. That will be a huge win for the credit union, and it saves the municipality about $80k in interest if they went with the other vendor. The municipality is also fronting $1M in cash to secure the loan at a low dividend rate to offset the interest charge which helps with the liquidity of funding such a large loan and cash secures the loan so that we're only exposed for $100,000. Credit unions and municipalities should work together as they're both supporting the same community.

Financially, where we started was wild. My first year at the credit union was in 2021, we had a loss of over $412,000 my first year due to some "crafty" accounting work of the former CEO who is no longer employed. My second year at the credit union we finished the wear with about $247,000 in losses as we continued to clean up the financial mess. As for my third year, we're looking to end the year with a small profit of about $10,000 for 2023. We (my team and I) have turned this credit union around. Members love coming into the credit union and want to hang out here for hours. They often ask if we have a bar in the back so they can hand after hours! The relationships that we've built, combined with the hard work has allowed for us to navigate the most trying liquidity times there is in modern-day banking.

Here's a breakdown of our business dollars for the end of November 2023:

- Business Loans: $82,768
- Business Real Estate Loans: $209,861
- Business Auto Loans: $378,387
- Business Shares / Checking Accounts: $256,920
- Business Loan Income and Business Merchant Service Income: $31,320

Skyline Financial Federal Credit Union remains committed to our community, committed to our members, and will do whatever it takes to help out the small business owner in our back yard so they aren't robbed of junk fees, high interest, and ridiculous account requirements of the big banks.

Thank you for your consideration, this scholarship will help us divert the travel budget used to attend the GAC over to marketing for additional exposure to our community.

James A. Higgins, MBA, CUDE
President and CEO – Skyline Financial Federal Credit Union

Operations

Restructuring the Loan Department

Credit union name: 1199 SEIU Federal Credit Union

Location: New York, NY

Asset size: $88 Million

Field of membership: Health care employees

Point of contact name and title: Shanel Richards, Lending Manager

Point of contact phone and email address: srichards@1199federalcu.org

Summary

Our credit union is undergoing a pivotal transformation to enhance its lending department, which ties into our various products and services, emphasizing education and member empowerment and financial independence and stability.

Though modest in size, the 1199 SEIU Federal Credit Union, with two loan officers and two account recovery specialists, stands poised at a transformative juncture. As we reached our pivotal moment, we wanted to expand our lending department to serve our members better. We stand on the motive of people helping people and strongly believe in our motto, “for your financial health.” How can we be the credit union for your financial health when we don’t have extensive products and services for our members? Or the products and services we have are not being utilized. We needed to restructure the lending department. We want our members to be financially educated and to have access to credit as well as the knowledge of and the importance of budgeting and saving. We want to be our members’ first option regarding banking and/or lending in a banking industry full of predatory lending with high interest rates and other competitive financial institutions. One of the biggest problems we have encountered is our loan denials due to poor credit management and lack of financial literacy knowledge and finding ways to reduce the number of declined loans. We want to help our members have financial security, resilience, control, and financial freedom and stability.

Staffing restructure

Developing a blueprint, we identified that opening a new lending manager position is the first step. The lending manager will oversee the lending and collection department, loan approvals underwriting, collections adherence, etc... Our new financial coaching program plays a very important role in servicing the underbanked, the unbanked and underserve members. That is the direction we want for the Credit Union; we want to host one-on-one coaching as well as group sessions for financial wellness literacy classes on budgeting, saving, understanding credit, debt management, and planning for the future. With these tools we want to be the credit union that our members dreamed of that can assist them with their every banking need.

Our mission is for all staff members to be Certified Credit Union Financial Counselors (CCUFC). We have an initiative for the staff members to counsel our membership at the very beginning of opening an account or at any given time. Certified Credit Union Financial Counselors will help in the development and promotion of our credit union products and services with the main focus on building our Small Dollar Loan Program (SDLP). This process not only helps expand our loan portfolio but, most importantly, gives guidance to members in making sound decisions and great judgement calls creating lifelong commitments with the Credit Union.

We want to keep the lines of communication open and transparent. We not only have a fiduciary responsibility to our membership, but we also want to create trust and security. We created the FSR position as a liaison between the Loan Officers and the Account Recovery Specialist that will capture declined loans as well as members looking for credit repair. This role is imperative to prevent predatory lending by other payday lenders with exuberant interest rates. In doing so, these specific members will be granted 1 of our Small Dollar Loans with a significantly lower interest rate as a jump start on their road to recovery. The idea is to rebuild their credit with the Small Dollar Loan and repair their credit while in the process. In our Strategic Planning, we hired two Financial Service Representatives to fill that position. One of which was a former MSR/Teller, who we have promoted from within.

When there is an unfortunate loan denial, we want that member to be counseled by one of the FSR. The goal for the FSR is to have a one-on-one meeting with the members to go over their credit report, attend our financial classes, and repair/ rebuild their credit.

Execution

The 1199 SEIU Federal Credit Union is also partnered with KOFE (Knowledge of Financial Education) and Primerica; these partners are additional learning and training tools for our members who need financial coaching. In the past, we have held financial education classes with Primerica twice a week, offering morning and evening sessions. We will continue to collaborate with both KOFE and Primerica as well as incorporate the credit union's financial literacy sessions/ classes as well. To ensure that these sessions are successful and productive, we ask the members who attended these classes to provide feedback with suggestions or ideas for improvement where it is needed. With that data from our members about their thought process or knowledge gained from the financial coaching classes, we can then restructure the classes to make it more personal and individualized.

Financial Service Representative would be beneficial for our members. The goal is to turn every unfortunate loan denial into an approval. Carefully crafted, we will introduce an emergency loan so our members can access credit while working with an FSR to fix their credit.
Currently, we have various products and services for members to utilize with no credit checks with favorable rates. We found these new loans beneficial to our loan portfolio and they have been rapidly growing. Our members can access a loan for their birthday during their birthday month. For our members with requirements, we offer loyalty loans and provide a short-term loan.
We also have a loan intended to repair and rebuild our members' credit by paying off their bad debts by doing a consolidation, which coincides with one of our partners KOFE, to gain a financial education certificate.

In line with our Recovery Specialists, we also have loan modifications for members who experience hardships, loss of employment or just everyday life with a difficult economy. Our core goal is to ensure that the lines of communications stay open. We want the members to know that missing a payment and becoming delinquent does not mean that you are no longer valued. Our Recovery Specialists are here to help you get back on track with options to assist our members. They are not just collectors. They are empathetic and skilled problem solvers!

Plans to Enhance and Advance

In conjunction with our loans and programs mentioned previously, we also developed and implemented products and services for the underbanked, unbanked, and underserved. Our fees are minimal in comparison to other credit unions and banking industries in those underserved areas leaving little to no room for banking options that are suitable for that particular market sector. Our checking accounts have zero fees and no minimum balance requirement and is easily accessible through partnerships with CO-OP as well as free ATM services with CITI and also All Point and All Point Plus where members can transact free of charge. These services include withdrawals as well as cash deposits. We also implemented a Certificate of Deposit program with competitive rates to show our members that they can save for the future and that CD's are not exclusive to just the wealthy.

We are also working on Instant issue debit cards for our membership so when they open their checking account, they can walk away with their debit card in hand. In the works is also a Visa card for the savings account for those that do not qualify for a checking account. Our goal is to be able to accommodate and compensate members that we have a difficult time qualifying for one product or another.

1199 SEIU Federal Credit Union is also CDFI certified and also a Minority Depository Institution (MDI) and also Low Income Designated (LDI). This has allowed for the credit union to apply for grants that facilitate programs that we would like to implement to ensure our rate for declination for our products and services decreases over time. The grants played a pivotal role in our Small Dollar Loan Programs and hiring of our Lending Manager and FSR's.

We are also currently in the process of expanding our field of membership (FOM) so we can reach out to more areas of the underserved, underbanked and the unbanked. This strategic step will not only help in the growth of our membership and reach those who are in dire need of a credit union with our philosophies as well as our products and services, but also increase our loan portfolio and the overall well being of the credit union.

With this expansion of the 1199 SEIU Credit Union, we are also making sure that accessibility is a priority. With the continuous advancing of technology, we want to make sure onboarding and transacting is at everyone's fingertips and easily accessible. Presently our new focus is working on improving our digital sign-in process. This involves implementing a Kiosk that will help with the flow of traffic at our location and make our appointments with our members more manageable and timelier. We are working with our core processor with new technology for onboarding and online banking that includes stronger security and accuracy for our members' protection. Especially with the Covid-19 pandemic which became an eye opener for us to revamp and update our technology so that in the event of something so life changing our members will always have access not only to their funds but to the credit union in general.

Our goal is to not lose our members who has been with us from inception and show appreciation for their loyalty and at the same time capture the new generation that's looking for quick and easily accessible with advanced technology which is ever changing and ever evolving. Also the fact that they can create generational wealth by extending our credit union services to immediate family members and making them knowledgeable about how great a credit union can be compare to regular banks.

With all the restructuring and intentions to build loan portfolio, assist our existing members and showing loyalty, attract new membership, and stand by our motto, we are looking into rebranding our credit union and giving 1199 SEIU Federal Credit Union a facelift. The intent with the Field of Membership Expansion is to change the name of the credit union while keeping the integrity and standard of the credit union beliefs. We are steadfast in our commitment to empowering the unbanked, the underbanked and the underserved communities, and making them aware that they too can have financial freedom, security and stability and ensuring our credit union remains a beacon of financial inclusivity and excellence. Our goal is to be loaned out, provide financial awareness and financial health, advanced technology with attractive products and services, and making our credit union the financial institution that facilitates your everyday banking need while humbly remaining steadfast to our motto of people helping people.

In essence, our strategic repositioning is not just about growth; it's a reaffirmation of our commitment to each member's financial well-being.

Operations

Rethinking It All

Credit union name: Lanier Federal Credit Union

Location: Oakwood, GA

Asset size: $67 Million

Field of membership: Community Charter

Point of contact name and title: Todd Jones , CEO

Point of contact phone and email address: 770-954-6308; todd@lanierfcu.org

Strategy and Relations with the Board of Directors

Selecting a particular area or point of success is easier said than done. At Lanier Federal we operate under the statement "Your Credit Union Serving Your Community". This was implemented upon the arrival of the new CEO, Todd Jones, in 2021. Todd had been with Lanier 15 years prior so in his first statement to the Board he declared he wanted to change the culture and community awareness about Lanier Federal. From there, growth and expansion would come. An early strategy session was in motion to do just this.

I cannot emphasize enough the role of the Board of Directors and upper management. Operating a successful business, especially a mid-sized Credit Union in a world of larger financial institutions cannot be a one-man job. It requires a team of like-minded individuals transparent in our discussions and willing to make the tough decisions. Lanier Federal has been able to accomplish just this, promoting and training from within the proper management team in full support of the vision and culture. Also, the Board of Directors offering complete trust in decisions and operations while staying involved at a distance is vital.

In-house, we took steps to re-evaluate everything; from the way we viewed the financials, to how accounts were being opened. From top to bottom the questions were asked, "Why do we do things this way"," Is there a better way", "What are you trying to accomplish by doing this"? The answer could NOT be That is how we have always done things! No one likes change, but to move forward sometimes you must step back and view the forest without the trees blocking your view. Flexibility, progress, adapting, growing pains are better adjectives in this case.

Educate and Communication

The first objective was to fully educate the Board and Management about the current financial position of the credit union. Again, transparency. People are more apt to get involved, make that initial effort if they understand the need and the goals. Each month the Management Team (CEO, CFO, Deposit EVP, Human Resources, Lending Manager) all come together to discuss the needs of the staff and members. What is working, what is not, what had we not thought about, what is missing – being flexible to adapt and change. Being proactive, not reactive. Our CEO views his role as supporting the staff far above anything else. It is important to remember that it is those on the frontline that make the credit union special.

In our culture change and raising community awareness, we wanted to be known as a credit union that loves our members, loves our community, and loves the Lord. In today's world of technology and digital footprints, the need to come into a branch is lessened. Lanier's focus is to retain that hometown feeling, where you are a person not a number. Where we can serve the younger generation with technology but still offer that one-on-one service people crave and deserve. That is our focus with all members, to be whatever it is they need at that moment. The image of Lanier Federal was not bad, but it was like a well-kept secret. Those who knew us loved us, but we were not known outside of our walls.

Marketing and Community Involvement

Next, the hiring of a full-time Member Relations Specialist (MRS) was a big move and a success. This person was given one task, to be present and be everywhere possible! Putting our logo in the community, supporting local organizations, schools and their causes was the first step. Becoming active and present at local events brought current members to make the statement "This is my credit union!" and those non-members to be interested in who we are and what we can offer. Setting up informational booths when the opportunity arises, going to our sponsor companies for membership drives, creating and giving out credit union SWAG was a big hit as well. Membership appreciation days, random giveaways, supporting special causes (cancer society, autism awareness, toys for tots) to name a few. Showing our members we care and allowing them that same opportunity to give. We wanted to not just talk about caring but to be seen doing just that.

From there, social media, blogs, newsletters were the focus. Keeping the members active and involved with the Credit Union. With informational posts, the members stayed in tune with the credit union, and on social media it let others know the opportunities available and what we were about. Most everyone is on their smartphone numerous times each day, so why not use that marketing to our advantage.

Becoming active with the Chamber of Commerce was a fantastic way to make contact with other businesses and obtain opportunities to tell others about our membership benefits. The MRS became an ambassador and attended numerous events, ribbon cuttings, exhibitions and before long everyone knew her name and recognized the Lanier Federal logo and name. It is so rewarding to hear when asked how they heard about Lanier, I saw your logo or met someone from Lanier at a particular event. Staff and Board members alike are proud to discuss Lanier Federal.

