

The Story of the Credit Union Movement

# PEOPLE, NOT PROFIT



Fourth Edition

PEOPLE, NOT PROFIT

■ The Story of the Credit Union Movement



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# **PEOPLE, NOT PROFIT**

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THE STORY OF THE CREDIT UNION MOVEMENT

**FOURTH EDITION**

Produced in cooperation with  
your credit union league by the  
Center for Professional Development

Credit Union National Association



**CUNA**

**Credit Union  
National Association**

Professional Development

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# PREFACE TO THE FOURTH EDITION

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This edition of *People, Not Profit*, finds credit unions facing familiar challenges. As relentless as a desert sun, the banking industry continues to beat down on credit unions, complaining about unfair competition and calling for credit union taxation.

In this edition, you'll learn how credit unions are continuing to meet these challenges. You'll find out how they are evolving to stay competitive in an increasingly sophisticated financial services environment at the same time preserving the uniqueness and philosophy of credit unions. You'll see how adopting new service delivery methods around core credit union values is helping ensure their survival. We hope you find it to be a good, basic introduction to the fascinating story of credit unions, enjoyable reading, and a valuable foundation for your career in the credit union movement.

# INTRODUCTION

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*"It is a great movement, worthy of great deeds, deserving of great loyalty."*

Edward Filene, a Boston merchant and philanthropist, spoke these words about the credit union movement in the first part of the 20th century. His own loyalty was legendary. He spent more than a million dollars of his own money to help establish credit unions in the United States.

Today, the credit union movement continues to inspire great loyalty. As a cooperative financial institution, the credit union gives people a measure of control over their financial destinies. It also allows the volunteers and employees associated with the movement to dedicate themselves to serving their peers—a much more satisfying purpose than earning money for a select few.

## WHY IS THIS BOOK IMPORTANT?

These same volunteers and employees are key to keeping credit unions vibrant and responsive to members. It is your actions that make credit unions unique. Without your dedication, credit unions could become more like other financial institutions, and we'd all be poorer as a result.

To maintain the credit union idea, you must understand it. Without this knowledge, you may be tempted to get caught up in your day-to-day activities, which while important to the success of your credit union, may lead you to start thinking of it as simply another financial institution. As Henry David Thoreau wisely observed: "It is not enough to be busy; so are the ants. The question is: What are we busy about?" Whatever your role in the credit union—whether you are making a loan or making a new loan policy—ask yourself if your actions are congruent with credit union philosophy. But first, you will need an understanding of the cooperative principles underlying credit union business practices.

## WHO IS THIS BOOK FOR?

New employees of credit unions and related organizations will find the book a good introduction to the credit union idea. It will help you see our philosophy in everything you do and help you put that philosophy to work in your area of responsibility. You may want to reread the book after you've worked in the credit union movement for a time. You'll find more in it after some hands-on experience. You'll begin to understand that while credit unions may follow many of



the same business procedures that other financial institutions do, for example, in managing their risks, the "why" of these practices will be different.

Volunteers, too, can learn much and find inspiration here. It can provide a basis for chapter and league activities, community outreach, contact with congressional representatives, as well as ideas for policies at your credit union. You'll find how the underlying principles can serve as a guide to your policy decisions.

Managers and staff from supporting organizations can use this text as a resource to help reinforce credit union values. It also provides examples of how credit unions around the world put credit union philosophy into practice. From it, you can prepare training sessions, speeches, articles, advertising, and more.

## WHAT DOES THIS BOOK COVER?

Early in the book, you'll read about the conceptual framework of the credit union movement and our cooperative roots. We'll explain why we act differently—what characteristics set us apart.

Next, you'll read about how credit unions developed in the United States. A perspective on the past is often helpful in understanding the present.

Once you understand the basics, we'll look at the ways philosophy affects everything credit unions do. We'll spend some time on the *International Credit Union Operating Principles*, and how they can be put into action every day. And finally, we look toward the future, with the challenges and opportunities that emerging issues bring.

There's also supplementary information about the European origins of the credit union movement, a gallery of credit union leaders, and an explanation of our support systems and organizations.

Along the way, there are work sheets and a few questions to help you determine how your credit union got to where it is today and how it accomplishes its mission.

Credit unions are based on the principles of individual responsibility and mutual assistance. It's our hope that this book will inspire you to take responsibility for doing "great deeds" on behalf of members within your own sphere of influence. We also hope that it will help you work with others in the best cooperative spirit, because by working together, we can accomplish so much more.

# 1 WE BELIEVE IN POWERFUL IDEAS

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*A credit union is not an ordinary financial concern seeking to enrich its members at the expense of the general public. Neither is it a loan company seeking to make a profit at the expense of the unfortunates.*

*The credit union is nothing of the kind; it is the expression in the field of economics of a high social ideal.*

—Alphonse Desjardins, Canadian credit union pioneer

Credit unions behave differently from other financial institutions. The difference is clear and consistent: You can recognize a credit union by its people-centered actions whether you're in Alaska or Florida, in the heart of a major American city or in a tiny village in the developing world.

Why do we behave differently? Because we think differently. Driving everything we do is a set of powerful ideas that make up the credit union philosophy. These ideas are enduring. They've worked successfully, virtually unchanged, for a century and a half. They're also universal. They're effective in all kinds of communities, and different types of political and economic systems, in countries all over the world.

Yet the ideas that form the core of our philosophy are also simple. They're all based on one strong belief: People are more important than dollars.

This belief that people come first is reflected in our most basic values. One

of these is *honesty*. We keep no secrets from members, nor do we make misleading claims about our products and services. Another is an insistence on the *equal worth* of all individuals, regardless of race, creed, age, financial or social position, or any other factor. Further, we strongly emphasize *member participation*, because we believe people should have a voice in things that affect their lives. We also place high value on *mutual respect* and *trust* in the credit union community. The character and integrity of a borrower are important to each loan decision, often more important than his or her financial assets. Finally, we believe in the idea of *mutual self-help*. That means doing things ourselves whenever possible, but when it's not possible to do it alone, we assemble a like-minded group and work together. Mutual assistance makes things happen; it creates opportunities that individuals alone wouldn't have.

## The Credit Union as a Financial Institution

	Credit Unions	Banks	Savings & Loan Associations	Small Loan Companies	Retail Store Charge Accounts
<b>Orientation or Purpose</b>	Not-for-profit	Profit	Profit	Profit	Profit
<b>Type of Business or Organization</b>	Democratically controlled cooperatives	State- or federally chartered	State or federally chartered corporation	Corporation corporation	Local or national corporation
<b>Source of Income</b>	Loans to members, investments, fees	Loans to customers, investments, fees	Loans to customers, fees	Loans to customers, investments,	Loans to customers
<b>Distribution of Income</b>	Dividends to members	Dividends to stockholders	Dividends to stockholders and investors	Dividends to corporation stockholders	Dividends to store's stockholders
<b>Services Offered</b>	Savings and lending plans, checking, full service	Business and personal loans, checking, full service	Home mortgages, savings accounts, full service	Primarily consumer loans	Primarily consumer loans to purchase items carried by the store

## OUR ROOTS ARE IN THE COOPERATIVE MOVEMENT

Most people think of credit unions primarily as financial institutions. But our fundamental values and structure also identify us as *cooperatives*—a unique type of business organization

whose modern form was established in England back in 1844. The central goal of a cooperative is to place *service* and *benefits to members* above all else.

Consider this definition, provided by the University of Wisconsin's Center for Cooperatives:

*A cooperative is a business voluntarily owned and controlled by its member patrons, and operated for them and by them on a nonprofit or cost basis. It is owned by the people who use it. It is organized and incorporated to engage in economic activities with certain ideals of democracy, social consciousness, and human relations. A cooperative provides services and benefits for its members in proportion to the use they make of their organization rather than earning profits for the shareholders as investors.*

Credit unions share these values with many other co-ops in a wide range of economic activities. Most people are surprised to learn that producer-owned agricultural cooperatives include such big names as Ocean Spray® Cranberries and Sunkist® Growers. Other cooperatives, such as rural electric co-ops and credit unions, are consumer-owned. Then there are businesses owned collectively by their workers.

Almost 30% of cab companies are structured this way.

Like all cooperatives, credit unions have certain core characteristics:

- We're owned by our members.
- We operate democratically.
- We're not-for-profit; we don't make money for anyone but our members.
- We support social and community programs to improve the quality of life for everyone.

In the following chapters, we'll look at each of these characteristics more closely. But first we'll take a look back at the historical underpinnings of the U.S. movement.





## What's in a Name?

Because of credit union structure, history, and philosophy, we have developed our own language to describe our products and services.

Today some believe we should abandon our special terminology and adopt a more common vocabulary for the sake of easier communication (e.g., "checks" instead of "share drafts"). Others feel that using our own terminology not only underscores our uniqueness, but also captures differences in meaning that could otherwise be lost. For example, they assert that "share account" means more than "savings account"; it communicates the cooperative principle of member ownership.

Wherever you stand on this issue, it's important to be familiar with credit union terminology. Here are some common terms and their special significance:

**Credit union.** An organization of people who unite and pool their money in order to provide each other with easy access to credit that they might not be able to obtain elsewhere. Most credit unions, however, provide many other services in addition to savings and lending.

**Credit union movement.** We call ourselves a movement rather than an industry because we exist for a social purpose. We're dedicated to improving the lives of average people through the wise use of credit and by encouraging thrift.

**Common bond.** A unifying factor or characteristic among persons that simultaneously links them together and distinguishes them from the general public. A common bond might be working at the same company, belonging to a particular church, or living in a specific community.

**Field of membership.** A group of people who qualify for membership in a specific credit union. The field of membership is specified in the credit union's charter. Once the field of membership is established, no one from outside that field can join the credit union, unless government regulators allow the field of membership to be expanded.

**Shares.** When a member deposits money in the credit union, that money represents the member's ownership interest in the credit union. The deposits are equity for the credit union, just as shares of stock provide equity for corporations. Hence "shares" rather than "deposits," which have no connection with ownership.

**Dividends.** The financial return a member earns on the shares which represent his or her ownership in the credit union. Dividends are paid from available earnings after transfers to reserves.

**Share drafts or share checking.** A transaction account that allows members to access their shares in much the same way customers can access deposits in checking accounts at other financial institutions. Share draft accounts often earn dividends. Some credit unions have "share checking" accounts which do not earn dividends, but are available for low or no fees.



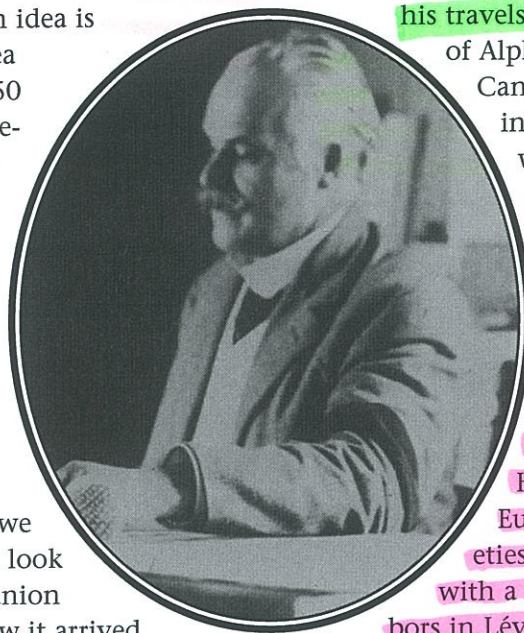
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## How We Got Here

*The original building that housed the first U.S. credit union is now home to America's Credit Union Museum. Along with three floors of artifacts and stories that highlight key events in credit union movement history, the museum has conference facilities for hosting educational sessions and visiting dignitaries. Visit its Web site at [www.acumuseum.org](http://www.acumuseum.org) for a tour.*

The credit union idea is really a modern idea that's more than 150 years old. The movement toward cooperative credit arose out of specific historical circumstances. Understanding how we got to where we are now can give you a perspective on many of the issues and debates we face today. So we'll look at how the credit union idea developed, how it arrived in the United States and what happened to it here.

The development of credit unions in the United States came from several sources. (See also the supplement on Credit Union Origins: *Our European Roots*.) Edward A. Filene, a Boston merchant and philanthropist, learned about cooperative credit during



*Alphonse Desjardins at desk, prior to 1917.*

his travels to India. The work of Alphonse Desjardins in Canada inspired leaders in Manchester, N.H., where the first U.S. credit union was chartered.

Desjardins was a journalist who decided people needed an alternative to loan sharks and pawnshops. He investigated European credit societies, then opened one with a group of his neighbors in Lévis, Quebec. In January 1901, La Caisse Populaire de Lévis began operation out of Desjardins'

home as the first credit union in North America.

The idea caught on. The number of cooperative banks in Canada increased rapidly, and legislation recognizing the organizations followed.



## FIRST STIRRINGS IN THE UNITED STATES

As the Canadian movement became established, interest grew to the south. The parishioners of St. Mary's Church, in Manchester, N.H., decided they wanted to form a credit union. They invited Desjardins to help them. The first U.S. credit union was organized in 1908 and chartered in 1909. Called La Caisse Populaire Ste. Marie, it was chartered under a special act of the New Hampshire legislature. It still operates under that authority, with the same progressive tradition. The Caisse

Populaire Ste. Marie is known today as St. Mary's Bank, but don't let the name fool you. It is a credit union.

Real growth of the U.S. credit union movement, though, would evolve from developments taking place at the same time in Massachusetts. Filene and Roy Bergengren, an attorney, played a major role in establishing U.S. credit unions. (See *A Gallery of Credit Union Leaders* [p. 79] for information on Filene, Bergengren, and other early and contemporary credit union leaders.)

Growth came slowly at first. Credit unions weren't the only organizations that grew out of a recognition of the

need for consumer credit. Many larger employers provided saving and borrowing services, which they thought made a credit union unnecessary. Other savings and lending plans gained a certain amount of acceptance, even though their rates often weren't as good. No one was spending enough time and effort on organizing credit unions. And there was the natural skepticism of people, particularly regarding innovations in financial affairs. Credit unions sounded like another way to separate



*Home of the original St. Mary's Bank (La Caisse Populaire Ste. Marie) Manchester, N.H., 1909.*



a fool from his money. There were also serious problems in the movement. No uniform operating standards existed and there weren't enough qualified managers. So new organizing was slow.

By 1916 though, Filene and others had organized the Massachusetts Credit Union Association (MCUA), whose purpose was to aid existing credit unions and form new ones. Almost from the start, credit union people recognized the benefits of helping and encouraging each other. Still, economic conditions resulting from World War I were not favorable for credit unions.

Credit unions languished until a turning point in 1920. Growing prosperity gave Americans more disposable income than they'd ever had before, but not so much that they could pay cash for major purchases. Borrowing became socially acceptable, but banks and savings institutions still were not interested in serving the small saver and borrower. These circumstances provided fertile ground for credit unions to grow.



*Edward A. Filene (left) and Roy F. Bergengren, pioneers in the U.S. credit union movement, shown in the early 1930s.*

## FILENE AND BERGENGREN: A DYNAMIC DUO

Filene eventually spent more than a million dollars of his own money to foster the growth of credit unions. One of the things he did in 1920 was hire Roy Bergengren to head the MCUA. Within a very short time, Bergengren became the prime mover in the start-up of 19 credit unions in Massachusetts.

Realizing that greater strength lay in unity and the direct involvement of those interested in a supporting organization, delegates of many Massachusetts credit unions agreed to band together to form a new, self-supporting association called a "league." The purpose of the Massachusetts



Credit Union League was "to promote interest and cooperation between credit unions and members of credit unions."

When the league supplanted MCUA, Filene turned his interest to promoting credit unions on a national scale.

Bergengren had been so effective in Massachusetts that Filene again asked him to be involved. In July 1921, the two men opened the Credit Union National Extension Bureau (CUNEB). Filene provided the funding; Bergengren was the organizer.

They set four ambitious goals, but phrased them quite simply. First, get the laws. Bergengren knew it would be easier to organize credit unions in states with enabling legislation. Second, organize credit unions. Third, form leagues. And fourth, form a national organization.

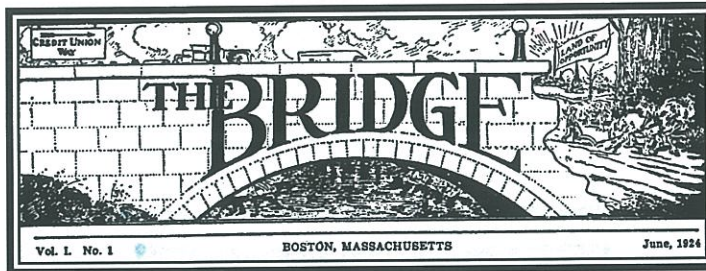
Bergengren set to work. For the next 13 years, he spoke to state and federal legislators about the need for credit unions among the American people. And he spoke to company officials and

employee groups about the advantages they would enjoy if they set up credit unions for themselves. Little by little, state by state, laws were enacted, credit unions were organized and leagues were formed.

Not all of the organizing efforts were successful. In the late 1920s, for example, a banker quashed an attempt by a priest to start a credit union for his parish. Trudging through snow drifts, Father Roney and Bergengren had visited families in a small Iowa town to invite them to come to an organizing meeting. *Reportedly, the banker followed their foot prints in the snow and warned the people not to go to the meeting, reminding them of the loans they had with the bank.* Bergengren later asked the banker why he had so vehemently opposed the credit union: "Why, what you are doing is banking," the man replied, "and banking is for bankers."

But despite opposition from bankers, by 1930, 32 states had credit union legislation and 1,100 credit unions were functioning.

Though getting the laws preceded organizing credit unions on CUNEB's list of goals, organizing often happened first. It took time to get laws enacted and people weren't willing to wait. Jumping the gun this way actually worked out well. It created demand for legislation



*The Bridge, first published in 1924. Bergengren selected the title to illustrate the credit union contribution toward a better life for all.*



within a state and also provided working examples lawmakers could study.

In 1932, with the country virtually paralyzed by a banking crisis and the Great Depression, Congress indicated its approval of the principles of cooperative financial institutions by passing a credit union act for the District of Columbia. The door had been opened to federal legislation authorizing development everywhere in the country.



*Inside a U.S. credit union, location unknown, circa 1936.*

## 1934: CREDIT UNIONS GO NATIONAL

A federal credit union bill was introduced in Congress early in 1933. For just over a year, the document was debated, revised, and debated some more. A grassroots effort of credit union people all over the country (the first of many) urged senators and representatives to support the bill. It passed. Franklin Roosevelt signed the Federal Credit Union Act into law in June of 1934, giving rise to the dual-chartering system. In all states except the three that have no credit union law of their own (Delaware, South Dakota, Wyoming), credit unions can

be chartered under either federal or state jurisdiction. In August 1934, leaders met in Estes Park, Colo., and chartered the Credit Union National Association. (For more information, see p. 93, "Our Support Systems and Organizations.")