I had previously mentioned our love for the Lord. We proudly post scripture in our branches and on our media post to our members. In a world full of darkness, we strive to be the light for our community. Our beliefs are not a requirement of staff or members. It is simply a statement to say who we are and how we strive to be. I cannot tell you the blessings we receive daily regarding being unashamed to do this. Members thank us constantly and say that is the reason they joined our credit union. It is not a coincidence the timing of these blessings and Lanier Federal's success. I do realize this may not be popular with all, or even with those that may read this narrative, we are unapologetic that we are who we are.

Recognizing and Adapting

A strategy planning session occurs on an annual basis with the simple format. First review your goals and objectives previously set and outlined in your Business Plan. Determine those that have been achieved or altered and what if anything was not accomplished. Then, evaluate your current position and look forward to what your needs are moving towards. After the first Strategy Session, this became an annual occurrence. Because of the open communications with the Board there would be no surprises nor questions as to where we were as far as the health of the Credit Union. From there it was about what was going on with Lanier as a whole, what factors in the economy would drive our results and what specifically we should turn our focus towards in the upcoming year(s).

Now that we had improved our brand awareness, we were ready to expand. We are currently operating two full-service branches in one county. Our goal was to gain a charter expansion into an adjacent county and open a third branch. So, the process began, and you are all aware it is not an easy process dealing with NCUA at all.

The economy shifts since Covid in 2020 have been a constant battle. Too much in deposits, constant increasing of the Fed rate thusly investment rates up, loan rates up and CAMEL ratios down. Prior to 2021 Lanier Federal seemed content to remain as is. Capital was close to 10% but on a slow decline, with the huge deposit influx Net Worth had dropped below 7% in 2021.

First was the recognition income was needed. Aggressive lending was an immediate answer with low interest rates. Participations loan purchases also were a first for Lanier Federal as well

as short term CD investments. Looking to put the excess deposits to work. However, income could not keep up with deposits, so we moved to drop CDs to control the incoming of new money. What we chose to do was add fees or pass costs on to our members. This combination and finding the right balance led our Net Worth to just under 8% in 2022.
One must realize that standing still will do nothing but let what you left behind catch up to you. Always keep moving. We now find rates increasing, deposits declining with those moving to invest or just maintain their lifestyle. The challenge now is remain in a good cash position…without going back to where you just were with excessive deposits. This again is being constantly aware of the market, looking for participation options, looking for short-term investments (CDs) to cover any member or non-member dividends going out. This sounds like basic knowledge with a cash-in cash-out concept, but one must continue to watch all factors and realize how one area affects another.

The monthly upper management dialogue is important here so the lender can see why rates must go up, and the deposit side and follow the same. It is important again, not just to do your job but be aware of the overall status as one tends to do better when they have the answers and reasoning laid out clearly. There is not a magic formula, but such things are doable if you know where to focus.

Retention of Members

Our last focus was right under our nose, and we didn't realize it. Focusing on the 'new' memberships opened, and the 'new' loan volume we did in fact see solid numbers…but where was the overall growth. That is our current strategy and goal…keep our current members. We look to do more at close accounts request and dig into the reasons. Better work our dormancy accounts with personal calls, lenders manage payoffs by counter offers and pre-approvals. We must do a better job of supporting the education of our staff and members on all our products and services. We must be sure they are one aware of our products and two that they are confident in using them. Creating a How-To page on our website, instructional videos and .pdfs for our members, and spending time in the lobby simply talking to the member and gaining their valuable feedback. This seemed to be an obvious thing to do but we now see that a better job can be done.

Growth and Results

Growth is typically measured in how you have increased in certain areas, which is a good measurement. However, sometimes growth is simply growing in knowledge, execution and confidence. In the 3 years covered by this summary, we have moved into a new county and

have a third full-service branch. Our growth trend has improved each year, been comparable to or above our peers, and has stabilized the credit union's financial position.
Our Net Worth has grown by 2.5%. Loans by 20M, Assets 13M, ROA well over 1%.

In closing, as I re-read my words, I hope your impression is not one of our bragging or thinking all we do is right. Members needs constantly change, as does the economy and its focus, so my desire is to recognize change is necessary and vital to success in any circumstance. Simply look to surround yourself with good people that desire to treat others as they wish to be treated. The rest will fall in line.

Operations

Getting by on Less: the Coupon Clipping Approach

Credit union name: Pathfinder FCU

Location: Casper, WY

Asset size: $67 Million

Field of membership: Community charters

Point of contact name and title: Jennifer Watkiss, Asst VP of Finance

Point of contact phone and email address: 469-388-3479; jwatkiss@pathfinderfcu.com

Summary

Almost everyone has been through that period in life where they were stretching things farther than should be possible. Ramen is broken up to last for multiple meals, and you wouldn't believe how far a $5 gift card at Subway can go. At some point you start to get a budget worked out but still might be living in Wyoming or Montana where the hourly wage for supervisors can average barely more than what teenagers in big cities make. However, life still goes on and bills need to be paid, so you learn to make things work even when your tastes have moved past being able to tolerate ramen every day. You figure out what day of week the local grocery store puts their meat department on sale, you buy the big stuff at Costco and split it with friends or family, and you absolutely make use of all and any coupons that show up in your mailbox.

For a small shop like ours, this type of mindset is the reality. We don't have all the resources of larger financial institutions to just write a check (or originate an ACH) for every little thing, but our staff and members count on us just as much to get them through their day, week, and year. Life still goes on and bills still need to be paid, so sometimes we just have to make things work. There are several "coupons" in the financial industry that can be overlooked, here are some that we've regularly used to help us get by with less.

Utilize vendor provided resources and communities for support

Some of our most valuable resources come from our core processor. There are several tools that we use almost daily including:

- A knowledge center with articles to help troubleshoot minor issues, without having to call customer service,
- Free marketing materials that are more than sufficient for our standard day-to-day marketing ventures,
- A community of core users that is unrestricted about topic, allowing for other credit unions connected only by their core provider to rely on each other for discussion around policy, product use, best practices, useful reports or sometimes just that particular way to process a transaction that you know you've been told about, but can't for the life of you remember how to do.

Additionally, our core processor supplies a free, biennial system optimization review. This includes an onsite visit from one of their System Optimization Consultants. Prior to the visit they do an in-depth review of our set-up and processes to look for places where we could increase functionality and/or make better use of systems we already have. Once they're onsite they spend time with each department analyzing daily functions and system processes to look for possible increased efficiencies. This benefits both us and the core processor because they are knowledgeable about aspects of the core that we've never seen, and it gives us an opportunity to ask about products that we've heard about from other credit unions or at conferences. Sometimes these observations result in us spending money with the provider on integrated ancillary products, but other times they just help us use the core more efficiently. In the end we learn something useful about at least one of our products, and it helps the core by keeping us happier as a client and more likely to stay with the core processor.

To relate back to ramen and coupons, if you were clipping coupons to give yourself a leg up in life you wouldn't restrict yourself to just the closest grocery store. Just relying on our core processor to help us use our products efficiently will only get us so far and so we look for these same resources across our regular use vendors. Many vendors have community user boards available that can supply so much help for real-world situations and questions. Communicate with your Account Manager at your different vendors to see what resources are available that you may just not be aware of.

Leverage relationships

As valuable as all our vendor supplied resources are, nothing can top the importance of our relationships and networks. We make a point of forming strong relationships whenever we can because your network can be the half off coupon you've been saving for the right time.

You know that person that always has the newest iPhone, iWatch, probably even some fancy iShoes that aren't on the market at the time of writing this? Let's just be straightforward here:

that isn't us. When you're a smaller credit union like us there are just not the discretionary funds available to try every new product that sounds interesting right when it comes out. One way that we've gotten around this hurdle is to make sure that our vendors know we are almost always interested in beta testing products for them. This helps us in the following:

- This can help build and keep relationships with third-party staff so they trust that our feedback will be constructive, thoughtful, and objective.
- Being involved at the onset of an enhancement sometimes affords us better pricing because we're willing to deal with potential hiccups and report them back.
- By staying involved with vendor contacts we can make sure to stay up to date on what enhancements are coming out in the future. This can allow us to make strategic budgeting decisions on moving forward with an implementation, or possibly holding off for products down the line that better suit our needs.

Building these strong relationships helps in the short term by allowing us to be involved in development. We can give feedback that builds better, more realistic products for our use and in the long term helps give our feedback more credence when given outside of a testing environment. It also affords us the ability to reach out to ask a one-off question, and more often than not results in them doing the same. A mark of a successful person is knowing when they don't know something, and asking for help is just part of being a human.

One of the easiest ways to develop these networking relationships is through conferences, which anyone in the industry knows can be cost prohibitive. If you're limited in dollars, it is of course important to choose wisely to get the best bang for your buck. Referring to your peers through community boards is a terrific way to get feedback on which conferences have in previous years had quality content, engaging presentations, and good attendance for even more networking opportunities.

Another good place to look to is your league. The league's intention is to help facilitate learning and growth for all their member credit unions. While supplying all the above help in networking opportunities, education resources, and learning opportunities outside of your products, they are also a designed support system that can often have something in place to help you get to these events. League scholarships are the ultimate coupon in this context, and often don't require a long-drawn-out process to apply.

Staffing restructure

Developing a blueprint, we identified that opening a new lending manager position is the first

Get creative with the resources you do have available

With 22 staff members across three branches, we pull a lot of double and triple duty. Finance also covers compliance, and lending sometimes handles human resources. In order to stretch further we've gotten creative to ensure that everyone's time is being used effectively. As a smaller credit union our branches are not always utilized enough for a full-time shift. We've been able to ensure that our members' needs are met while not having a staffer sit in an empty branch accruing overhead costs. For example, our main branch is open from 8:30-5:30 M-F. Initially when the closing time shifted from 6:00pm to 5:30pm we expected push back, but inevitably most members stop by on their way home from work and don't have need for the lobby services after 5:30. Additionally in our smaller branches we've been making use of part-time tellers to supplement high traffic timeframes.

We are also challenging our staff to integrate responsibilities from different traditional roles if it makes sense. We have a mortgage lender that also covers standard lending when our lobby is short staffed, as well as lenders that cover member services and teller lines. We are all invested in giving our members a good experience, and that often means going out of our wheelhouse to make sure we make the most of what we have. We have regular conversations to see what minor changes like this we can make to positively affect our bottom line and see this as a fundamental thought process much like the American budget is.

We are not afraid to admit when we don't have the resources to handle something and are not afraid to reach outside of our organization if it's the right thing for our members. We don't have the need to have in-house IT support, so we've contracted with a local company. We pay for a set number of hours per month, use a ticketing system, but also have a good relationship with the owner. This allows us the flexibility to have the ability to submit tickets as needed, but with the good working relationship we have the ability to reach out directly and get resolution quickly if needed. We also don't a full-time designated marketing position, so we have utilized a former staff member on a contract basis for some situations and an outside marketing firm for the more robust campaigns that require full-time attention. These are also further examples of leveraging our networks to fulfill a need.

Moving forward

The next steps on these tactics revolve around remaining flexible. You can't plan for when one of your vendors will have an opportunity you can capitalize on. We will ensure to foster communication within our networks so that we're top of mind when these opportunities arise. We will make the best of what we can control such as timing our next system optimization visit around specific conferences to navigate the visit into a discussion about anything we found interesting. We will also continue to take part in our community boards to make sure that our peers know we are willing and able to help, so when the time comes that we ask they have no hesitation to respond. The credit union motto is people helping people, and when you must make things work with what you have, those other people are absolutely invaluable.

Operations

Creating an Operational Playbook

Credit union name: Peoples Advantage FCU

Location: Petersburg, VA

Asset size: $98 Million

Field of membership: Community Charters

Point of contact name and title: Phillip Ray, Chief Operating Officer

Point of contact phone and email address: 804-748-3081 ext 755; pray@peoplesadvfcu.org