## AN IDEA BORN OF HARD TIMES THRIVED IN GOOD ONES

With the signing of the Federal Credit Union Act and the establishment of a national organization, we entered a quieter phase of our history. Although there were periodic attacks by banking groups, for the next 35



years, with one notable exception, our story is one of growth and expansion.

Between 1936 and 1941, the number of active credit unions nearly doubled, to almost 10,000. Credit unions were the only financial institutions to show significant growth during the Depression. We did our work so effectively that commercial banks began to realize that average people are responsible borrowers. The banks went after and gained a significant portion of the installment credit market. Credit unions continued to grow in spite of that.

World War II, however, seriously checked credit union growth. To curb inflation, wartime regulations severely limited the granting of credit and

restricted the time allowed for repaying loans. Saving dropped off and lending ground to a halt. Many small credit unions were forced to liquidate. Our numbers dropped from about 10,000 in 1941 to about 8,500 in 1945.

After the war, things looked up again. Volunteers and leagues worked hard to organize new credit unions. CUNA initiated advertising and public relations programs. People gradually began spending and saving again. A wave of growth came after 1950. By 1955, the number of credit unions had jumped to 16,200 and eight million people were members. The bankers noticed. Joining with other businesses competitive with cooperatives, they climbed on the McCarthy bandwagon under the banner of the National Tax Equality Association, which sought to portray cooperatives as un-American. In 1951 and again in 1953, the bankers attempted to repeal the federal tax exemption, which had been granted in 1937.

While we continued to grow, the world of financial services was changing around us. Credit cards were mass marketed in the early '60s. Developments in electronics brought powerful new tools that could move money in quantities and at speeds that we'd never imagined before. We adapted and continued to grow, reaching a peak in 1969 with more than 23,000 credit unions in operation.



*In the 1950s, families turned to credit unions for loans on cars, appliances, and home improvements.*



## 1970: ANOTHER WATERSHED YEAR

Like 1934, 1970 was a year for organizational expansion and legislative victory.

The legislative victory was the creation of an independent supervisory agency for federal credit unions. Authority over federal credit unions had bounced around government agencies since 1934, starting in the Farm Credit Administration, and including some rather unhappy time under the bank regulator, but never quite finding the right home. A bill passed in 1970 turned the Bureau of Federal Credit Unions into the autonomous National Credit Union Administration (NCUA). At the same time, Congress authorized the creation of the National Credit Union Share Insurance Fund (NCUSIF), administered by NCUA, which extended federal deposit insurance to members. An independent regulator is important to us because it takes our unique structure and purpose into consideration in forming regulations and conducting examinations.

## CONTINUED ECONOMIC GROWTH AND THE SEEDS OF CHANGE

Through the rest of the '70s, the number of credit unions began to

decline, but assets and the number of credit union members continued to grow by leaps and bounds.

Our federal income tax exemption was attacked again and successfully defended. Bankers also challenged the expansion of credit union services, and in a foretaste of things to come, turned to a new weapon: lawsuits. In one suit, credit unions' right to offer share drafts was challenged. In early 1979, a Court of Appeals struck down share drafts. To counter this offensive, CUNA launched a massive grassroots lobbying campaign, called SOS—Save Our Share Drafts—to urge Congress to guarantee the right of federal credit unions to offer interest-bearing checking. Members wrote thousands of letters while hundreds more visited their congressional representatives. A year after the appeals court ruling, President Jimmy Carter signed legislation that included authorization for credit unions to offer share drafts.

Meanwhile, changes were taking place that would seriously upset the U.S. banking system. High inflation, high interest rates, and new high-paying, nontraditional accounts from non-banks started the chase for high yields that led to deregulation and later to the collapse of a federal deposit insurance fund.

Deregulation for credit unions meant dividend and interest-rate ceilings were raised or eliminated and

investment powers were expanded.

This introduced a new flexibility into credit union operations and opened new areas of opportunity. The decisions made by directors, managers, and committee volunteers became more important because those decisions had a wider range of possible consequence—both positive and negative. At the same time, markets became less predictable. So along with greater flexibility came greater responsibility for the safety of members' shares. We responded by learning complex money management techniques and by increasing capital in organizations throughout the movement.

## A DEPOSIT INSURANCE FUND GOES BANKRUPT

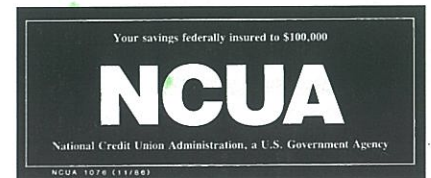
Deregulation allowed more free-market competition in the U.S. banking system, but too many savings and loan associations used it to pursue high-risk/high-return ventures to try to regain profitability. By the time everyone, including regulators, realized that approach wasn't going to work, the Federal Savings and Loan Insurance Corp.—the S&L deposit insurance fund—was bankrupt.

To maintain public confidence in the entire banking system, a taxpayer bailout involving hundreds of billions of dollars began in 1988. This created a climate of fear and blame that has had

a major impact on us.

## THE MOVE TOWARD FEDERAL DEPOSIT INSURANCE

Since 1970, all federally chartered credit unions have been required to carry deposit insurance from NCUSIF. Some state regulators also required NCUSIF deposit insurance. However, many state-chartered credit unions



that wanted to offer members some outside guarantee of the safe return of their funds had alternatives. They could turn to a state deposit insurance fund, if available, or private cooperative deposit insurers.

In January 1991, losses from two specialized banks caused the failure of the private insurance fund in Rhode Island. As a result, the state's governor closed the 45 financial institutions the fund insured, raising uncomfortable echoes of the S&L crisis. In this case, 35 of those institutions were credit unions. (The Rhode Island fund was the only private insurance fund that served both banks and credit unions.) Many of those credit unions reopened soon afterward with NCUSIF coverage,



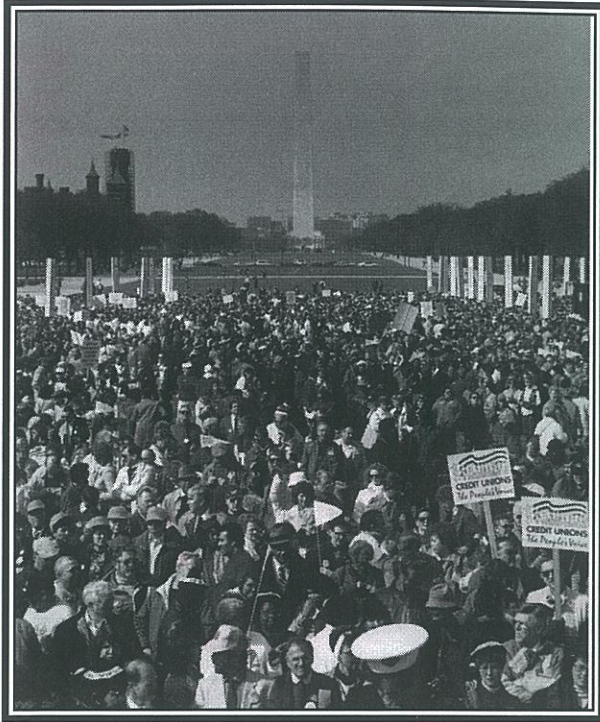
but some closed permanently because they didn't qualify and weren't permitted to operate uninsured.

The problems in Rhode Island raised questions about the viability of private share insurance. Many states that had previously allowed it soon acted to require federal share insurance.

In addition, the problems in Rhode Island drew unwelcome scrutiny at a time when Congress was trying to reform the entire system for regulating and insuring financial institutions. The banking industry trade groups launched a massive disinformation campaign to play on the fears of Congress and the public, falsely claiming that credit unions were the "next crisis waiting to happen." Legislation sought to merge the independent NCUA and its share insurance fund with the deposit insurance corporations for banks and S&Ls.

## MEMBERS PROVIDE GRASSROOTS SUPPORT

In response to banker attacks, credit unions turned to their members. We explained the threat and asked for support. In an 18-month mobilization



*In 1991, this "Operation Grassroots" rally in Washington, D.C., drew about 15,000 people. Another 24,000 attended local rallies around the country.*

effort called Operation Grassroots, members responded by signing petitions and sending letters to their representatives in Congress. The five million signatures, plus letters, plus nearly 40,000 people attending rallies around the country on a single day in 1991, helped convince Congress to maintain the independent status of NCUA and NCUSIF.

## BACK TO THE FUTURE

The banking industry continued to seek an end to the credit union tax exemption and to bring credit unions under the banking regulator and the FDIC. But in 1990, the bankers also returned to the courtroom, this time to challenge NCUA's policy on field of membership in a test case involving AT&T Family Federal Credit Union, Winston-Salem, N.C. This would be the first case; eventually, bankers and their trade associations would file 14 lawsuits involving federal or state field of membership policies in 20 states. The bankers were seeking to reverse more than a decade of NCUA policy that allowed federal credit unions to add select employee groups to their fields of membership. This policy has

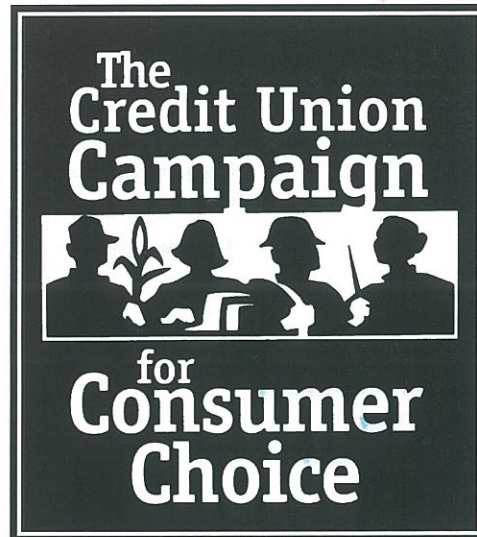
allowed small businesses, not large enough to charter their own credit unions, to gain access to credit union services for their employees. It also allows credit unions to diversify their membership base, thereby strengthening their financial condition.