Achieving Success Through Transparency

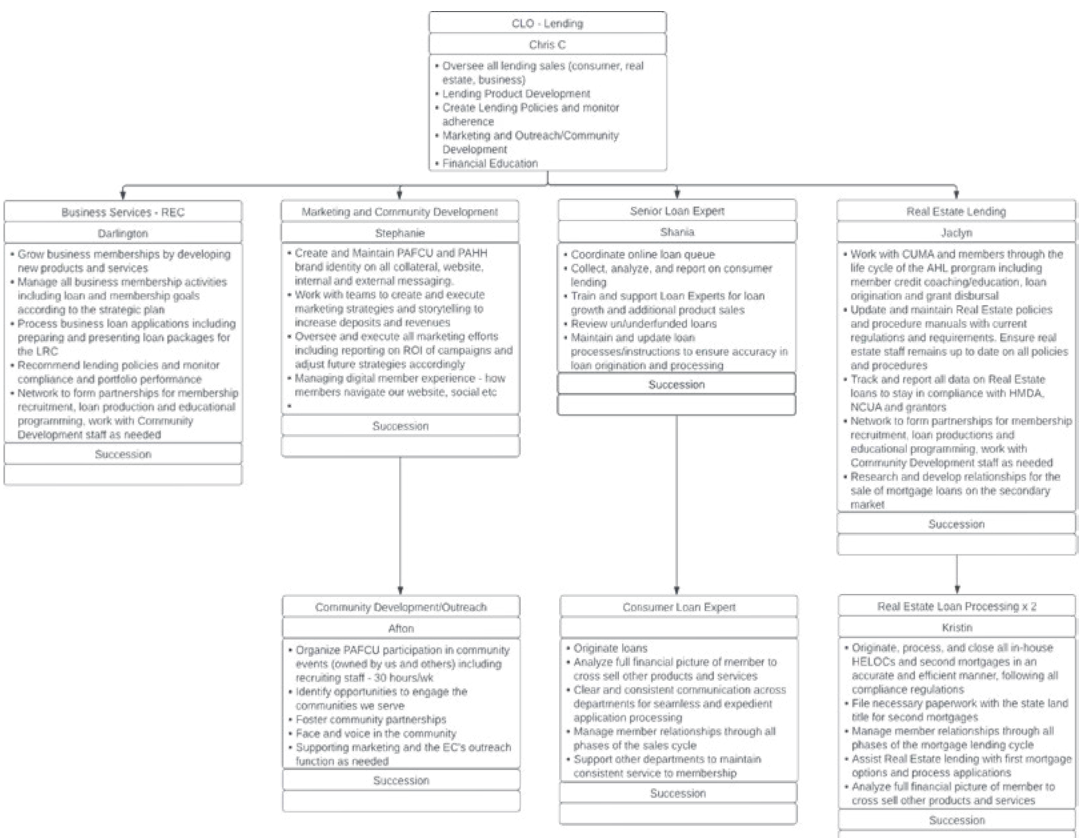
At Peoples Advantage we pride ourselves on serving our members. Our mission is to enable the underserved, unbanked, and no credit population to build and fulfill dreams and we live that mission every day. As with most 60-year-old organizations, Peoples Advantage is replete with institutional knowledge. For years we operated by relying on our dedicated team's ability to find the person "in the know" about any questions that popped up. As our team grew and people assumed new roles, that search became more challenging and the transfer of knowledge throughout the organization began to lag. While our ability to "make it work" allowed us to serve our membership, it also masked some underlying issues. Many of our processes were not clearly defined, and our job titles/roles were not indicative of the functions each of us served. A complex "hidden factory" had formed and with people in new roles, more and more often communications and tasks were slipping through the cracks. We had the talent, passion, and desire to be successful but without distinct and explicit roles and accountabilities our service teams were not reaching their full potential. In addition, to maintain our high member service standards, the leadership team found themselves spending an increasing amount of their time working "In" the day-to-day membership functions rather than working "On" the larger strategic goals of the organization. Our membership may not have felt this shift, but our staff knew that we could be serving them better.

The leadership team realized to serve our members and achieve our strategic goals we needed to take a step back and work On the CU not just in it. We decided to go back to our entrepreneurial roots and look at our organization as if we were founders. Our target audience, competitive advantage, organizational mission, and strategic goals were already well defined, so we were able to focus on operational execution right out of the gate. The pain points we identified were the hidden factory, interdepartmental communications, and operational consistency. We knew we had to solve these issues to stabilize our organization and put ourselves on the proper footing for the future. To accomplish this, we chose a three-pronged approach:

1. Clarify the roles and accountabilities of our team
2. Define and streamline organizational communication norms
3. Create an operational playbook

Clarifying the Roles and Accountabilities of our Team

The leadership team spent a few weeks listing and examining every major function of the Credit Union. We identified everything we needed to do to serve our members and be successful. Those functions were sorted into roles, and each was assigned to one person. The process was tedious and iterative and will be an ongoing project. The output of that work was our Accountability Chart (AC) - a living document that provides transparency into all the functions and tasks that are performed throughout the organization. The AC is similar to an organizational chart but instead of a hierarchy based on title, the AC defines the Credit Union structure in terms of the major functions and who is accountable for them. Here is an example portion of our accountability chart defining the Lending Main Function:



As mentioned above, Peoples Advantage has a deep roster of well tenured, talented, and passionate team members who care deeply about our membership. All of them have served in multiple roles during their time here and have an exceptional understanding of what needs to be done. We also have a group of relatively new staffers who are not as seasoned but are just as passionate about our mission. The accountability chart both explicitly defines what accountabilities belong to each person and implicitly shows what accountabilities do not belong to each person. While building our AC, we discovered some functions that were redundant, some that were neglected, and some that needed to be reassigned. Not all the roles within the organization changed but everyone now has full visibility into the functions of each person, team, and department.

One interesting result involved our leadership team, specifically Amanda, our CEO. During our discussions we realized just how many tasks she was completing or managing that were outside of her direct accountabilities. Having clearly defined accountabilities for our CEO meant she had to reassign some roles and remove many day-to-day operational tasks from her plate. To facilitate this, a Chief Operating Officer/Integrator (COO/I) was put in place. Amanda now has the time to spend working on the big picture vision and strategy of the organization to ensure we are all in alignment. When operating in the COO role, the COO/I ensures the day-to-day operations run smoothly. When operating in the Integrator role, the COO/I ensures the teams are communicating and working together effectively and the CEO is kept in the loop on any issues that need her attention.

The most challenging element of this exercise was mapping accountabilities down to our front-line staff whose daily tasks involved multiple major functions. For instance, our Member Advocates are tasked with helping members with all account-related inquiries including opening new accounts - duties which fall under the Member Experience main function. But those same advocates are also charged with originating new loans and directing members to additional products and services as appropriate - tasks that are solidly under the Lending main function. So, the question became, how do we coordinate and disseminate important information from these two functions to the Member Advocates? This is where the Integrator came into play and what led us to the second prong.

Define and Streamline Organizational Communication Norms

“The biggest problem in communication is the illusion it has taken place.” – George Bernard Shaw

Email, instant messenger, Teams messages, phone calls, text messages, zoom, intranet, shared drive, all staff meetings, etc… with so many ways to talk to each other it is hard to believe effective communication remains one of the greatest struggles in organizations. Peoples

Advantage is no exception. How do we ensure everyone receives the information they need when they need it without overloading the teams with constant informational interruptions to our flows?

Getting to the root cause of the communications struggles was a priority of the COO/I during his first 60 days. The diagnosis was straightforward and common to many teams – lack of consistent effective meetings. Teams did not meet on a regular basis or have well-articulated agendas when they did meet. Instead, the meetings often consisted of a few talking points followed by a stream of consciousness style open discussion. The results were meetings that focused on “top of mind” items that often led us down a variety of different rabbit holes. Issues that needed to be addressed were often missed, which required a follow-up email chain to resolve and culminated in an all-staff message. These messages did not allow for follow up questions and often lacked important context around purpose, desired outcome, and potential pitfalls if the new information or directives were not followed. There was also no system in place to ensure the emails were read and understood, leading to teams with varied levels of knowledge. This further exacerbated our hidden factory problem. Information had become a differentiator instead of a unifier.

Creating more effective meetings was the first step in streamlining our communications and bringing our teams together. We established a standard leadership meeting with a consistent agenda and cadence. We set norms for those meetings including muting all other communications during our time together. We also agreed to be honest, fully participate and be present, prioritize listening, assume we are all here to make the credit union the best it could be, and perhaps most importantly, to treat each other with grace and respect. The leadership team now works through issues in one or two focused meetings with everyone present rather than 4 or 5 disparate meetings followed by an all-staff message. The team has new clarity and visibility into all the projects in process across the organization which has increased interdepartmental collaboration and reduced the siloing that had formed. We also greatly reduced the number of emails that were required to resolve an issue or update each other on the progress of projects. All relevant information is now shared during our weekly meeting.

Once our leadership team became comfortable with our new meeting structure, we implemented them across the organization. Information now flows through the teams following the pathways established in the accountability chart ensuring staff knowledge is uniformly distributed. This also allows staff to ask questions and provide feedback about the information that is presented in real time. That feedback flows back to the leadership team along the same accountability pathways ensuring leadership maintains a finger on the pulse of the vibe and morale of the entire staff.

Now that we had an effective way to communicate information across the organization, the next step was to define our communication method hierarchy. Not all communications require the same level of urgency or are appropriate for the same format. Some issues can wait to be hashed out during a weekly team meeting while others demand more immediate attention; an error made by a Member Advocate may be better addressed one on one rather than in an all-team message etc. So, we created a set of criteria to help everyone navigate the variety of communication methods at our disposal. We started with the basics: Who needs the information? When do they need it? Does this message require an immediate response? Who should deliver this message? With that in mind, we built the following matrix.

Response/Feedback	Yes				No			
Urgency / Audience	Individual	Team	Multiple Teams	Everyone	Individual	Team	Multiple Teams	Everyone
Low	1 to 1	L10	ASM	ASM	S email	L10	L10	PN
Moderate	1 to 1	L10	L10	L10	1 to 1	L10	L10	L10
Emergency	1 to 1	LMS, L10	LMS, L10	LMS, L10	1 to 1	LMS, L10	LMS, L10	LMS, L10

Urgency	How quickly does this information need to reach the team? Now, by the end of the day, within the next 7 days, within the next month.
Low	General information about a future change or project. Can wait up to a month.
Moderate	General information that can wait up to a week. A reminder of a current policy or procedure. Does not effect our ability to serve our members.
Emergency	Information that requires immediate attention. Actual or potential disruption to our membership or risks to the safety and security of the CU, our staff, or our membership.
Audience	Who needs this information? Does this effect a single person, team, multiple teams, everyone?
Individual	Feedback on job performance. Specialized or remedial training.
Team	Information that is relevant to a single team. A change to a team policy or procedure. Recurring or new training.
Multiple teams	Information that is relevant to multiple teams. A change to a team policy or procedure effecting interactions between teams. Recurring or new training.
Everyone	Information that is relevant to the entire Credit Union. An organizational wide policy change or update.
Response/Feedback	Does this information require a response? Will there be questions or feedback that will require immediate attention?

Communication Type	
One on one meeting with supervisor	1 to 1
Team L10 Meeting	L10
Email from leadership with follow up by Supervisor	LMS
Supervisor contact and follow up email	S email
All Staff Meeting/Weekly PAFCU Newsletter	ASM/PN

As Illustrated above, there are very few use cases for an all-staff email and all of them fall under “Emergency” in the urgency category and will come from a dedicated member of the leadership team. Most other Information is disseminated via the L10 meetings or direct supervisor contact. Any non-emergency information that is relevant to the entire staff is included in the new weekly PAFCU Newsletter that is sent out by the marketing department at 8:30am every Wednesday. Any information included in the Newsletter is vetted by a dedicated member of the leadership team to ensure all information is accurate and ready for distribution. The expectation has been set that all staff will read the PAFCU Newsletter in its entirety by end of business on the Wednesday the email is received. Setting that norm allowed us to hold the team accountable for any information that is included in that correspondence.

Communications now flow through the accountability chart mostly during the weekly structured team meetings. Anything that requires immediate attention is distributed to the teams from leadership and includes follow-up from the supervisors, ensuring everyone is on the same page. The weekly PAFCU Newsletter consolidates all-staff information into a single standardized message that is delivered on a consistent cadence allowing for proper accountability. These changes have significantly reduced the email load on our staff and reduced the knowledge gaps between teams, both of which have increased productivity.

Create an operational playbook

Once we clearly defined our accountabilities and standardized and streamlined our communications, the final step was to create a repository for all the information our team needs to be successful. Every team requires a plan that is accessible to each member. To accomplish this an operational playbook was built. We already had a large library of How-Tos and instructional documents published on our intranet. But, based on the number of all-user instant messages that went out daily, that library was not the solution it was intended to be. We needed to standardize the instructions, make them searchable, and organize them into a full user-friendly format. The focus was ease of use. Finding the information in the playbook needed to be simpler and faster than sending an instant message. This was not easy and is an ongoing project. We prioritized the processes and procedures that were referenced most often in our messenger app and those that were already complete and accurate requiring only formatting changes. This encouraged the staff to form the habit of consulting the playbook before resorting to instant messenger. We gathered user feedback from those initial playbook entries and used it to constantly improve the layout and functionality.

It will take a while for us to complete our playbook, but the initial response has been positive. Instant messenger use for operational questions is down, which has increased productivity and efficiency of the team. We now have a guide to which we can direct new and existing staff for information which is up to date and accurate.

With all the pieces in place our teams have been able to identify and address some deficiencies in our processes, allowing us to better serve our members. Our online loan queue process received an overhaul which reduced our processing times while increasing our approval rates. The lobby management has greatly improved, which increased throughput and member engagement. Our Empowerment Centers now have consistently scheduled Seminars on Housing, Consumer Credit, and Small Business success which has increased attendance and widened our membership and loan funnels. We implemented a robust continuous education and cross training program for our Member Advocates and Empowerment Coaches to address the staff knowledge and training needs that we identified. We now have a much more well-rounded team to better serve and educate our members on our full suite of products and services. Since the project is so new, we do not have empirical evidence to confirm the improvements that have been seen anecdotally but we are tracking key metrics and are anxiously awaiting those results.

The leadership team is working diligently to ensure the changes we made, and the new processes introduced become second nature and serve as a true cultural shift for the organization. This is an ongoing project and will rely on the entire staff to feel comfortable and confident enough to provide honest feedback to the leadership team. Just as the credit union serves our members, so too do the processes and operational tools serve our staff. An elegant system that is not intuitive or adopted by the end user is not an effective system. So, as we navigate our new organizational operations, it is imperative to continuously update and amend them based on the feedback and the data from our teams. If the system operates as designed, our new accountability chart, communication norms, and playbook will allow that feedback to reach the leadership and the changes that result will reach the rest of the staff in an efficient and effective manner.

Operations

Efficiency Through Reorganization

Credit union name: Toledo Metro FCU

Location: Street Toledo, OH

Asset size: $55 Million

Field of membership: Lucas County

Point of contact name and title: Sariah Flynn, President/CEO

Point of contact phone and email address: sflynn@toledometro.com

Summary

After sustaining significant lending and other financial challenges in previous years, Toledo Metro found itself under a Letter of Understanding with the NCUA in 2020 due to previous and projected earnings concerns. These earnings challenges stemmed from a history of poor lending practices which resulted in significant charge-offs and drastically tightened underwriting guidelines from 2017-2019. In the span of three years, the credit union had lost nearly 30% of its loan volume, membership was declining, and transaction counts were significantly reduced. During the same period, staffing levels continued to increase. As 2020 began, the credit union was projecting a loss of nearly $400,000. It was clear at that time that the credit union needed to make significant changes to remain a viable entity in the future.