On July 30, 1996, the D.C.

Court of Appeals held that the language of the 1934 Federal Credit Union Act did not permit multiple common bonds within one field of membership. That meant millions of consumers would be barred from credit union membership.

So once again, the credit union movement rallied support. A joint effort by CUNA and the National Association of Federal Credit Unions called the *Credit Union Campaign for Consumer Choice* followed a twofold strategy: Filing a legal appeal to the U.S. Supreme Court and laying the groundwork for legislative action. Because only Congress could ultimately settle the field of membership question, legislation was introduced clarifying that NCUA can determine what groups can belong to a credit union.

That made passage of the legislation introduced earlier, H.R. 1151, the Credit Union Membership Access Act, absolutely essential. The bill, authored by Rep. Steve LaTourette, R-Ohio, and Rep. Paul Kanjorski, D-Pa., had been introduced with 18 co-sponsors in March 1997. The

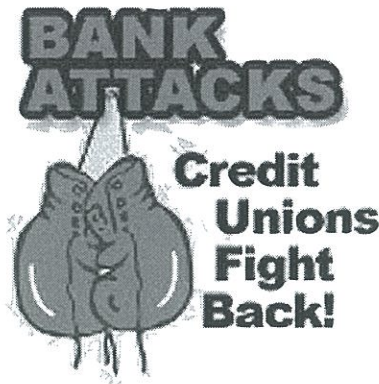




co-sponsor list grew longer as credit union members and potential members were urged to contact their legislators. They had a simple, but profound message: Consumers should have the right to decide whether or not to belong to a credit union; the banking industry shouldn't be able to decide for them.

But it took a massive grassroots effort to gain victory: thousands of letters and phone calls to legislators, hundreds of town meetings in home districts, meetings with lawmakers both in Washington, D.C., and at home, some 2.4 million petition signatures, and coalition support from groups ranging from the Consumer Federation of America to the Small Business Survival Committee to the Americans for Tax Reform. In July 1998, with one week's notice, more than 6,500 credit union supporters from all 50 states gathered on Capitol Hill to rally for passage. They listened as 10 senators and representatives promised passage before the August recess.

That promise was kept. In April 1998, H.R. 1151 passed in the House of Representatives by a resounding vote of 411-8. Similarly, the Senate passed its version on a vote of 92-6.



The House accepted the Senate's version by a two-thirds majority voice vote on August 4, and President

Clinton signed the bill into law on August 7.

Among its provisions, the law permits federal credit unions to sign up companies of less than 3,000 employees, and it grandfathers existing members and groups within their

fields of membership as of August 7, the enactment date. The law also set limits on member business loans and establishes statutory capital standards.

The Campaign for Consumer Choice once again demonstrated the grassroots power of credit unions, but it was not the last time credit unions would need to mobilize.

## NEW MILLENIUM, OLD MESSAGE

The passage of H.R. 1151 failed to quell banker attacks. Rather, it set up another round. Using a divide and conquer strategy, the banking lobby sought to split the credit union movement by size, charter type, or by any means it could. Taxing credit unions topped the American Bankers



## Pennsylvania Credit Unions Snapped in the Act

When the Pennsylvania Credit Union Association learned that the American Bankers Association was offering a \$1,000 bounty to the banker who came up with "the best photographic evidence of credit unions overreaching," it decided to enter by holding a photo contest of its own. The ABA said it was looking for examples of a "credit union billboard, advertisement, or building that illustrates just how far some credit unions have deviated from their original mission."

In response, the association collected more than 100 entries from its member credit unions in its "Show Your True Colors" contest. Photographs showed credit unions conducting financial seminars for young adults, raising funds for charity, and participating in a wide variety of community events and other activities that PCUA President Jim McCormack described in a letter to the ABA as their "willful and wanton disregard of their enumerated powers." Added McCormack: "In the future, we hope to continue to go above and beyond our enumerated powers to help those in need and to provide a better quality of life for every individual we touch."

PCUA never learned if the collection earned the \$1,000 prize, which it asked to be donated to the charity of ABA's choice on behalf of Pennsylvania's credit unions.

Association's list of priorities.

Building on the political and grassroots programs previously developed, credit unions continue to meet the bankers' challenges by getting involved in political campaigns, contributing to CULAC and state political action funds, and through initiatives such as Project Zip Code, Hike the Hill, and Project Differentiation, all designed to demonstrate to policymakers the strength and uniqueness of the credit union movement.

The banking lobby also vigorously opposed the Credit Union Regulatory

Improvements Act (CURIA), proposed legislation that would raise the cap on member business lending and implement a risk-based capital approach. CURIA would be the first major change to the Federal Credit Union Act since 1998. Credit unions sought these changes in order to improve productivity and efficiency, which would translate into better and lower-cost services to members.

Credit union-backed legislation to reform bankruptcy found success in 2005. Credit unions favored changes in the law to reduce repeat filings of

bankruptcy, prevent tactics such as running up credit card bills right before filing, improve the administration of bankruptcy cases, and provide debtors with information about alternatives to bankruptcy.

But with seeking a legislative victory or scoring one comes the responsibility to serve members—to provide the low-cost, high-quality alternative to the for-profit financial service providers. The following chapters will help you identify ideas for doing so.

## YOUR CREDIT UNION

To get a better sense of how *your* credit union became what it is today, do the exercise on the following page. Does your credit union maintain archives of original materials? Can you find a copy of the original charter of incorporation? Have fun and see how much you can learn about your credit union!

## History and Structure of Your Credit Union Wild Guess, Real Fact

	Wild Guess	Real Fact
<b>Why was your credit union started?</b>		
<b>What was its original field of membership?</b>		
<b>Where is the original location?</b>		
<b>What were some important events in your credit union's history?</b>		
<b>What is your credit union's field of membership?</b>		
<b>How many members are there in the credit union?</b>		
<b>What is your credit union's asset size?</b>		

*Compare your answers with those of co-workers, your manager, or volunteers and committee members.*



# 3

## PHILOSOPHY AFFECTS EVERYTHING CREDIT UNIONS DO

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Being a credit union has a profound effect on how we do things. But the way philosophy drives specific decisions and actions isn't always immediately apparent. Sometimes you have to look for it. And it's worth the effort. It's worth the effort for directors and other volunteers to share their beliefs with management. For management to communicate an applied philosophy to staff. And for staff to reinforce to members the values and the principles that make credit unions unique.

Even examiners and some suppliers need to be able to see your credit union's principles expressed in day-to-day operations. When people understand what drives your operating decisions, they're often more supportive of those decisions and can find additional ways to contribute to your purpose.

*The International Credit Union*

*Operating Principles* represent the core values of credit unions. Indeed, they are similar to the principles that have guided the worldwide cooperative movement for the past 150 years. This philosophy of cooperation is founded on a belief in equality, participation, and mutual self-help.

The principles are grouped in three categories, as shown on the following page. They are:

- Democratic control
- Service to members
- Social goals

In the following three chapters, we explore each of these areas in more detail.

For guidance on applying cooperative principles to daily operations, see the reference to the Credit Union Development Education Program, listed in the Resources section.

# International Credit Union Operating Principles

## DEMOCRATIC STRUCTURE

### *Open and Voluntary Membership*

Membership in a credit union is voluntary. It's open to all within the common bond of association who can make use of its services and are willing to accept the corresponding responsibilities.

### *Democratic Control*

Credit union members enjoy equal rights to vote (one member, one vote). Members participate in decisions affecting the credit union, without regard to the amount of savings or deposits or the volume of business. Credit union elected offices are voluntary in nature, and incumbents generally do not receive a salary.

### *Nondiscrimination*

Credit unions are nondiscriminatory in relation to race, nationality, sex, religion, and politics.

## SERVICE TO MEMBERS

### *Service to Members*

Credit union services are directed to improve the economic and social well-being of all members.

### *Distribution to Members*

To encourage thrift through savings and thus to provide loans and other services, a fair rate of interest is paid on savings and deposits. The surplus arising out of the operations of the credit union, after ensuring appropriate reserve levels and any other necessary payments, belongs to and benefits all members. This surplus may be distributed among members in proportion to their transactions (as interest or patronage refunds), or directed to improve or add services required by the members.

### *Building Financial Stability*

A prime concern of the credit union is to build financial strength, including adequate reserves and internal controls, to ensure continued service to membership.

## **International Credit Union Operating Principles**

### **SOCIAL GOALS**

#### **Continuing Education**

Credit unions actively promote the education of members, officers, and employees, as well as the general public. Education includes encouraging thrift and the wise use of credit, describing the rights and responsibilities of membership, and promoting the principles of mutual self-help.

#### **Cooperation Among Cooperatives**

Credit unions, within their capability, actively cooperate with other credit unions, cooperatives, and their associations at local, national, and international levels in order to best serve the interests of their members and their communities.