As the economy came to a halt in 2020 due to the COVID-19 pandemic, we realized that our financial struggles could not be quickly resolved by increasing revenue. Therefore, our focus shifted to the expense side. In early 2020, we analyzed vendor contracts, partnerships, and products and services to identify areas where we could make improvements to our bottom-line and quickly discovered that changes in those areas would not be enough. As a result, we made the difficult decision to focus on human resources and operational efficiency. While there were numerous changes made to help reverse the earnings trajectory, the area that made the largest impact on our bottom line was a comprehensive human resource restructuring plan.

The COVID-19 pandemic was a very difficult time for the world, but it presented Toledo Metro with an opportunity to begin the process of restructuring without causing alarm since all businesses had modified &/or stopped operations. As we shifted to drive-thru only services and moved half of our staff to a remote schedule, we were forced to quickly adopt new technology.

We also used this time to begin evaluating processes throughout the credit union to determine where efficiency could be improved beyond the COVID-19 shutdown. The new technology implemented during this time laid the foundation for us to overhaul our processes. Examples of the technology implemented during the pandemic include an electronic signature platform, upgraded mobile banking, mobile deposits, and an online loan application that integrated with our core. Finally, we did a thorough analysis of productivity to determine areas where we may be able to reduce or eliminate staff.

Once we had a clear assessment of the areas where we could improve efficiency, we needed to determine how we were going to make the changes. The first step in implementing our restructuring plan came with the elimination of two temporary employees. Historically, temps had been used to help with staffing levels during vacation and holiday months. These temporary positions remained filled unnecessarily throughout much of 2019. Both positions were eliminated in early 2020. In 2020, two long term employees also made the decision to retire from the credit union and a third left the credit union later in the year. Those employees were not replaced. The elimination of 5 positions came relatively easy since operations were already modified due to COVID-19.

In early 2021, two additional staff members left the credit union due to changes in their personal lives and these employees were not replaced. As COVID restrictions began lifting mid-year and businesses were developing their new normal, we were presented with a new set of challenges; we needed to formally establish that our new normal would not include the 7 positions we had pre-pandemic. This was particularly challenging because Toledo Metro Federal Credit Union's non-management employees have a collective bargaining agreement as members of the UAW. As a result, making significant changes to responsibilities and staffing levels is not performed easily by management. The credit union had to prove the need for these changes. In early 2021, management met the executive committee of the bargaining unit and provided clear data that showed the reduction in production levels across all departments along with financial projections and the letter of understanding with the NCUA. It was clear to all that changes must be made for the credit union to survive.

Two positive aspects of these changes that helped to mitigate pushback from the union were the fact that 90% of the reduction in staff was achieved through attrition and there was no forced job loss for any union members due to the restructuring. In addition, as union staffing levels were reduced by 30%, exempt staffing levels were simultaneously reduced by 50%. Although the union accepted the need for restructuring, it would not come without a cost. Our next step was to develop new job descriptions and negotiate the wages associated with these new expectations. These terms then had to be approved by our Board of Directors.

By September of 2021, the plan had been approved by all parties and announced to the staff. As expected, the announcement of the restructuring plan was not well received by the bargaining unit. After spending several years with minimal productivity, employees had become accustomed to the reduced workload and many people felt that the expectations were unreasonable. Nonetheless, the union agreed to move forward with the plan in order to stabilize the credit union.

Pre-pandemic, our staff consisted of the following:
- 1 Receptionist
- 7 Tellers
- 1 Loan Clerk
- 2 Loan Officers
- 2 Full Service Reps
- 1 Collections Clerk
- 1 Accountant
- 1 Administrative Assistant
- 1 VP of Operations
- 1 VP of Lending
- 1 VP of Finance
- 1 President/CEO

Post-restructure, our staff consisted of the following:
- 5 Tellers
- 3 Full Service Rep/Loan Officers
- 1 Collections Clerk
- 1 Accountant
- 1 VP of Back Office Operations
- 1 VP of Frontline Operations
- 1President/CEO

Changes consisted of:
- Tellers would be responsible for the duties performed by the receptionist which largely consisted of answering phones, scanning documents, and managing our electronic security doors.
- Our Accountant position that had previously been exempt, was modified and transferred to the bargaining unit to fill a previously vacant Accounting Clerk position.

- The tasks performed by the previous Administrative Assistant were split among the management team.
- The role of the VP of Lending and VP of Finance were combined into one position referred to as the VP of Back Office Operations and some of the responsibilities from those previous positions were transferred to the President/CEO.
- Finally, and by far the most complex change, came from combining the Loan Clerk and Loan Officer positions with the Full-service Rep position, and reducing the number of employees holding those positions from five down to three.

Due to the complexity of the job changes, bargaining unit employees had to be given an opportunity to bid their job assignments based on seniority. This bid process took the credit union another month to complete.

Once job assignments were determined, our next challenge was to begin a comprehensive training process. This process was lengthy, but it gave management the opportunity to make updates to policy and procedure in the process, ensuring that all employees were trained with current, compliant, and efficient procedures. To accomplish this level of in-depth training, the credit union maintained modified operating hours by keeping the lobby closed on Wednesdays. Wednesdays are now used for training, staff meetings, and other in-depth tasks. Members continue to be served on Wednesdays through the drive-thru only. Another important piece of our restructuring involved the use of Microsoft Planner for managing member service issues. As issues arose that needed to be addressed, employees used Planner to generate a task, that task was viewable to all employees. Planner allows any team member to update the status of the task and assign ownership. It also provides reporting that helps management determine productivity levels and the areas where more human resources need to be allocated.

By the end of 2021, the organization began the process of negotiating our next collective bargaining agreement as we approached the expiration of our current contract. By this time, we had determined that the expectations on the three FSR/Loan Officers had indeed been a little too much. Through contract negotiations, we again looked at job descriptions and wages to see if we could further improve the balance of workload. Through this process, we shifted debit card processing and home-banking responsibilities from the FSR/Loan Officers to the Tellers. All in all, training associated with the restructuring plan took the credit union a little over a year to complete.

Another area of concern that was identified throughout the restructuring process and addressed during negotiations was time off. Through collective bargaining, changes were made to strengthen our attendance policy and provide the credit union with more authority to manage time off. These changes helped to ensure that we maintained adequate staffing levels and prevented excessive absences.

The modifications made during this restructuring process reduced salary and benefits expense by nearly 20% which translated to approximately $200,000 toward the bottom line by the end of 2022. These changes, along with several other minor adjustments transformed the earnings outlook for Toledo Metro Federal Credit Union from significant loss to modest gains and a strengthened balance sheet. After ending 2020 with a loss of nearly $400,000 and a net worth ratio of 7.93%, the credit union was able to reverse course, ending 2022 with net income of nearly $220,000 and a net worth ratio of 8.88%

Throughout 2023, the credit union faced new struggles as interest rates shocked the financial industry and presented liquidity challenges nationwide. The changes made during our restructuring process helped to prepare us for weathering this new storm. Without reducing expenses throughout 2020-2022, the credit union would have found it almost impossible to remain competitive enough to retain deposits when interest rates began to rise. If we were not able to retain deposits by paying a competitive rate, Toledo Metro would very likely have faced a liquidity crisis. Instead, Toledo Metro has remained stable and profitable throughout 2023 with net income projected to end near $110,000 and a net worth ratio of approximately 9.3%.

As we approach 2024, we are beginning to develop a strategy for implementing new products and services. With the credit union now operating at optimum efficiency, profits are healthy but cannot support additional staff at this time which makes it challenging to develop and implement new products and services with limited human resources. The credit union is now focusing on obtaining grants to fund the salary of at least two additional employees over the next two years. By using grants to fund these salaries, Toledo Metro hopes to gain enough capacity to develop several new programs to generate new revenue and sustain those positions into the future.

When the pandemic hit, we were able to make the best of an unfortunate situation. We were also fortunate to have several long-term employees choose to leave the credit union on their own, under good circumstances, over a short period of time, which made this process faster and easier for us to accomplish. The role that the union plays in our operational structure also made it important for us to make these changes with as few disruptions as possible, leading us to make the changes in only a couple major stages.

We understand that most credit unions will not have the same factors at play but taking a hard look at your processes would likely benefit most credit unions. As more and more members shift to electronic services and technology generates new efficiencies over the years, it is important for credit unions to evaluate staffing levels. By evaluating processes, you can determine whether it makes sense to reduce staff or shift the focus of human resources to implement new products and services that could lead to new revenue streams.

Marketing/Business Development

Yes, We're on TikTok

Credit union name: Compass Credit Union

Location: Sparta, MI

Asset size: $92 Million

Field of membership: Community

Point of contact name and title: Rachel Keevan

Point of contact phone and email address: 616-887-8262, 616-502-2034; rkeevan@compasscu.com

Summary

The business strategies that have led to the most growth and success for Compass Credit Union recently have been in our marketing and business development areas. We believe we are taking a fresh, innovative approach to marketing, especially to younger members of the community. We're also working hard to develop a stronger presence in the community, so Compass is more visible to members and potential members throughout the year.

Taken together, we have seen much more involvement by the community in the credit union, which is leading to greater loan growth (back-to-back years of 28%+ loan growth), and member growth (10%-member growth in 2022).

Marketing has made the biggest difference on our bottom line in 2023. We have invested a lot of time in establishing a persona on TikTok and Snapchat, among other channels, and the community and nonmembers are starting to take notice. Our videos are viewed tens of thousands of times, and the community is watching, responding, and sharing. The videos aim to educate members and potential members about the benefits of credit union membership vs. being a bank customer, and of course to highlight our products and services. We also highlight the community involvement efforts in which staff have taken part.

We leverage trending music and trending voices because we feel that just because we're a credit union doesn't mean we have to be boring! The commitment to this work is leading directly to new interest in the credit union. We hear members and new members say on a regular basis that they frequent our social media posts and that it has attracted them to membership with Compass.

One recent post of a loan promotion reached more than 13,000 views.

Email marketing has also been a big part of our success recently. We time email blasts with our loan promotions so that we maximize exposure to those products we're trying to highlight for our members. In those emails we make sure to detail the product offering, but also the process for how to get started with a specific loan or service to make it clear what action we want them to take with the credit union. This strategy has created a higher click rate than we've ever had, and a higher call rate than we've ever had.

In addition to our marketing work, we've also made more of an effort to get involved in the community through traditional business development work. We're much more physically involved and are much more intentional about having a presence at community events, whether that's having a float in a local parade, participating in kids' days, attending benefit walks, or events for special causes that are meaningful to our members and community.

As an add-on to the description of our marketing strategy, it's important to note that we've been trying to market towards different demographics. Our current average age of membership is in the 50's-60's, and we're trying to attract members from Gen Z to bring that average age down. The theme of our marketing towards this younger demographic is fun and light-hearted, but also, we want to educate this demographic on the benefits of credit unions. Compass showcases the opportunities for financial security in the future and makes Gen Z aware of why it's important.

One of our key messages is that just because your parents had a bank account, doesn't mean you have you have to have a bank account, that's a choice. Choose a Credit Union. Live people, live decisions, live interaction. The difference is Compass!

We also offer promotions on our loans such as 60- and 90-day no payments, Home Equity Fee Waive, and Auto promotions that have been attractive to borrowers of all ages, but especially younger borrowers. We also offer a program where if members pay their loans on-time for a certain period they can reduce their interest rate on their loans.

Looking past our marketing and business development work, our newest strategy as a Credit Union that we hope to build on into 2024 is collaborating with local high schools to provide financial education to students. We want to be the trusted partner in the community that has gone out of its way to educate young members of the community about how to financially prepare for college, or how to pay for life for those who are going directly into the workforce. We focus on education around college financing, banking while in college, how to properly fund a 401K, building up your credit score, and more.

One result of this more intentional work with our local students is that parents are becoming more involved in their kids' financial lives at an earlier age, leading to parents either guiding them to the credit union on their own or co-signing with them on lines of credit at the credit union.

Marketing/business development
Attracting New Deposits

Credit union name: FiCare Federal Credit Union

Location: Tampa, FL

Asset size: $86 Million

Field of membership: Healthcare

Point of contact name and title: Eric Nystrom, EVP Business Development

Point of contact phone and email address: 352-333-4491; eric.nystrom@ficarefcu.org

Success Strategies – Fan the Flame promotion

At a previous credit union that I worked at, we had run many successful loan promotions and were beginning to run a little tight on liquidity so rather than discontinuing promotions and possibly losing momentum, we decided to create a promotion, the goal of which would be threefold: Deepen the relationships we had with members, encourage them to use our electronic access options and also to protect their loans with payment protection.

We chose 16 different metrics in which we wanted to see growth.

- New Virtual Branch Users
- New Mobile App Users
- New Bill Pay Users
- New E-statement Users
- New Memberships
- New IRA Accounts
- New Checking Accounts
- New Club Accounts
- New Youth Accounts
- New Money Certificates
- New Loans
- New Credit Cards
- New Vehicle Warranty
- New GAP Contract
- Payment Protection on a Loan
- Trustage Insurance Referrals

Once we had selected the metrics, we took the average increase from the previous 3 months for each metric and used that as the baseline. It required some research up front, but the data wasn't difficult to obtain, it just took time to gather it all together and create the spreadsheet I'd need to measure the success of the promotion.