#### **Social Responsibility**

Continuing the ideals and beliefs of cooperative pioneers, credit unions seek to bring about human and social development. Their vision of social justice extends both to the individual members and to the broader community within which the credit union and its members reside.

*Adapted from materials prepared by the World Council of Credit Unions.*





# 4 DEMOCRATIC STRUCTURE

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*Credit unions have long impressed me as a major tool to help people solve their own financial problems.*

—Wright Patman, 1893–1976

*(As a member of Congress representing Texas from 1928 until the year of his death, Patman sponsored or supported every piece of credit union legislation that went through Congress. He is fondly remembered as one of the movement's most ardent and influential supporters.)*

In this chapter, we'll look at the first section of the credit union operating principles, Democratic Structure. This section encompasses *open and voluntary membership, democratic control, and nondiscrimination*. Each credit union has its own way of putting those principles on the line. Here you'll find a few specific examples, but it's largely up to you to explore how those principles are reflected in each detail of your credit union's operations.

## **VOLUNTARY MEMBERSHIP: THIS IS YOUR CREDIT UNION**

Unlike any other financial institution, a credit union is *owned and controlled* by the people it serves. Every credit union is formed in the same way. A group of people wants to control their own financial destiny, so they pool their money as savings and make low-cost loans to each other.

They define themselves in terms of a field of membership—whether it's employment, religion, geographic area, or other factors—and make *voluntary membership* available to everyone within that definition.

It isn't practical, though, for all of a credit union's owners to be involved in every decision. So a small group of members is chosen to guide operations on behalf of their fellow members. These *volunteers* are the people who make up the board of directors and other committees. This small group of members is charged with the responsibility of acting in the best interests of all members. The board decides how best to use the money earned by the credit union. The board and committees decide how to operate and what services to offer, under what conditions, and at what rates. If members don't like the results, they have the right—the *responsibility*—to exercise their control by voting in different rep-

### Credit Unions Viewed as Consumer Advocates

A Forrester Research Inc. survey of 5,000 households found that consumers viewed credit unions to be on their side more often than most retail banks, based on the statement: "My financial provider does what's best for me, not just its own bottom line." Two of three consumers agreed that statement applied to credit unions.

*Source: CUNA News Now June 2005*

representatives. The number of members may grow, but no matter how large the organization becomes, it remains faithful to the principle of member ownership.

How great a difference is this from the way other financial institutions are organized? It's a *huge* difference. Other financial institutions receive investment capital from stockholders, who are often anonymous and geographically far away. Stockholders are the owners, but they might never use the

services of the financial institution at all—indeed, their only interest is usually to earn profits on their money. As a result, their priorities and concerns are quite different from those of customers. Yet stockholders are the ones who choose the board of directors and influence the policies of the financial institution. They want policies that will maximize their profits, not necessarily those benefiting customers.

This conflict between the needs of customers and stockholders has practi-

## Who owns your financial institution?



**Bank owners.**



**Credit union owners.**

*Credit union members are the owners.*

cal, day-to-day consequences for almost every area of service and operations.

Consider fees on checking accounts, for example. Some people like to access their accounts frequently, writing many checks and making withdrawals as they need cash. They find this a convenient way to manage their money. But such activity means more administrative and processing time, so it costs more to the financial institution. If there are stockholders, this cost will eat into their profits—so the institution may try to take advantage of the high activity instead by imposing a high fee for more than a certain number of checks and withdrawals per month. The institution is willing to limit service to customers in order to maximize profits for stockholders. In contrast, because the credit union's priority is to benefit members, it may decide to absorb the cost of high account activity, to charge fees that reflect only actual costs, or to educate their members about lower cost alternatives to frequent withdrawals.

## DEMOCRATIC CONTROL

### *One Member, One Vote*

Every credit union operates democratically. In most cases, each member has an equal voice, regardless of the size of his or her account balance or any other factor. This "one member,

one vote" practice prevents excessive influence from being concentrated in the hands of a few and helps ensure the credit union operates in the best interests of all.

Elections are held each year. Balloting may be done by mail or at the annual meeting of the member/owners. At most credit unions, volunteers serve staggered terms, so only some are up for re-election in any given year.

To be able to intelligently exercise their voting rights, members need information. Officially, they receive reports on the condition of the credit union at the annual meeting, to which all members are invited. The annual meeting is also an opportunity for members to communicate their concerns to their representatives. Members have the chance to provide input through discussions or other means, and may be asked to vote on policy decisions. In practice, credit unions often exchange information with members in other ways—surveys, newsletters, annual reports, etc.—but the annual meeting is every credit union's official forum.

### *Members Exercise Control Through Volunteer Board And Committees*

Members elected as representatives are known as "volunteers" because they generally don't get paid for their



*Volunteers are the backbone of the credit union movement.*

time. Volunteers are the backbone of the credit union movement; they're one of the most visible manifestations of how credit unions truly are different. Although the credit union may have a paid staff to handle its day-to-day operations, the member volunteers are the ones who establish the credit union's policies, review and set dividend and interest rates, and generally make all strategic decisions. They also frequently move into positions of state, national, and international leadership within the credit union community.

So, in practice, members also exercise democratic control by electing a board of directors from their own ranks. What does the board actually do on behalf of members?

It articulates the credit union's mission. It sets the policies specifying what the organization will and won't do in striving to achieve that mission. It's responsible for making sure the credit union operates legally, which means keeping up with regulatory issues and making sure the credit union is in compliance. The board sets strategic direction, approves a spending plan, and evaluates success through reports it receives on the credit union's condition. The board is responsible for hiring the manager. There's more, of course, but you get the idea. Through the board, members have significant representation in

every aspect of the credit union's operation.

In addition to the board, committees provide members with opportunities to participate and exercise control. Committees may be elected by the members or appointed by the board. Two committees in particular represent members' interests. They're the two most common ones in credit unions, and their members are most likely to be elected rather than appointed.

The first of these is the *supervisory committee*, sometimes called the *audit committee*. Its primary purpose is to ensure financial records are accurate, and safeguards are in place to protect the credit union from loss. Essentially the supervisory committee provides an independent check on operations by the members themselves. The committee may audit the books and procedures itself or hire an outside or internal auditor who is responsible only to the committee.

A credit committee oversees members' interests in the area of lending. Depending on the size of the credit union, the law, and the board's lending policies, the committee may decide all loan requests, loan requests over a certain size, or appeals in loan denials only, then review decisions made by staff. The committee needs to keep the balance between granting credit as often as is wise and protecting the members from loan losses. It may also



look at the overall loan portfolio and delinquency. Finally, the committee may play a role in developing or revising lending policies. Committee members are chosen from among the credit union's members, so this committee provides member control of the organization.

A board may also seek input and take advantage of available expertise by appointing members to serve on other committees. These may be standing committees, which always remain in operation because the credit union has an ongoing need (education committee, investment committee) or they may be *ad hoc* committees created for a specific short-term need (a building/facilities committee, a computer committee).

### ***Policies and Procedures Guide our Actions***

So, members elect the board, the board hires management, and various committees are set up. Then what? One important responsibility is that the board of directors sets policies that guide credit union operations. Policies, in effect, say, "This is what we want to do." Management then establishes the procedures that tell staff how to accomplish what the policies dictate.

In some cases, policies and procedures may be the same as those used by other financial institutions. Yet that doesn't negate our unique character.

For instance, it's only logical to protect members' funds by using proven means to prevent theft or fraud. So dual controls and audit procedures may be the same as those used by a bank. It doesn't make sense to reinvent the wheel when workable solutions already exist and are in line with a credit union's goals. In many cases, though, credit unions have their own twist on policies and procedures.

For example, credit unions' choice of loan terms often reflects our philosophy. Simple interest calculation not only saves members money, but it accords them the respect of putting the formula in terms that most can easily understand and calculate if they wish. (If borrowers can't understand how the interest charge is tallied, they're left with the vague worry that the lender could cheat them and they'd never be able to tell.) Having no prepayment penalty is another direct way to help members make the most of their financial resources. Out of a sense of fairness, we charge members only for the actual use they get from the money they borrow. If they can pay off a loan early, they deserve the full benefit of that choice.

In a democratic structure, members are affected by the policies and procedures, and they have the power to question them and how they're implemented. They can bring them to the board for review and any necessary

*Credit unions exist to serve all members with dignity, respect, and consideration.*

changes.

### **Volunteer vs. Staff Operation**

All credit unions start out fueled by the energy of volunteers. They organize, get a charter, start operations, handle transactions. The treasurer may be paid because he or she has to put so much time into keeping up the records, but most volunteers aren't paid. They give generously of their talents and willingly accept a tremendous amount of responsibility because they believe in what their credit unions are doing. Yet at some point the needs of members may outstrip the availability of even the most dedicated group of volunteers. Most likely, that means hiring a manager and authorizing additional staff as needed.

A staff with a good grounding in the human side of credit unions can be every bit as concerned for members and purpose as enthusiastic volunteers. The staff implements policies set by the board and are entrusted with authority for day-to-day operations. Management prepares information and recommendations for the board with the good of the members in mind. When the credit union has a clear mission and strategic direction *that are communicated to all involved*, everyone from the board chairman to a student intern can work together toward achieving the goals. When the board and management share the same vision of the future, management's

suggestions are often approved with few changes because they are a direct way to realize that vision.