One of the challenges that we came up with was finding a name that would encompass the identity of the credit union and also describe the promotion. Being a natural gas credit union, we chose, "Fan the Flame" (see marketing material on Page 3). We created a statement mailer for both mailed statements and e-statements and put posters up inside the credit union and in various locations throughout our sponsor companies to generate excitement.

It was determined that whenever a member took advantage of one of our cross-sell opportunities, we would use a two-part ticket for tracking purposes. On the first half of the ticket, the employee would write the member's name, account # & product and on the other half, the member's name and employee's initials would be written.

We placed the part of the ticket with member's name and account number in a large tumbler for monthly and end of promotion drawings. We kept that tumbler in our main lobby along with a board that tallied our progress toward our monthly goals so that our staff and members could see the results of the promotion.

Each month, four tickets would be drawn from the tumbler and the members that won would be notified that they had won $50 that was deposited into their account. At the end of the promotion, we placed the 12 member's tickets that had been selected as monthly winners back into the tumbler and then we drew one final ticket for the grand prize of $500 deposited to their account.
The second half of each ticket was kept in a locked container. At the end of each month, I would tally the different service or product the members had opened and enter it into the spreadsheet. For the products and services that were measurable through reports, I would run the monthly reports and add that data to the spreadsheet.

To encourage the staff's participation, goals and stretch goals were set that needed to be met to achieve an incentive for the team. The primary goal that we set was an average of a 20% increase for all services combined. If they reached the primary goal each of the three months of the promotion, all operations staff would receive a $50 bonus. The stretch goal was set at a 30% increase for all services combined. If that goal was reached, each employee would receive a $100 bonus. As an extra incentive, if they achieved a minimum of 20% increase for all 3 months of the promotion, they would get an additional day off with pay.

We realized that increasing all 16 metrics by at least 20% each month was unlikely given the variable nature of our business and we didn't want this promotion to become a de-motivator if they wildly exceeded 13 of the 16 metrics but 3 failed to achieve the desired growth.

To accomplish this, we decided to measure the total number of products / services achieved each month and measured against the baseline of all products and services from the previous 3 months.

As a brief example, if we averaged 20 new loans in the previous 3 months, the 20% goal was 24 and the 30% goal was 26. And if the 3-month average of New Club Accounts was 10 (20% = 12 and 30% = 13). The combined increase of 20% between the two would be 24+12=36. If we closed 30 New Loans and opened 7 New Club Accounts (Total 37), that would count as having met the 20% goal.

We announced this promotion to the staff in August and used September as a “starter month” so they could get in the swing of cross-selling products and services. There were some increases in a number of the metrics, but it came in at less than 10% aggregate growth.

On Sept. 30th, we deployed our signage and posters and sent the flyers out to all of our account holders through their statements.

In month 1, we saw a 23.1% aggregate lift in product and service sales. The most impacted metrics were Mobile App, Bill Pay and E-statements).

In month 2, we saw a 97.8% aggregate lift in product and service sales! The same metrics were among the top 3, but also making strong gains were New Loans and New Payment Protection policies.

In month 3, we saw a 91.0% aggregate lift in product and service sales. Again, the same 3 metrics showed strong gains, but New Club Accounts, New Virtual Branch Users and Debt Protection policies grew above the stretch goals.

Our 3-month tally measuring from baseline to actual showed an amazing 70.6% increase over baseline for all metrics combined.

Considering the exceptional success in months 2 and 3, it was decided that we would provide the $100 to each operations employee and give them an additional paid day off.

The two biggest benefits we realized from this promotion were that many more of our members were aware of and using our products to make our credit union more valuable to them and it showed our employees that it was easy to cross-sell our services. This last benefit continued after the end of the promotion as we saw continual increases in all the measurable metrics.

I have the spreadsheet that I utilized to track the success of the program and a few other documents. If you’re interested in learning more, I’m happy to help anyone implement a promotion like this.

Marketing/Business Development

Deeply Entrenched in the Community and Added Branches

Credit union name: First Family FCU

Location: Henryetta, OK

Asset size: $140 Million

Field of membership: Community

Point of contact name and title: David Dykes, President/CEO

Point of contact phone and email address: 918-652-4407; davidd@firstfamilyfcu.com

Summary

If the members of your community don't know who your credit union is, how will they ever think of becoming members? How will they know to come borrow from you?

Well, at First Family Federal Credit Union here in rural Oklahoma, people know exactly who we are. Because we make sure to tell them. And that significant presence that we have worked hard to build has propelled us to significant growth and success in recent years.

That's what we'd like to share in this submission for the Blueprints project.

When we had just two locations, our credit union sat at about $29 million in assets. We are excited to share that we've just broken ground on our seventh location, and we've now grown to over $140 million in assets. That is a lot of growth, especially considering the rural communities that we serve here in Oklahoma.

With 17,000 members across 10 counties, we rank near the bottom in terms of deposits per member. That's very reflective of the towns we serve.

We've become a Community Development Financial Institution (CDFI), as 60% of the loans that we do go to members with below-median incomes. In addition to our community presence, getting back to our roots of taking care of people has been the other secret to our success.

Ultimately, however, we've excelled because we've built strong relationships with these

communities and these members. We know that it takes time and effort to build those relationships. And as we've worked to expand the credit union, we have consistently found that those places where we have a brick-and-mortar presence, we get a better response from the community.

It starts with a branch, but it doesn't end there. We believe that having a presence in these communities involves much more than the brick-and-mortar visibility. It also means attending chamber of commerce meetings, being involved in the schools, having floats in parades, giving out scholarships, and in general being an advocate for the community and filling in needs when they arise.

The best example of how we've done this at the credit union has been with the local rodeo arena.

The arena wanted to replace and update its bleachers, but the Chamber of Commerce didn't have the funds to make the investment. Because of our relationships in the community, we were aware of the project, and we decided to make a no-interest loan to the Chamber of Commerce so they could make the much-needed facility improvements, a move that earned us great visibility and credibility locally.

Even better, we went back to them later and proposed purchasing the naming rights for the arena for $50,000 for the next 10 years, something to which they agreed. At $5,000 per year that is a fantastic investment.

We have 72 employees, which for our size is quite large. But that gives us an advantage as well. It allows us to be more involved.

We are also blessed to have a team that wants to pursue that involvement, and as a credit union we work to facilitate that involvement as much as we can. If our employees have events or organizations they want to join during the workday, they don't have to clock out. They can attend and participate as part of their responsibilities working for the credit union. That gives employees the motivation to do even more.

And now, because we have identified this strategy as something that is successful for us and key to our growth, we've reached a point where during evaluations we do encourage employees to get more involved in community organizations. This helps them achieve more personally and professionally, and it also helps advance the success of the credit union.

For those credit unions who are thinking about building a branch, the best advice we can give is to do your homework. Execute a cost-benefit analysis. Find a location that feeds your niche. And maybe most importantly, be patient. You can't force a good deal to appear on the market for a property or a location for a new branch. But if you're prepared for it, and a good deal does come along, don't hesitate to jump on it.

We know of credit unions who have built branches just to build them. Some have been big with all the bells and whistles, with the philosophy of "if you build it they will come." But we've seen that model fail.

Setting criteria for what you know will work – things like lower cost properties but that see a lot of traffic in the area -- being patient, and waiting for the right opportunity is key.

Marketing/Business Development

Serving the Business Community, Medicare Consulting

Credit union name: Grand Junction Federal Credit Union

Location: Grand Junction, CO

Asset size: $89 Million

Field of membership: Community Charter

Point of contact name and title: Karen Troester, CEO

Point of contact phone and email address: 970-257-4726; ktroester@gjfcu.com

Summary

We believe it's the mission of credit unions to reach our members and very small businesses that the banking industry struggles to support.

We have related areas at the credit union where we've had success in developing new business and new income streams in recent time, including establishing a program to become the preferred financial institution of local businesses, and requiring several of our employees to become Medicare insurance consultants. Launching a new initiative that places a greater focus on financial education that we believe will not only boost our bottom line, but more importantly serve as a resource for our community moving forward.

Preferred financial institution program

A strategy that we've been executing in the past 24 months is creating deeper involvement in the general community, and the small business community. We've developed a relationship with a local hospital and with other small businesses in the area and these partnerships are paying big dividends for our member and loan growth, averaging more than 12% loan growth over the past three years and more than 5.5%-member growth over the past two years.

I have an experienced small business lender that I have had join a business networking group BNI. This gives her in-person community outreach with weekly meetings of a team of 20 to 25 local businesses. Coming together to refer and educate on each business that is a member of the group.

Our employees will ask to get in front of any group or small business type, our bread and butter and focus has been businesses of less than 25 employees.

For smaller businesses, we can offer a lot to them from s financial counseling to the credit side, with a package that is really targeted towards the needs of the business and its employees at the same time.

We become the small business as their “Credit Union of Choice”, business employees receive benefits of which include financial benefits such as waiving membership fees and free checks, as well as other benefits like member celebrations and financial education opportunities. This program brought in over $2.5MM in small business loans over a 24-month period. Building local relationships. Prior to this we did very little small business lending and community outreach.

Medicare insurance consulting

In March 2023 I meet CSB National Rep Mark Snihurowych at my first Credit Union conference vendor show. We were just starting into possible FED rate hikes and market uncertainty, and I was looking for creative ways to supplement revenue and create member growth.
We began walking down the road of creating an effective strategy, selecting 3 of my staff to go through the training and licensing requirements. It was important to select the right people and to strategically plan and build a succession strategy, so we are not left without a lic trained person at any time. I wanted to create an opportunity for staff that wanted to grow and develop within our organization. I chose 2 lenders and one of my operations compliance personal that currently does our IRA’s to go through training and licensing. Marketing this to our members will help build significant additional revenue that can help keep a balance when loan revenue fluctuates. It helps to engage our senior membership and drives growth of new membership of both seniors and younger members. Medicare counseling can be a great prospecting tool to engage other services our members can use. Each effective closed referral pays the credit union approx. $600.00 plus annual residual income. The first-year revenue support is conservative, expected to be $150,00. The most significant element of this is strengthening our existing membership and providing a service to them that is much needed. We launch this program in 4th quarter 2023, the positive feedback and impact we are seeing I expect to exceed my projected revenue goal in the next 12 months.

Financial educator

Finally, we’re in the process of executing a strategy around financial education. In the coming months, we plan to hire a new position at the credit union whose entire responsibility would be financial education, budgeting, and financial literacy topics. Our goal would be to provide this as a service to both our members and the community at large.

Part of the strategy is to create a partnership with the local community college to help funnel additional people into the programming that we plan to provide. But ultimately this individual would be housed at the credit union to serve as a resource for members. They would also have a significant community focus to get out there and provide education and to create visibility for the credit union.

This focus on financial education and literacy complements our work to serve any and all borrowers who come to the credit union, regardless of credit score. At present, for the loans that we make to borrowers with lower credit scores, the borrower must go through a one-hour financial education training program in order to qualify for the loan.

Our goal is to put people into a positive financial position in their lives because we feel strongly about how much the burden of financial stress can weigh on a person in all aspects of their lives. We also offer lower rates for those who go through financial counseling.

Marketing/Business Development

A Committee to Assess Member Financial Needs

Credit union name: Tarrant County's Credit Union

Location: Fort Worth, TX

Asset size: $119 Million

Field of membership: Community

Point of contact name and title: Lily Newfarmer, President and CEO

Point of contact phone and email address: 817-884-1470 etx. 125; lnewfarmer@tccu-tx.com

Summary

In 2008 the credit union's President and CEO attended NCUF's Credit Union Development Education (DE) program, participating in field trips to impoverished areas to assess financial services available to lower income communities and working through case studies to explore how credit unions could help improve the financial well-being of individuals living in underserved areas.

This experience was the impetus for a major culture change at Tarrant County's Credit Union (TCCU). The credit union's executive team was required to attend DE training, followed immediately by its managers and key staff. The DE message became a focal point of product and service discussions and played a significant role in strategic planning from that point forward. At the forefront of these decisions were always the question of how we could better serve the financially disadvantaged and underserved communities.

Traditionally, the credit union served mostly members employed by its sponsor group, Tarrant County government. The jobs were secure, the benefits robust, and the employee base was fairly conservative. As a result, most credit union members were solvent and able to repay their debts, and the credit union's loan portfolio consisted of primarily A and B paper. A concerted effort was made to revamp lending practices and improve electronic access to services to reach more community members. As this segment of TCCU's membership grew, it quickly became clear we weren't adequately serving members who had the greatest needs and the least opportunities to improve their financial positions.

This realization changed the trajectory of service and product development at TCCU. Over the next several years, the credit union worked diligently to increase its presence in the underserved communities by collaborating with community service groups, such as Fort Worth's Center for Transforming Lives (previously the YWCA), the Northside Inter-Community Agency, Tarrant Area Food Bank, Alliance for Children, Renaissance Heights– a Purpose Built Community in Forth Worth, TX, and others, but as a small credit union, we still weren't making a notable impact in these communities. It was then that the credit union's President and CEO made the decision to create a committee of individuals representing the low to moderate income and Hispanic communities so the needs of those individuals would be better understood and consequently, better served.

The credit union became committed to improving access to credit and to providing credit union services to the culturally diverse community we serve, particularly the low-income individuals, individuals that lack adequate access to capital and/or financial services, and distressed communities – historically, underserved racial and ethnic groups. And although TCCU is not a CDFI or LID, this initiative was of such importance to us, we felt it worthwhile to fund these community outreach initiatives without the financial assistance from outside sources and instead relied on contributions from the credit union and its staff.

TCCU has long been dedicated to ensuring all individuals in our community have fair and affordable access to the financial services that they need most, and that these individuals have fair and equitable representation when product and service decisions and selections are made. Yet in spite of our best efforts, management recognizes there is insufficient diversity on its board and management team to fully understand the financial needs of individuals in these communities.

In an effort to compensate for the lack of diversity at the leadership level, the credit union's President and CEO and board created a Community Development Advisory Committee (CDAC) to assist management in identifying the financial needs of individuals in communities of different socio-economic backgrounds and those of modest means, as well as the best means by which to serve these individuals. Through the experience of our advisory committee, we hoped to gain a deeper understanding of the potential role we can play in assisting the Hispanic and underserved members of our community in a meaningful way.

The CDAC consists of 4 -5 credit union members who serve a 2- or 3-year term and meet with the credit union's President and CEO and Engagement & Community Development Manager on a quarterly basis, either virtually or in person, at the credit union's main office. Committee members are either residents of these traditionally underserved communities or work for companies whose primary objective is to aid and serve members of these communities.

Minutes are taken at each meeting and provided to the board at the next board meeting.

Through the credit union's close association with it sponsor group, Tarrant County Government, and its community outreach efforts, the credit union has become well acquainted with local organizations and agencies who serve the low-income segments of our community. So, when initially developing the CDAC, the credit union reached out to several of these organizations, such as the Tarrant Area Food Bank and Renaissance Heights United, to inquire as to available personnel within their organizations who would be interested and willing to join the credit union and serve on the CDAC committee. Other committee members were sought from among the credit union's current members working in community service positions for Tarrant County. Management felt it was imperative to fill the CDAC seats with individuals who possess a clear understanding of the challenges faced by the individuals in these underserved communities.

Once a pool of potential CDAC candidates were identified, the credit union's President and CEO contacted potential CDAC members and then met with them individually to discuss the responsibilities and requirements of committee members and to ascertain their current involvement in these low to moderate income and Hispanic communities. An Agreement to Serve was completed and signed by each CDAC candidate opting to serve on this committee. The credit union had very little difficulty in filling the seats on this committee, as the potential applicants already had a heart for service, understood the community needs, and possessed a strong desire to help improve the financial well being of individuals in these communities.

The President and CEO spends significant time going over current credit union activities to support efforts to serve these communities. Updates on the usage of grant money, membership demographics and segmentation analysis, future endeavors in this area, current products and services to assist the low to moderate income and Hispanic communities, as well as information on existing community service collaborations are provided at each meeting.

CDAC members continue to provide insight into the financial needs of these communities and suggest various avenues by which the credit union can connect with community residents. As a result of interactions with the CDAC, the credit union has expanded its efforts to serve the low to moderate income and Hispanic communities through product and service enhancements, such as disclosures and loan docs in Spanish, ITIN lending, acceptance of the Matricula Card to open accounts, establishing online account opening, ITIN Citizenship Loans, and a 24/7 automated small dollar loan based on the members relationship with the credit union and not the traditional credit score qualifier.

The credit union also revised its loan decisioning parameters to better meet the limitations of the credit challenged members of the community. Policies were amended to allow for higher debt ratios and leniency was granted on derogatory credit history by compensating with other factors that would alleviate risk, such as down payments, TCCU account history, and collateral, all without compromising underwriting standards. Additionally, an Engagement & Community Development Manager position was created to focus on these communities and develop the relationships with community service organizations to support outreach efforts.

As a result of these efforts, we are experiencing more online account openings and loan requests from this group of borrowers but, due to the added digital access, have not had to increase lending staff to accommodate the demand. Loans to the lower two-tier borrowers increased by 21% in 2023.

While still in the early stages, there has been a shift in loan decisioning for credit challenged members and we have seen an uptick in loans from the lower lending tiers, specifically the D and F paper. The credit union is partnering with Inclusiv to help facilitate better service to the low-income and Hispanic communities, and is partnering with Coopera for guidance in helping the credit union establish relationships with diverse communities and in serving diverse markets.

The CDAC has been impactful in providing contacts within the Hispanic and low-income community and offering insight into the types of loans and account services most needed by individuals in these communities. They've also been instrumental in identifying the prevalent obstacles to financial independence these individuals face.

A primary initiative of the credit union in 2024 is to establish a partnership with a proven cooperative to offer affordable housing and small dollar business loans to the low to moderate income and Hispanic community members. The credit union has limited resources with which to invest in these markets at the level necessary to be impactful, but in conjunction with a cooperative lender, we can make these loans available to members of our community who need them the most.

One of unexpected partnerships we've developed resulting from the CDAC efforts is with the newly elected Tarrant County commissioners. Credit union offices are located in county facilities in the various commissioner's districts. In 2022, there was a significant change in the make-up of the Tarrant County Commissioner's Court, and credit union relationships with new commissioners had to be cultivated, which can be challenging when they have no knowledge of the benefits the credit union provides.

This is critical to the credit union, as members of the Court have community service initiatives they support – some that have been established to benefit the same communities the credit union seeks to serve. Through these alliances, the credit union is re-establishing its relationships with county government officials and garnering support from them for credit union initiatives. In doing so, Tarrant County government officials are exposed to the community service side of the credit union's operations, which in turn opens the door for collaborative efforts at a much higher level.

An unplanned benefit of the CDAC is the extension of the pool of potential associate directors for board positions. Management has the opportunity to get to know CDAC members – their commitment to service, how they represent member opinion in decision-making, help solve to member needs through interaction, and the type of team members they are. As associate directors move up to a vacated board seat, qualifying CDAC members are given the opportunity to move into an associate director position, while still retaining their seat on the CDAC, if desired.

To date, the only challenge we've met with CDAC members is finding those in positions whose jobs allow them the flexibility to attend these meetings. Keeping the format virtual has helped a great deal with this, and we seldom have issues getting the entire committee together. However, now that we've had the committee in place for a few years, we have volunteers from other community service groups approaching us about serving on the CDAC.

This committee is, without exception, our strongest link to the communities we seek to serve in an impactful way – communities that don't currently have equal access to fairly priced financial services. Members of the CDAC possess a wealth of experience and personal knowledge of the struggles experienced by members of these communities, which makes it possible for the credit union to respond responsibly to the financial needs of these community members.

Shared-Branching Income Strategy

Credit union name: El Monte Community Credit Union

Location: El Monte, CA

Asset size: $31 Million

Field of membership: Credit Union Representative

Point of contact name and title: Beatriz Mendia, Credit Union Representative

Point of contact phone and email address: 626-444-0501; bmendia@elmontecu.org

Summary

Initially, when our credit union was founded in 1958, it was exclusively for El Monte and South El Monte City Employees, and in 2010, we changed our name and charter to serve three additional cities: Rosemead, Baldwin Park, and Irwindale. At the beginning of 2022, the Board of Directors and Executive Management made the strategic decision to have CO-OP Services prepare an analysis to determine if El Monte Community Credit Union would be a good candidate for Shared Branching based on our location, other credit unions in the area and the non-member high demand. Our CEO and Accounting Supervisor came together with our core system to implement our share branching services, with strategic planning and execution, together with CO-OP and Portico in two months were able to bring our share branching to our non- members. It was a combination of team work with our staff, our customer services representatives and upper management as well. The responsibilities of implementing share branching let us provide same opportunity for our non-members to make transactions at our branch without them having to go to their banks which can be in another state or region.

After COVID-19, the credit union sustained a significant financial hardship—$ 3 million in loan payoffs and negative earnings, causing an uncertain future. Management took a leap of faith and applied and received a $5,000 technology Shapiro grant that helped pay for some of the implementation expenses. We implemented Shared Branching in late 2022 as an Issuer and Acquirer and almost immediately started to offset the expense. Since our core system was built to accommodate Shared Branching, the implementation was quick and easy, with one exception. Our core system and CO-OP had one minor challenge: Portico does not

interface with CO-OP, so we had to go through Fiserv EFT. Overall, it was a great experience. This decision opened opportunities for growing membership status, making it convenient for members as well as non-members. Share Branching has improved our miscellaneous income and has open doors to new income for our profit where we are able to assist non-members from different credit unions with services like cash deposits, withdrawing cash, cashing checks, and loan payments. Another feature that has helped us find Share Branching banks for our members who are out of town or in another city, is our Share Branch/ ATM Locator option on our core system. This allows us to see which banks our members can go inside to withdraw money or which banks have the ATM option to take out money or deposits. We knew it was an area we needed to focus on because once we tested this analysis of how much profit we would make and implemented the service it was benefitted us and was a plan that had to be executed for the success of our Credit Union.

From the beginning, as stated before, the analysis performed by CO-OP showed possible success and we had to sit down and decide if this would be a good fit for our own Credit Union. The affect of the Credit Union being a part of share branching is to offer services that will increase our member satisfaction and to improve our profits, our Credit Union without Share Branching would only be open to its qualifying members and would turn down any outside money stunting our growth. With our staff losing employees who have worked at the credit union, there was new hires to be able to attend on the frontline servicing our members and non-members. The implementation of share branching does have monthly costs but just in the year of 2023 we were able to make profits on money invested for this service. We are able to offer most services to non- members and look forward on offering more services for our non-members, remembering that there are limits on what we can offer as a share branching. Our credit union has set limits in order to protect ourselves, for example, we can only have a deposit of $10,000.00 from share branching and not a penny over, to avoid creating CTR's for non-members because it can be difficult to retain more information on a person who does not have their information with us. On other occasions we also do not process return checks for our non-members because each credit union has their way of returning checks and fees that come with the process, we return those check to the issuer.

The focus on this area really benefited our Credit Union with more growth and up and coming success. This step taken as a team has improved our numbers and profits where we can expand that success to be able to give back to our members and non- members. The main objective of the Credit Union implementing Shared Branching was to increase our members' satisfaction by giving our members more banking flexibility and improving our earnings. In 2022, our Return on Assets YTD was -0.07%, and our Net Worth was 7.81%. For 2023, our return on assets is 0.51% YTD, and our net worth is 8.71%. Looking at how share branching has brought in this new income that is improving the health of the credit union we found that this was a

key for improvement. By being a successful credit union, we are able to receive support in implementing new techniques for better servicing our members.
If there are other Credit Unions that have limits to who qualifies for membership should consider to execute the move for Share branching in order to receive income from those non-members. The elements that have been crucial to this service being successful is our staff. We are a small staff that focuses on providing exceptional customer service for our members as well as our non-members. We inform non-members of our services that can apply to them, as well a directing or members to other Share branching that can accommodate them.

Our future plans for El Monte Community Credit Union are to expand our staff, hiring new staff to service non-members to provide high level service to them.

Talent

Young People as Successors

Credit union name: Family Focus Federal Credit Union

Location: Omaha, NE

Asset size: $43 Million

Field of membership: SEG Based-Gas and Water Company in Omaha, NE

Point of contact name: Amy Brodersen

Point of contact phone and email address: 402-933-0900; amyb@familyfocusfcu.org

Summary

In this narrative, we will share the story of our small credit union's journey toward developing strong leaders and fostering a united team. These initiatives are crucial for positioning our credit union for growth and continued success. By sharing our experiences and the lessons we learned along the way, we hope to provide value to others in similar circumstances.

The Journey Towards a Holistic Succession Plan Begins

We have long recognized the importance of a robust CEO succession plan to facilitate a seamless transition of leadership within our organization. However, due to limited resources, our focus had been primarily on the CEO level. At the time, we considered having a plan in place for the CEO as a significant accomplishment.

However, in 2019, we faced an unexpected setback when the Vice President, who was being considered as the CEO successor, left our employment. This departure created a void in our senior leadership team, leaving us without a clear successor. Additionally, the remaining Vice President had no interest in taking on the CEO role as she was set to retire in less than three years.

In response, we promptly initiated a search to fill the open position and identify a potential CEO successor. After an extensive hiring process, we eventually hired an individual from the private sector thinking we had found the ideal leader. Unfortunately, our optimism was short-lived as the individual decided to return to the private sector within a year, enticed by a substantially higher salary and benefits than we could not compete against.

The setback we experienced with the departure of a potential CEO successor was a wake-up call for us. It made us realize that our previous focus solely on the CEO position was no longer sufficient. We needed to develop a comprehensive succession plan that encompassed all levels of our organization, from the board to the entire team. It was clear that our success depended on cultivating leadership and commitment from within.

We learned that bringing in an outsider and expecting them to be fully committed to our credit union was shortsighted. It became evident that true passion for our credit union and the credit union movement could be fostered by developing our existing team members. By investing in their growth, providing them with opportunities, and aligning their goals with the organization's values, we could build a strong and dedicated team.

This realization prompted us to shift our focus towards developing a holistic succession plan that not only addressed the CEO position but also identified and nurtured potential leaders at all levels. Our goal was to create a succession plan that invoked a passion for our credit union and the credit union movement, instilling a sense of pride and commitment among our team members.

Shift towards Internal Leadership Development

After recognizing the need to develop talent from within our credit union, we embarked on a journey to establish an internal leadership development program.

To create a smooth transition and provide an interim CEO option, we promoted our remaining Vice President to the role of Executive Vice President (EVP). Although the EVP did not have long-term aspirations for the CEO position, she possessed the willingness, necessary skills, and experience to serve as a temporary CEO until a suitable replacement could be hired.

With the EVP in place, we launched a comprehensive leadership development program. The program was designed to identify individuals within our credit union who displayed potential for key leadership roles. Through various assessments, training sessions, and mentoring opportunities, we aimed to develop their leadership skills and prepare them for future responsibilities.