But even with the most trustworthy and diligent of staffs, a board that allows itself to be reduced to a rubber stamp has failed in its duties. It may delegate authority, but ultimately it's always responsible to the members. That means questioning, looking at consequences, and making sure the credit union remains an organization of people, not dollars. Because if the board isn't fulfilling its promise of keeping the best interests of members in mind, the democratic process offers members an opportunity to make changes. Whether a member has \$100 or \$10,000 in shares, she or he has the right to participate in the decision-making process by voting for board members.

### **NONDISCRIMINATION: ALL MEMBERS ARE EQUAL**

We mentioned earlier that a credit union cannot serve the general public—only the people in the field of membership specified in its charter. But within that framework, credit unions exist to serve *all* members equally, with dignity, respect, and consideration. We strive to serve everyone who needs financial services and to follow all relevant federal, state, and local nondiscrimination laws. And we try to be sensitive to the individual needs of



the various cultures that comprise our memberships. Employees and volun-

teers should reflect the diversity of memberships.

## Taking Steps to Help All Members

Many credit unions take extraordinary steps to ensure that members are not discriminated against. Here are just a few examples.

A man's life was saved by a credit union in Harrisonburg, Va. His car broke down miles from home in a remote area. He spent his last dollar getting it to a garage. But the "mechanic" had no intention of fixing his car. The "mechanic" seized the man's green card and forced him to live at a nearby motel, where he was ordered to cook and do chores for scraps of food. It was then that Jesus Pelcastre called WLR Foods Federal Credit Union, now called **Mosaic Federal Credit Union** ([www.mosaicfcu.org](http://www.mosaicfcu.org)) which served the chicken processing plant where he worked. The credit union wired Jesus enough cash to escape. When he finally caught the bus home, the credit union gave him a new-car loan.

**Orange County Teachers Federal Credit Union** in Anaheim, Calif., ([www.octfcu.org](http://www.octfcu.org)) made an extra effort to serve the entire educational community by forming a multicultural task force to better understand their diverse population. The credit union offers Spanish-speaking options on its automated teller machines. In addition, the credit union has focused on helping the community promote education in Orange County by offering a variety of scholarships, donations, and technical assistance.

Native American residents of the Fort Belknap Indian Reservation in Northern Montana have little access to financial services and are largely low-income financially challenged individuals who are easy prey to service providers charging high fees and offering few services. To address the financial literacy and money management needs of this population, **Bear Paw Credit Union** in Havre, Mont., ([www.bearpawcu.org](http://www.bearpawcu.org)) partnered with the Fort Belknap Small Business Development Center. Despite numerous regulatory and market barriers, the credit union established a remote branch on the reservation in 2004 to provide low-cost financial products and services to tribal members each Wednesday. The credit union staff also provides financial education to both members and prospective members and distributes literature on credit union products and principles. In this economically depressed service area, the Bear Paw outreach program virtually defines credit union philosophy.



## How is Your Unique Character Reflected in Your Job?

No matter what your place is in the credit union scheme of things—teller, director, association staff, marketer, or president—our structure, our purpose, our values have an effect on what you do and how you do it.

Can you see that influence? Take some time to write down your major responsibilities. Next to each write down what effect credit union philosophy has on why and how you fulfill those responsibilities. Do you see ways you can do more to make members the focus of everything you do? If you have trouble seeing credit union philosophy in your actions, ask your peers for their perspectives. They may have insights and suggestions they can share. And if someone else asks you for your perceptions, be generous in sharing them. We're all working toward the same goal.

**My responsibilities:**

**What's unique about my role as  
a credit union representative?**



# 5

## SERVICE TO MEMBERS

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*Because there were no automated bookkeeping machines, credit unions originally organized with 300 to 500 people maximum so they could provide good service and keep the books up-to-date. We organized multiple credit unions in large organizations—sometimes several per floor.*

—Louise McCarren Herring  
Sharing the American Dream

In the day-to-day business of providing financial services, it's easy to lose sight of the big picture, to see credit union philosophy and uniqueness as something only vaguely connected to the things we actually do: something to trot out at annual meetings or when talking to congressional representatives. After all, checking credit records, balancing the general ledger, or accepting deposits are pretty much the same among all financial institutions.

But when you stop to look, the uniqueness and the philosophy are still there, driving everything we do. *There's a reason we call our clients members, not customers. They're the reason the credit union exists. This second core area of the credit union principles—Service to Members—describes how the credit union operates in relation to its member-owners. It includes the principles of service, distribution to members, and building financial stability.*

### WHO ARE MEMBERS?

In Chapter 2, we mentioned the 1996 “field of membership” legal challenge. Just what is a field of membership? And who are our members? By law and regulation, credit unions can serve only individuals who belong to specific groups. *The groups served by a given credit union are its field of membership. Each group within that field must have what is known as a common bond.*

The idea of common bond is simple. A group of people all share certain characteristics that set them apart from the general public and give them some common interests. There are three primary types of common bond. *An occupational common bond is based on employment (Municipal Employees Credit Union, Eastman Credit Union). An associational bond is based on membership in a civic or social club, union, parish, ethnic group, etc. (Local 697 Credit Union, Polish & Slavic Federal Credit Union). A community*

*Multiple sponsors tend to increase the financial stability of the credit union.*

bond is based on a well-defined neighborhood, town or rural area (Community Credit Union, Appalachian Federal Credit Union).

The requirement for a common bond is unique to the U.S. credit union movement. Historically, it evolved as a way to help ensure the economic viability of credit unions. Remember that the Federal Credit Union Act was passed during the Great Depression, when the safety and soundness of financial institutions was an overriding concern. A common bond helped because members generally knew each other, so they were likely to know if an applicant would be a responsible borrower. The fact that the money a member borrowed belonged to co-workers, friends and neighbors reduced the likelihood of default. A common bond also made organizing credit unions easier since a workplace or association often provided a structure for reaching the people who could most benefit from credit union services. Although credit unions with all three types of common bonds were organized, a large majority were formed with occupational common bonds based on single employers.

Today, your credit union may serve only members connected with a single sponsor. Or your field of membership may include several major sponsors and a host of select employee groups or a specific geographic area of the community. There are two main rea-

sons why this second type of credit union came into being.

The first is simple economics. If your single sponsor is a governmental unit, for example, you may rarely be affected by economic downturns. But if your sponsor is more vulnerable, as that sponsor goes, so goes the credit union—including going out of business. Clearly that's not in the best interest of your members. And since the U.S. government guarantees the promises of the National Credit Union Share Insurance Fund, it may not be in the best interest of the taxpaying public, either. Multiple sponsors may increase the financial stability of the credit union.

The second reason for broader field of membership is to allow more people to gain access to credit union services. Originally all records were kept by hand, and 300 to 500 people was about the largest group that could be served successfully. Today, with computerized record keeping and a wider range of services, NCUA considers 3,000 the minimum number of potential members needed for a viable credit union. So most small employers can't sponsor credit unions because they don't have enough people to make one work. But the common bond wasn't intended to prevent people from joining. So NCUA began to allow federal credit unions to add sponsors and select employee groups to their fields of membership.



This is the policy the bankers have so vehemently attacked in courtrooms across the country.

It may still require less effort and expense to meet the financial needs of a group with a single common bond (school district employees, for example), or several groups with the same common bond (companies in the aerospace industry) because members are likely to have similar needs. Many of these credit unions operate very successfully. But modern electronics also make it economically feasible for a single credit union to successfully serve

# "NOT FOR PROFIT, NOT FOR CHARITY, BUT FOR SERVICE"

*Elmer Bloom, treasurer of Missouri Pacific Employees Credit Union in St. Louis, coined this traditional credit union motto in 1935.*

the needs of unrelated groups, each of which has its own common bond. The basic principles of equality, member ownership, and mutual self-help are the same either way. If your field of membership includes multiple employee groups, though, you'll need to put extra effort into understanding your members and designing services to meet their needs.

## SERVICES TAILORED TO MEMBER NEEDS

Part of the description of credit unions is that they provide consumer financial services. For any individual credit union, the choice of exactly what services and how they're delivered depends on members' needs and applicable laws and regulations.

Historically, credit unions began by offering only savings accounts and consumer loans. Over time, other types of services and delivery systems became widely available, and members began to expect them from their financial providers. Some credit unions responded by expanding their service offerings, putting their own individual twist on product design, pricing, or both. Share drafts are a great example of this.

For a time, the concept of a "full-service" credit union was controversial because it wasn't traditional and made us appear more like banks. Today, most



## Breaking the Payday-to-Payday Borrowing Cycle

To offer an alternative to payday lenders and their high rates, **State Employees Credit Union** in Raleigh, N.C., ([www.ncsecu.org](http://www.ncsecu.org)) developed a lower cost alternative in its Salary Advance Loan Program. This program is designed to help members escape the cycle of spending and borrowing by offering free financial counseling and budget guidance services along with low-cost loans. An open-end, reusable line of credit with a maximum loan level of \$500 is accompanied by a forced savings account—a salary advance cash account, which sets aside 5% of the loan amount in an individual, interest-earning account to be used as collateral for the loan. This savings account gives members a means to save and end the payday-to-payday borrowing cycle.

people involved in the credit union movement don't see full-service as a departure from tradition. After all, our original savings accounts and consumer loans weren't exactly traditional for people whose only alternatives were a sock and a loan shark. Payroll deduction, the delivery system commonly used by credit unions, was a radical departure, too.

The core of our tradition isn't any specific type of consumer financial service. Rather, it's meeting the needs and desires of the people who are the credit union's members in a not-for-profit context. And following *that* tradition has resulted in successful credit unions at all levels of service.