This shift towards internal leadership development not only addressed the challenges we faced in recruitment but also allowed us to tap into the existing knowledge, experience, and commitment of our team members. By investing in their growth and providing them with opportunities to take on leadership roles, we hoped to foster a sense of loyalty and engagement among our team members. Furthermore, we felt that developing leaders from within the organization could ensure a cultural fit and a deep understanding of our credit union's values and goals.

Organizational Restructuring

To support our leadership development program, we introduced a new organizational structure tailored to our small credit union. We identified clear job descriptions and designated leadership positions for each department, hoping to ensure clarity and accountability throughout the organization.

The new structure consisted of four main departments, each with its own team leader. Team leadership positions were the following:

1. Solutions Architect: Responsible for managing innovation, technology, facilities, security, and vendor relationships. This role focused on driving technological advancements and ensuring a secure and efficient infrastructure.
2. Sales and Lending Manager: Responsible for overseeing sales, lending, marketing, and collections. This position played a crucial role in developing effective sales strategies, managing lending operations, and driving marketing initiatives.
3. Operations and Accounting Manager: Responsible for managing back-office operations, member research, compliance, audit and oversight, and accounting. This role ensured smooth operational processes, regulatory compliance, and accurate financial reporting.
4. Member Advocate Supervisor: Responsible for managing the teller functions and cash operations of the credit union, ensuring exceptional member service and efficient cash handling.

Despite our limited resources, we carefully identified three internal candidates and brought in one external candidate who showed promise for leadership roles. The external candidate was someone we recruited away from our data processor; someone familiar to us who shared the credit union philosophy and was looking for a home in a credit union.

Our goal was to have our team leaders in place at the middle management level by the time the EVP retired in May 2022. With the guidance of the EVP as a Leadership Coach, we were aiming to further develop their skills and prepare these new leaders for senior leadership roles.

Ongoing Development and Progress

Following retirement, our EVP seamlessly transitioned into her new role as a Leadership Coach. To ensure her preparedness for this position, we invested in and engaged the services of a professional coach who specialized in leadership development. Together, they crafted a customized leadership development plan focused on enhancing the soft leadership skills of our new team leaders.

Currently, the leadership coach conducts weekly meetings with each team leader to facilitate their progress according to the development plan. During these sessions, they collaboratively establish and work towards professional goals, while also identifying areas of improvement and strength. The coach provides regular updates on the progress of these leaders to the CEO on a weekly basis, and to the Board on a quarterly basis.

This arrangement has proven to be mutually beneficial for both parties involved. While enjoying her retirement, the leadership coach can contribute valuable expertise and guidance to the credit union on a part-time basis, committing just 10 hours a per week. For the credit union, this arrangement ensures continuity and stability within our credit union as we work towards building a strong and capable leadership team.

Our current leadership development program is proving to be highly effective in building our leadership team. While it required some adjustments to our organizational structure and reallocation of responsibilities, the program is successfully building our leadership team. We feel confident that within the next three years, our C-Cuite will be established, allowing us to begin preparing for the retirement of our CEO, scheduled for the years 2031-2033. This strategic approach ensures a smooth transition and succession plan, securing the future stability and success of our credit union.

Focus on Professional Development for Staff

Developing a talented and engaged workforce at all levels is a strategic goal we are actively pursuing. As a small credit union, we understand the importance of investing in the professional development of our entire team. To achieve this, we are currently in the process of designing a comprehensive plan that includes a robust training and development program.

To begin, we have made a significant investment in the Credit Union National Association's (CUNA) Certified Professional Development (CPD) program. We hope to have this program serve as a cornerstone of our comprehensive plan, providing our team with access to industry-leading training and professional development resources. Through the CPD program, our team members will have the opportunity to enhance their knowledge, skills, and expertise in various areas of credit union operations.

We believe that by leveraging the resources such as those provided by CUNA, we are equipping our team with the tools they need to thrive in their roles and contribute to the ongoing success of our credit union. Our ultimate aim is to empower our team with the skills and knowledge they need to make meaningful contributions to the success of our credit union and enhance their passion for the credit union movement.

Board of Director Succession Plan

We are dedicated not only to developing the next generation of credit union leaders and team members but also to nurturing the next generation of board members. In 2022, we implemented a board succession plan and welcomed our first-ever associate board member. Through active participation and gaining valuable insights into our operations and governance, the associate board member was able to contribute her expertise and perspectives to board discussions. Recognizing their outstanding qualities, the members of our credit union elected the associate board member as a full-fledged board member in 2023. Currently, we are taking proactive steps to recruit two additional associate board members, reinforcing our commitment to cultivating a diverse and forward-thinking board that represents our member's interests and ensures the long-term success of our credit union.

Feedback, Performance Evaluation, and Personal Growth

To enhance team development, we are in the process of implementing a structured feedback system that promotes open and constructive communication between team leaders and their subordinates. The outdated practice of conducting annual performance reviews is being replaced with more frequent feedback sessions such as weekly one-on-ones and monthly performance evaluations. These evaluations are tied to a pay-for-performance incentive plan, motivating team members to understand their strengths, areas for improvement, and align their goals with the credit union's strategic objectives.

In addition, we are actively encouraging team members to seek learning opportunities. This can involve self-study, attending local events, or participating in industry webinars. Our goal is to foster a growth mindset and cultivate a workforce that is adaptable, innovative, and dedicated not only to their own professional development but also to the success of our credit union.

The Path Ahead

As a small credit union, we are striving to create a comprehensive succession plan that not only develops our internal talent but also invokes passion for our credit union. We are committed to fostering a culture of pride and commitment among our team members. By investing in their growth, providing opportunities for development, and aligning their goals with our organization's values, we hope to build a resilient workforce that is dedicated to the success of our credit union. Through this approach, we want to position ourselves for sustained growth and create an environment where our team members feel proud and committed to serving our members and community.

Talent

Re-Shaping a Sleepy, Legacy Culture

Credit union name: Greenwood Municipal FCU

Location: Greenwood, SC

Asset size: $64 Million

Field of membership: Community

Point of contact name and title: Philip Heinlen, President/CEO

Point of contact phone and email address: 864-229-6177; Pheinlen@gm-fcu.org

Summary

Our mission statement is to radically impact the lives of our members and the communities we serve with trust, respect, and unity. The business strategy has given us the greatest ability to execute our mission of building and sustaining an employee culture that is conducive to growth and modernization, when for a long time that wasn't the case at our credit union.

One of the unfortunate trends I have seen among smaller credit unions during my career in this industry has been the unwillingness of credit union Boards, staffs, and CEOs to make the changes necessary to evolve their organizations with the future in mind. We work hard to simplify the process for all parties involved so we can get to more yeses for our membership.

There can often be a lot of inertia or "ultraconservatism" among long-time credit union professionals that can be hard to root out. That was certainly the case at Greenwood Municipal FCU up until a few years ago before new leadership came in and started to change the culture. We worked hard to open new opportunities for current staff who were hungry to grow, which ultimately allowed us to improve our operations and our member service.

A large part of the shift in culture we executed early on was identifying those employees who were willing to evolve and grow with us, while also identifying the staff who weren't willing to evolve with us. We certainly had to make some tough decisions around staffing and long-time employees, but we knew it would require all employees rowing in the same direction to achieve success we were looking for. In the end, we had the support from the board and that gave us the confidence to make the necessary staffing changes to unlock the potential for this credit union.

I should also note the attitude our employees bring to the credit union every day is important to our culture as well. We certainly want to bring our authentic selves to work each day. But if our employees can't find positivity in the work we do, that's going to affect the culture. Ultimately, that's going to impact our service to members. They will feel and experience any friction that's taking place among our employees, and so we work to keep the culture as positive as possible.

Another significant part of this culture shift centered on having a growth mindset at the credit union, and not just around financial growth or member or loan growth. What we wanted to instill into the culture was having a growth mindset among our employees and their careers.

We strongly believe that for the credit union to operate at its highest efficiency and ability, all staff need to be empowered to do their jobs with greater autonomy and flexibility to make decisions without funneling everything through the CEO.

Employees are encouraged to make decisions themselves, and if any "mistakes" are made, those moments are used as teaching opportunities for the employees. This helps them continue to grow as credit union professionals and leaders. Part of the strategy includes setting aside funds for their professional development.

The other benefit of empowering employees is it allows myself as the CEO to be out in the community. If I'm tied to the branch all day cleaning up messes or fixing perceived mistakes, that limits our ability to have a greater presence outside these four walls. When our senior leaders can attend Chamber meetings or visit with other businesses and organizations in the community, we're able to build the credit union's network and relationships, which are key elements to sustainability and growth for our organization.

There's also, of course, a member element to this growth and modernization.

Modernizing the credit union can be unsettling for the Board and for longtime employees because of the fear of pushback from longtime members. It can be hard to earn buy-in that updating and radically changing the way the credit union serves members will ultimately prove successful, especially when legacy members are happy with how things have always been. But we need to stand by our conviction that these changes are necessary in order for the credit union to be relevant and successful into the future.

As a great example, when we made greater investments in technology services and our mobile app, we initially did receive pushback from those legacy members I mentioned. In the end, however, they realized how much more convenient the "new way" was for them and came to appreciate the new processes. Then, not only were we serving older members in a more convenient way that they grew to accept, but our service model became more in line with what younger members have come to expect in a modern financial institution, giving us the best of both worlds.

The evolution of the credit union and the culture that supports it has led to significant growth at the credit union. Over the past three years we've experienced more than 17% loan growth annually, and nearly 5% member growth, and we now have plans to expand our branch footprint to up to 10 branches in the coming years.

Talent

Building the Right (and Happier) Team

Credit union name: Niagara Regional FCU

Location: North Tonawanda, NY

Asset size: $38 Million

Field of membership: Erie & Niagara County

Point of contact name and title: Brenda Michalowski, CEO

Point of contact phone and email address: 716-846-1450; Brendam@niagararegionalfcu.org

Summary

Niagara Regional FCU was looking for a succession plan since the previous CEO was planning to retire and they had no successor chosen as of the beginning of 2023. They were looking at a merger due to not having any prospects, although that was not an option either since the CU had four years of losses on the books. I was sought out via LinkedIn and asked if I would have an interest in the position after I had the opportunity to view the financials.

I have 32 years of financial industry experience working from management to Business banking, taking care of businesses the size of our Credit Union. Upon coming into Niagara Regional FCU as their new CEO I quickly realized that the employees were not very engaged and were extremely overworked and tired. As I sat with each of them to assess their current state of mind as well as their individual goals, I asked what it was that made them come to work and be successful. Each employee had individual issues although the main one was that they did not want the credit union to be merged with any other credit union and each had a passion to keep it going and make it better but had not had the leadership and guidance to know how to accomplish this. At that point I knew we had a great team, they just needed to see the light at the end of the tunnel.

In time as I learned about the credit union and each employee, I started to change how our day to day activities were assigned. I was very honest with them from the very start and showed them that I too was passionate about what I did on a daily basis along with very personal issues I had to overcome. As we shared stories, they became more engaged with me as well as what we needed to accomplish as a Team. Each day as policies changed, they were explained why and given supporting documents and reasoning as to why these changes were necessary. They quickly realized that any changes made were for the safety of them as well as the credit union, therefore they trusted that I had their best interest in mind. That's when each employee became more engaged as a team to be successful as a team as well as making the credit union thrive again.

We have worked together to eliminate vendors that were duplicated, add security to help them feel safer, enjoy activities and attend community events to get us back out in the community. We have also worked to decrease expenses, update systems, cross-train positions and most of all training to help them be more efficient in their own positions. Just recently we have enjoyed each other's time at a Christmas Party with spouses and children (whomever wanted to bring them) which made a difference as well since most of the time spouses are not included. This was a very enjoyable time for all without the stresses of the everyday activities.

Every step of the way there is as much transparency possible to be sure they know they are making the difference.

At this point Niagara Regional FCU has stabilized its membership, employees & financials. Now that we are stable, we will be looking to add marketing to become more visual in the Erie & Niagara Communities. With this marketing the team will be involved so there will be more of a familiar feel to the people that are looking for a new financial home. As of YTD 2023 we have corrected multiple items in the credit union. The most important factors are Team engagement, profitability and net worth. Our team is very happy they stayed to accomplish a positive environment as well as after four years of having a loss on our balance sheet to showing a large profit and most importantly bringing our net worth form around 6% to above the 7% ratio required from NCUA. All this has been accomplished within nine months. We are all looking forward to the start of the New Year to have a growth plan opposed to a year of fixing our credit union.

Our success has been with being a team and not one person acting on behalf of the credit union. The staff is much happier and we as a team are successful.

Talent

Finding That Next CEO

Credit union name: O&R Utilities Employees Federal Credit Union

Location: Monroe, NY

Asset size: $25 Million

Field of membership: SEG Group Utility Company

Point of contact name and title: Mitchell DeCoeur, President/CEO

Point of contact phone and email address: mdecoeur@orutilfcu.com

Summary

O&R Utilities Employees Federal Credit Union was founded by a group of utilities workers in 1980. The credit union is in Monroe, NY in the heart of the beautiful Hudson Valley. There have only been 3 CEOs during the history of the credit union. I joined the credit union in April 2023, having come from a larger credit union I know the importance of having a succession plan especially in the management ranks. Our credit union has a very small staff of 3.5 individuals, me, the manager, 1.5-member service representatives. For a small credit union our technology is very robust, we offer remote deposit capture, bill pay, credit report monitoring, financial literacy, and an ATM network of over 95,000 sucharge-free ATMS. We provide our members with all the deposit and loan products that are needed to be successful to achieve their financial goals.

I am working very hard with our Board to implement a full succession plan not only for myself but all staff members. I am in the process of educating the Board on an enhanced executive benefit plan to help the credit union to attract and retain the talent that we have. My transition into my role was as smooth as it could have been under the leadership of the previous CEO. I have made improvements to the succession plan policy such as a full transition plan and roles and responsibilities spelled out for the Board to follow in the case that another CEO needs to be recruited. I have also implemented a robust training plan for myself, the Board and all the staff to enhance their skills through CUES and have built the cost into our 2024 budget, which the Board has embraced. My goal is to be more visible to our SEG, community and credit union associations.

Even though I have only been the CEO for 6 short months, our membership has grown by over 15%, I have made inroads at the utility company to make the employees aware of our existence and why it would be beneficial for them to join us. I built a referral program to reward current members who bring new members into the credit union. I have demonstrated to the Board the importance of educating our members and providing them with excellent member service and a loan process that is easy to do business with. On average our loan turnaround time for a car loan is 1 day, for a personal loan is 4 hours and for a home equity loan it is 10 days. The other item that I brought to the credit union that has served us very well is empowered every staff member to solve the members problem/issue right away no need to seek approval, just correct the issue, one call one solution.

We are still a work in process with many avenues still to explore, I continue to build on my network of credit union professionals to learn from and share information. Attending the GAC in Washington will provide a opportunity to talk to credit union professionals from different asset sized credit unions as well as legislatures.

Technology

E-Branch, Texting, and Google Reviews

Credit union name: Alhambra CU

Location: Phoenix, AZ

Asset size: $32 Million

Field of membership: Community

Point of contact name and title: Eddie Moraga, president/CEO

Point of contact phone and email address: 602-246-5120; emoraga@alhambracu.com

Summary

Investment in technology that makes it easier for our members to access us as a financial institution has been the centerpiece of our success here at Alhambra Credit Union. Whether it's text banking through Eltropy, webchat, or the evolution of our E-branch, we believe we are pushing the boundaries in our community when it comes to streamlining and modernizing the member experience – whether that's digitally or in person.

A significant driver of this strategy has been the feedback we have received from members that they have often picked other financial services providers because their services have been more accessible and easier to use. We certainly don't want others making similar decisions based on our accessibility, so we have worked hard to bring our service model to the next level.

E-branch

We made the decision to centralize all incoming member communications at what we're calling our "E-branch," which is staffed by one member service representative and a part-time lender. All phone calls, emails, text messages, or other communications are handled entirely by this branch, ensuring that we have specialists communicating with members in a remote setting. The other benefit of this strategy is that it frees up our other branches to work with members in person. And if our branches are busy, it ensures that those who are calling in also receive the greatest amount of responsivity and service.

Members are starting to realize that they can use Zelle, mobile deposit, digital transfers, and more through our credit union, and are starting to rely more and more on the E-branch to the point where they're not using our physical branches any longer. Centralizing these communications also allows us to have a consistent voice when working with members.

While not all responses back to members come through the E-branch -- for example, if a loan officer needs to connect with a member on an issue -- it has made our response time and accessibility much stronger by funneling all inbound communication to one place.

Text messaging

We've improved almost all functions of our credit union by implementing Eltropy's text messaging service at the credit union in recent years. Whether that's promoting loans, increasing the success of our collections work, or overall member service, being able to text message with our members has been an unquestionable game changer for Alhambra CU.
In particular, communicating with our members via text message has been transformative, as we know that this is how our members want to communicate with us. And being another entity that texts, we feel much more like a partner to our members rather than a business just trying to sell them something.

We've now developed easy-to-use templates that we send via text to our members that aim to educate them about their finances, their accounts, and how the credit union can help them meet their financial goals.

Google reviews

We've also created a template that asks members to leave Google reviews for our credit union; campaigns that are more effective than any marketing campaign we could come up with. Members of the community and others who are looking for a new financial services provider consistently look at Google reviews to determine whether this is a reputable place to bring their accounts, so having a strong reputation on Google is key.

To drive more reviews, we'll run regular campaigns among our staff to race to 25 Google reviews, and the winning department will win a jeans day or a staff lunch. After our campaigns we always see an explosion of new members and accounts because our SEO (search engine optimization) goes way up.

The underlying strategy to get more members to write Google reviews is that we make it really easy to submit them. We embed a link in the template text message that we send out to members, and soon after whether it's immediately or even a few hours later, we'll see members posting those Google reviews.

And to connect this back with the E-branch, our staff at the digital branch is the driving force behind this strategy as they are the experts and the leaders on these digital communications and services.

Onboarding

As for onboarding, when we get new members, we have established a schedule of text messages that follow up with them at 30- 60- and 90 days to ensure they aren't experiencing any issues with their accounts and service, and to make sure they're getting everything they need out of the credit union.

Chatbot

We are excited for this next evolution of our technology strategy at the credit union, where we will be hosting a webchat service on our website whose personality will reflect our members and our community. Called "Ava", she will reflect the people we serve in that our average members are female and represent a minority community. Ava will become our members' virtual assistant as they access the website. The webchat function will be able to provide any information a member is looking for.

Our website traffic is increasing every day, including hundreds of non-members, and we believe this is how we take advantage of that increase.

What's next

In the future, we hope to scale the E-branch staffing and operations, and we think things are looking positive to do so. That's because the strategy is working. Our staff at the E-branch are constantly working with members who are starting to get the new process down. And if we continue to get the volume of member communications that we're starting to get – which we absolutely see as a good sign – we'll happily add to the staff there to provide more support and member service and assistance.

Technology

One-Click Loans

Credit union name: FOCUS Credit Union

Location: Menomonee Falls, WI

Asset size: $56 Million

Field of membership: Community Charters

Point of contact name and title: Nilsa Gebert-Assistant, Vice President

Point of contact phone and email address: 262-437-1284; nilsa@focus-cu.com

Summary

FOCUS Credit Union has been steadily seeing a decrease in branch traffic over the last 10 years as our membership has started adapting to doing their business through digital channels. With the popularization of remote check deposit, instant deposit of payroll, modernization of banking apps, e-signing and virtual loan closings, there are very few instances where members absolutely must go into a credit union. Technology has its pluses, and it is our job as a credit union to help our members in the fashion that they want to be helped in...but all these ease-of-use channels have caused a dilemma. How do we reach out to our members about our products and services now that we aren't seeing them face to face anymore? How can we grow our lending, help our members, and do this without physically seeing a majority of our members anymore?

FOCUS realized this was an area that needed attention. It was great that our members had options when it came to how they conducted business, but are we really helping them when we aren't meeting their lending needs? In 2019, in conjunction with our data processor, FOCUS Credit Union started on a journey of One Click Loans.

One Click Loans are online, instant loan offers that are tailored to our membership. Sometimes we offer credit cards, sometimes we offer signature loans. We have total control over who receives these offers and can run a query based on length of membership, products used, delinquent history, credit score, etc. The member receives the offer on home banking, or our mobile app and they can determine if they want to accept the terms or not. It is instant, it is non-invasive, and it is another way for us to reach folks who no longer come into our branches.

To date, we have offered 5 One Click Loan offers to our membership.

June 2019-Credit Card Offer

- 484 offers sent to members
  - 116 opened offers
  - 368 unopened offers
  - 24% open rate
- 32 offers accepted
  - 28% acceptance rate
  - Total balance average: $33,014
  - Total active cards: 18

September 2019-Credit Card Offer

- 34 offers sent to members
  - 22 opened offers
  - 12 unopened offers
  - 65% open rate
- 1 offer accepted
  - 3% acceptance rate
  - Total balance average: $833
  - Total active cards: 1

March 2021-Credit Card Offer

- 2262 offers sent to members
  - 582 opened offers
  - 1680 unopened offers
  - 26% open rate
- 48 offers accepted
  - 8% acceptance rate
  - Total balance average: $144,339
  - Total active cards: 29

March 2022-Signature Loan Offer

- 1822 offers sent to members
  - 497 opened offers
  - 1325 unopened offers
  - 27% open rate
- 41 offers accepted
  - 8% acceptance rate

August 2023-Credit Card Offer

- 1427 offers sent to members
  - 308 opened offers
  - 1,119 unopened offers
  - 22% open rate
- 61 offers accepted
  - 19% acceptance rate
  - Total balance average: $78,546
  - Total active cards: 48

The cost of each offer is around $1,500 depending on if we follow up the initial offer with an email or phone call. FOCUS feels that this is a very small investment for what is proving to be a decent return currently. We have been pleased with the open rates of the offer and are right in that 17-28% industry average for offer open rates. We also see our acceptance rates as successful and even though this is a new program, our members do seem to be utilizing the credit cards that we've offered.

The impact on our staff is minimal. We compile a list of parameters, and our data processor runs a query of all eligible members. Once members accept the offer, the back-end processing involves us saving proof of acceptance and sending out necessary disclosures to the member. Again, it does not have a very large impact on our staff.

Rolling out this program had and still has its bumps:

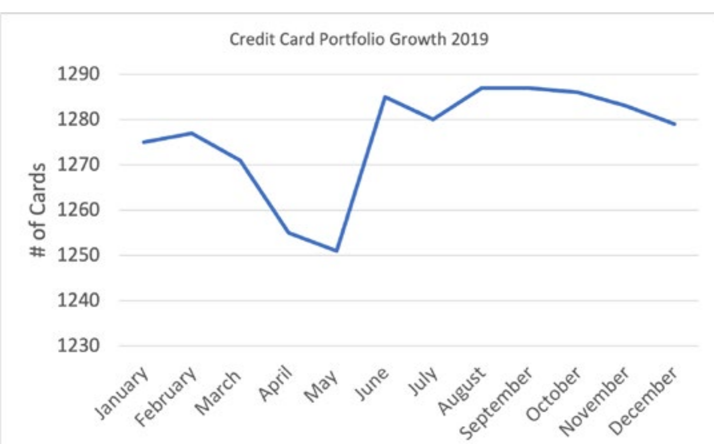
- Not offering the same product to the same member multiple times
  - As mentioned above, FOCUS tries not to bombard our members with messages and marketing. We look to take the same approach with the One Click Loan. We want to make sure we are offering the product, we don't even mind offering a few times. But what is the right amount of offers? When do people start becoming blind to the offers they are seeing? We are continuing to find this balance and are hoping that down the line there might be a way for us to figure out an easier way of seeing members who might receive an offer multiple time.
- Automating the process of these offers
  - Currently, we need to set up each offer and determine the start and end date. There is not a way to schedule offers for the future or to reuse data from a previous offer. We would like to somehow make this an option on a more regular time schedule, and we haven't found a great way to do that yet.
- Reaching out to enough of our membership
  - Are we setting parameters that are too stringent? Are we not digging deep enough into

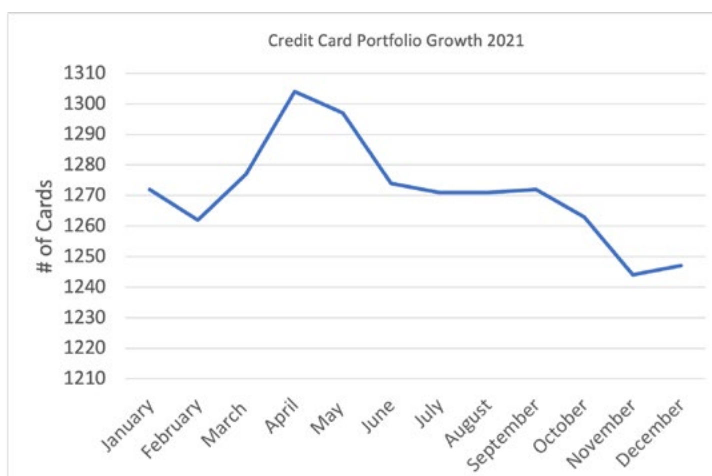
our membership and making offers to members who really need it? There are quite a few data points we can look at and set, but trying to figure out if more information or less information is better is something we are still working on.

- Follow up to members
  - Is it necessary to reach out to members after we enable the offer? Or does this come back to us possibly being a nuisance to our members? Is it advantageous to make a follow up call or send an email to remind members about the offer? Again, an area where we are trying to figure out what makes the most sense.
- What to offer
  - Credit cards are the easiest. But what other products can we offer our members in this fashion. As noted above, we have done one signature loan offer...but is that a need for our members? Is there a way to do a loan like this with collateral? Are there other lending products our members need that we do not offer via a One Click Loan channel?

One interesting thing we have realized during the last few years is that these offers are helping our members with lower credit scores. We have noticed that we have members who do come into our branches accepting these offers and our thought is that maybe the anonymity of this offer is helpful to members who think that their credit score may be too low to get a credit card and are possibly embarrassed to talk to someone about their score or their circumstances and this online offer is a way for them to be approved and not have to worry about having those conversations. As of now, we have suffered no losses on these loans and credit cards and with each offer we try to dig further into our members while still making sure that we aren't putting our members into a bad position financially.

We have also noticed growth in our card portfolio for 2019 and 2021, even with larger payoffs in 2021 due to stimulus funds during the pandemic.





The card offer we did in August of 2023 yielded 61 cards, which is more than what we have done organically this year. Which to me proves that there is a need and that this is a solution. Going forward, we are going to continue to figure out ways to make more offers to our underserved and underbanked members. We will continue to track to see if making an offer and a follow-up is more fruitful or more bothersome to our members. We will continue to work with our data processor on ways to make this process more streamlined for the credit union, our employees and for our members.

Currently in our market, we are the only credit union offering a service like this. It is a simple product that is cost effective and does not impact our employees greatly, which makes it the perfect product for our small credit union. It is also helpful to our members who might not know what we offer or who don't have the time or resources to come into a branch. It is also a way for us to reach out to the underbanked and those members who have difficulty talking about their finances. And it is a product that we will continue to evolve into something that will continue to grow the credit union while also helping the ever-changing need of our members.