In addition, a credit union often will design a service or delivery system specifically to match its members' needs.

For example, a credit union serving teachers may offer special summer

loans for the times when paychecks aren't coming in. A credit union whose members are dispersed over a wide geographic area may rely more heavily on ATMs, audio response, Web access, or call centers than other credit unions. Where the membership is a low-income group, the credit union may be more likely to make member business loans or to recognize nontraditional credit histories in helping members qualify for loans. If many of the members speak a language other than English, forms, brochures, and newsletters may be printed in both English and the other language.

Credit unions also have developed an innovative delivery system that provides the human touch without the full cost of brick and mortar. It's known as the shared service center. Although the exact mechanics vary, in most cases, credit unions pool resources to open one or a series of



branches. Members of any of the participating credit unions can use the service center, which, through ATM cards, staff, and online connections, functions as an extension of the member's own credit union. The appeal for members is convenience. The credit unions are able to gain a physical presence in an area that might not have enough members to justify the cost of a branch. Shared service centers are another example of a service that credit unions invented because of their own cooperative philosophy to meet member needs.

## DISTRIBUTION TO MEMBERS

A core characteristic of credit unions is our *not-for-profit* character. That doesn't mean credit unions are

charitable organizations. It means after meeting expenses and the reserve requirements needed to ensure financial stability, a credit union returns all net earnings to its members in one form or another.

The absence of a profit motive allows us to focus our energy on meeting members' needs—and this has helped us follow a different path from that taken by other financial institutions. Instead of trying to maximize our revenues from members, credit unions behave as partners in promoting the financial well-being of those who use our services. This usually means a financial advantage (higher dividends on shares, lower rates for loans, fewer and lower fees), better service, education, and more.

We also should note that being a

## Services for Specific Needs

**Santa Cruz (Calif.) Community Credit Union's** ([www.scruzccu.org](http://www.scruzccu.org)) field of membership includes an affluent segment attracted to the town by the University of California. Many of these people have strong community values. So the credit union's Visa program sets aside five cents for every \$1 it earns on the program, and the proceeds are donated to a community organization. Members vote on which organization will receive the money. The credit union also offers special auto-loan rates to members buying lean cars, such as hybrid, electric, or low-emission vehicles.

**Hometown Credit Union** of Kulm, N.D., offers one-day loan processing so farming members can take advantage of one-day discounts at the feed store.

Many credit unions, including **Carolinas Telco Federal Credit Union** in Charlotte, N.C., have a mobile branch. Just as a bookmobile brings library services into communities, these mobile branches bring financial services to members, a convenience that's appreciated by many members and a necessity for those with limited transportation options.



*The absence of a profit motive  
allows us to focus our energy on  
meeting members' needs.*

not-for-profit organization doesn't mean being a financially struggling organization. The ability to help members over the long term, as well as the heavy responsibility of safeguarding their savings, require financial stability. The vast majority of credit unions are extremely safe and sound and work hard to stay that way.

### **Good Rates on Savings and Low Rates on Loans**

To most members, high rates on shares and low rates on loans are the fulfillment of the credit union promise. There's more to that promise, of course—much more! And it's all important: The education. The service. The ownership and democratic control. Access to affordable services for those who may not be able to find them elsewhere. But to most members, the basic money-in-my-pocket issue is at least as important as the rest. And since we're here to help members improve their financial well-being, that's an appropriate priority. No one will get rich on the financial advantages credit unions offer. Taken individually, the differences aren't that dramatic. But the more a member uses the credit union, the more our

advantages help that member build long-term financial success.

It's important to note that the best rates don't always mean the best deal. Rate calculations and special fees or terms can have a positive or negative effect on the total cost or earnings. For example, two credit cards may have the same interest rate. But one has an annual fee and begins charging interest from the date of a purchase. The other has no annual fee and a 25-day grace period before interest kicks in. It's easy to see the second card is the better deal. So while a credit union may not seem, at first glance, to have the best rates, it may offer the best deal.

### **How Do We Do It?**

There are a number of reasons why credit unions can offer a great deal without going out of business. In the past, sponsor subsidies such as low- or no-rent office space and participation in employee benefit plans have significantly reduced operating expenses. Credit unions are also exempt from federal income taxes, though they do pay other kinds of taxes.

But anyone who sees these as the

*We must remember what we started out to do  
and then find ways to do it with the modern techniques available.*

—Louise McCarren Herring  
Sharing the American Dream



## Making the Unusual Usual: Outstanding Service

A woman in Illinois, recently separated, was overwhelmed with her new responsibilities of managing family finances. "The bank where I had previously done 'our' banking made me feel stupid for all of the questions I felt compelled to now ask.... Not only have the wonderful people at our credit union helped me with much-needed repairs on my older home, but they gave me confidence in myself with their 'let us show you how you can do this' attitude."

In turning down a loan for a member with a high-debt ratio, **Trico Employees Federal Credit Union** now known as **Family & Neighbors Federal Credit Union** of Buffalo, N.Y., actually saved the member \$1,100. The loan was to have covered the state's claim for unpaid taxes. But when the credit union's treasurer examined the tax-due letter, he found that the state had failed to give the member credit for the withholding tax he had paid. If the credit union hadn't looked into the reason for the loan, the member would have been out a lot of money.

In Montana a single mother's child support payments stopped when her former husband became disabled. She waited for Social Security payments, but when an agency error caused a holdup, she went to **Blue Cross/Blue Shield United Federal Credit Union** now **Rocky Mountain Credit Union** in Helena, ([www.creditunionpeople.com](http://www.creditunionpeople.com)) for help. Staff at the credit union worked with the agency but the delay began to cause hardship. Credit union staff credited her account for the amount of benefits she had coming. She reimbursed the credit union when the benefits finally arrived two months later. The member says, "It seemed that no one really cared. [The people at] my credit union went out of their way to help my daughter and me."

primary reasons why credit unions price the way they do is just plain wrong. Employer subsidies have been declining for years. Most large credit unions have little or no subsidy at all. The federal income tax exemption is a factor, but there are many other reasons credit unions can offer a better deal. And they're all connected with our uniqueness.

We choose to give members a good deal because that helps them improve their financial situations. Other financial institutions give customers good

deals to increase their total profits. As cooperatives owned by our members, we don't have to try to earn enough net income to provide dividends to stockholders or pay a board of directors. Volunteers may fill other roles that would require staff at a for-profit institution. Even with paid staff, salary expenses for a credit union are often lower. The difference, according to salary surveys, is largely in management and executive pay.

We also work hard at designing products and services that cost less.



## And More Outstanding Service

**State Employees Credit Union** of Raleigh, N.C., ([www.ncsecu.org](http://www.ncsecu.org)) created a line of financial services for blind members, including braille and large-print account statements at no cost to the members. This service allowed one member who had belonged to the credit union for 12 years to balance his checkbook for the first time.

**Georgetown (S.C.) Kraft Credit Union** ([www.georgetownkraftcu.com](http://www.georgetownkraftcu.com)) helped one member with a difficult credit history who applied for a home improvement loan. When credit union officials heard the story, they volunteered home improvement items such as windows, offered money to buy a stove, and approved the loan.

When the California legislature and governor came to a standoff in budget deliberations, many state employees went unpaid for several days. **The Golden 1 Credit Union** in Sacramento, ([www.golden1.com](http://www.golden1.com)) credited normal payroll amounts to accounts of members using direct deposit if members requested this stopgap help. The Golden 1 suspended loan payments during the crisis and offered emergency loans for up to 90% of the previous month's wages at 9% interest. Similarly, credit unions serving federal workers came to their members' aid when the federal government shut down by offering considerations such as interest-free pay advances, 90-day deferrals on loan payments, no-interest or low-interest short-term loans, and financial counseling.

At **Baxter Credit Union** in Vernon Hills, Ill., ([www.bcu.org](http://www.bcu.org)) by giving a service excellence award, management shows its commitment to exceptional member service by giving an award each month to the employee who provides the most outstanding example of member service. In one case, a member called to request a copy of the check she had written to her insurance company because they had an inaccurate record of it, so they canceled her policy and denied a claim. The member service representative not only arranged for the copy to be sent to the member—via Federal Express—she also faxed a letter to the insurance company indicating when the check had cleared and called the insurance agent to try to get the problem fixed right away. She also followed up with the member to make sure everything had been resolved satisfactorily.

A member of **Communicating Arts Credit Union** in Cincinnati, ([www.cacu.org](http://www.cacu.org)) was once a delinquent borrower—he had had his car repossessed—but the credit union's collector took a personal interest in his circumstances and worked with him for two years to improve his credit history. When the member wanted to buy a home for his family of seven, the credit union's financial planner also advised him on his purchase.



## 20 Years and Counting: Tops in Satisfaction

Each year, the financial trade newspaper the *American Banker* asks consumers about their attitudes toward financial services providers. And for 20 consecutive years its survey conducted by the Gallup organization has found that more credit union members say they are "very satisfied" with the service they receive at their institution than do bank and thrift customers at their institutions. Nearly three of four members (73%) polled who used their credit union as their primary financial institution said they were "very satisfied" compared with just over half (58%) of bank customers.

Credit unions have earned the top spot in consumer satisfaction ever since the report has been published.

*Source: CUNA News Now October 2004*

Member education materials and many other products are available through the leagues and CUNA at economies of scale we couldn't achieve individually. We also cooperate with each other by sharing information. One credit union's success story—or the opposite—can help many others avoid pitfalls or add value in ways they'd otherwise have to discover on their own.

All of these factors contribute to our ability to offer members a good deal without endangering our financial stability.

### ***Many Routes to the Same Destination***

Despite all this, it's true that credit unions don't always offer the best rates, or even the best deals. Is this a failure to deliver on our promise? Does it mean we're losing touch with our

philosophy and becoming "like banks"?

These questions generally elicit a rousing "No way!" from anyone truly familiar with credit unions.

Offering great deals is a direct path to helping members improve their financial situations. But it's not the only path. There are lots of ways to help members learn to manage their finances wisely. There are lots of credit union services that aren't part of the rate structure. All these things cost money to provide. Yet they're valuable, and members may not be able to get them elsewhere.

So a board of directors has to juggle the questions of what to offer and how to cover the costs and risks. In the process, the board must balance fair treatment of savers, borrowers, and employees. The local market environment may demand certain products



## Study Finds Credit Unions' Credit Cards Are Fairer than Bank-Issued Cards

A survey conducted by the Chicago-based Woodstock Institute confirms that credit unions continue to look out for the best interests of their members. The report showed that credit cards issued by credit unions have similar purchase interest rates to those issued by banks, but come with fewer fees, lower fees, lower default rates, and conditions that are much clearer. For example, nine out of 10 bank issuers in the survey include a "universal default" provision in their terms of use. This provision allows the issuer to increase a consumer's interest rate when he or she is late or delinquent with any other creditor or utility providers. No credit union in the survey used a universal default scheme.

*Source: Blindfolded Into Debt: A Comparison of Credit Card Costs and Conditions at Banks and Credit Unions; Woodstock Institute, Chicago, 2005*

and services be offered at no extra charge, in order for the credit union to remain competitive. For example, if free checking is offered at every other financial institution in the area, a credit union also may need to do so or be at a competitive disadvantage. No two boards come up with exactly the same answers. Nor should they. But they should be able to articulate why their answers are right for their own credit unions.

In the midst of this juggling of priorities, we inevitably have to juggle the question of fees. Some types of fees don't cause any philosophical quandaries. Most boards and members are comfortable with nonsufficient funds (NSF) charges and the passthrough of appraisal/recording/title insurance fees for mortgage loans. But loan applica-

tion fees? ATM card and transaction fees? Financial counseling fees? Per-check charges?

Again, no single answer is right for all of us. Most boards struggle to find their own balance between basic services and the concept of "user-pay." Basic services are essential, widely used, inexpensive, or play a unique role in helping the credit union fulfill its mission. Their cost may be subsidized by other services. On the other hand, when a board imposes fees, it often does so in the belief that most services should be self-supporting. It wouldn't be fair to ask all members to pay for something that benefits only a few or which is caused by the negligence of a few. Therefore the users or abusers are charged a fee. The amount may reflect the credit union's cost or it may be



unrelated to the cost, designed instead to be powerful enough to change undesirable behavior. Members' attitudes toward various fees and services should help guide the board in its balancing act.

Regarding service offerings, the guiding questions should always be:

- Are we focused on *service* as a benefit to members?
- In what ways do credit union operations return any *surplus* to members?

## BUILDING FINANCIAL STABILITY

To ensure continued service to members, credit unions must build financial stability. We need policies to protect the assets of the credit union, including generating adequate reserves and creating internal controls. State or federal regulators conduct regular examinations to determine if the credit union's policies and practices are sufficiently safe and sound. These exams, obviously, protect the members of the credit union being examined. But they also serve to safeguard credit union members collectively because they protect the integrity of the National Credit Union Share Insurance Fund or if applicable, a state insurance fund. Examiners can provide important feedback to boards of directors about improving the security of mem-

bers' funds.

### ***Investment Policies Impact Members***

The impact of savings and loan policies on members individually and collectively is obvious. Investment policies have an impact, too. Each federally insured credit union is required to have a written investment policy that specifies, among other things, any limits on the amount of funds committed to particular types of investments. NCUA requires that a credit union's staff and board of directors meet certain safety and soundness standards with respect to the potential risks of the credit union's investment options. NCUA has a list of prohibited investments, and individual credit unions may choose to add to that list as a matter of policy. How do these limits fit with credit union philosophy?

They're part of our dedication to the safety and security of members' funds. Loans are the best way to use those funds, but investments have their place. Wise investments are one more way in which the credit union surplus is used to benefit members and to maintain financial security. Allowable investments are generally those that are considered safest such as certificates of deposit and U.S. government or agency offerings. NCUA requires that credit unions monitor



*We make many choices that sacrifice immediate returns for increased financial stability.*

#### **A challenge ...**

Why do you make the choices you do? If you're a member of a credit union board or management team with responsibility for pricing, can you articulate the principles that guide your pricing choices and how those principles relate to the credit union's purpose and values?

If not, it may be time to focus on the role that purpose and values can play in the decision-making process.

#### **... and an opportunity**

Have you asked your members what kind of pricing/fee/service trade-offs they'd prefer the board to make on their behalf? It's a great way for them to exercise their democratic control and for you to establish some of the guidelines for the choices you have to make.

the risks of their securities by preparing monthly and quarterly reports of their values. A board may specify additional limits of its own, particularly if no one at the credit union is familiar with a particular type of investment. Without the limits, we could probably earn more from unloaned funds ... or we could lose a lot of money. There are delicate balances to be struck, and the right kind of investments can actually reduce some kinds of risk. Since we work with members' hard-earned savings, safety is the overriding concern.

#### ***Safety and Security: In for the Long Haul***

We have to make wise decisions that will reinforce our ability to make a difference for members. Obviously members aren't being helped if the credit union loses money or goes out

of business. So we make many choices that sacrifice immediate returns for increased financial stability. We buy insurance, forego yield in order to limit risk in investments, and set aside capital and reserves instead of returning that income to members. Often our choices aren't entirely voluntary, since the wisdom of these actions has been confirmed by regulatory requirements. But many credit unions go beyond the minimum requirements and meet their own higher standards.

Financial stability is a goal for the credit union because it's the only basis from which we can be reasonably assured of our ability to make a long-term difference for members.



## SERVICE TAKES MANY FORMS

Credit unions strive to meet their members' need. But how they accomplish that mission varies widely. A credit union's size, field of membership, geographic location, and board and management styles are among the factors influencing how those needs are met.

### *The Credit Union's Mission ... Sell?*

"Sell" and "market" once ranked among the four-letter words of the credit union vocabulary, figuratively speaking. That may have been because these words raise images of slick sales messages whose intent is to get unsuspecting consumers to buy something whether it's in their best interest or not. That would be contrary to our purpose, but good sales and marketing aren't manipulative. We want members to use the credit union when they have a need because it is in their best interest.

For many members, the key to making a real, substantial difference in their financial lives isn't a single loan or a single share deposit. Our rates may be better, but not that much better. The key to making a difference is the benefits that accrue loan by loan, deposit by deposit over a long period of time. The more members use the credit union, the more of a difference

we can make for them.

Unfortunately, this member involvement seldom happens on its own. Most members join the credit union because of a specific single need—lower fees on a share draft account, for instance, or a better deal on a car loan. To make the transition from that single service to "a substantial difference," we have to communicate with members. Tell them we can help. Explain why it matters to us. Show them how to do it. Encourage them to act. In other words, to fulfill the mission for which credit unions exist, we need to sell. One-to-one contact is the most effective way to get a message across, while advertising reaches more members. We need both.

We aren't trying to create demand where there isn't any. There's lots of need out there that we aren't filling. Look at the statistics on where members turn when they face common borrowing needs. We haven't even come close to selling members services they don't need.

**Member-centered selling.** If we respect members, if we want to help them improve their financial well-being, then our selling or advertising has to put members first. We have to identify real needs and respond with real benefits. We must be scrupulously honest about what we have to offer and whether it will genuinely benefit the member. Our values require no less!



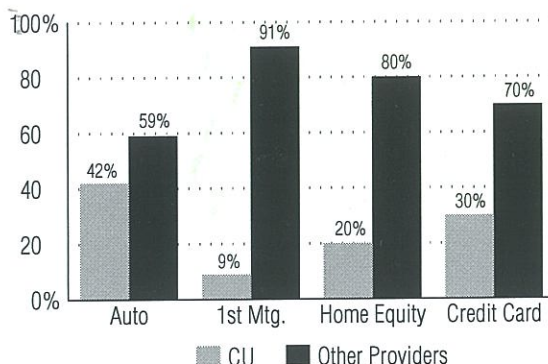
*Our selling has to  
put members first.*

The credit union may have an organizational reason for promoting a particular service. For example, if operating costs go up, a loan promotion may be in order. That's perfectly valid, but members' best interests still need to come first. Suppose a rough economy has members uncertain about their jobs. Taking on additional debt probably wouldn't be wise. A strategy that serves both needs would be to suggest that members come to us to refinance higher-rate loans they have from other financial institutions.

### **High-Tech, High-Touch**

When we're truly member-driven, technology and philosophy are related. Philosophy, as always, provides the reason why we do things. Technology gives us the ability to do much more than meet basic standards for service—it allows us to excel. It's tempting to suggest that electronics allow us to focus on the human touch in member interactions by freeing us from the burden of record keeping, but that isn't really true. Technology has unquestionable advantages, but it also absorbs our time in different ways. The fact that we've consistently earned high

### **Market Shares for Loans**



Source: CUNA & PSI Global 2000 Credit Union Members Today & Tomorrow

marks for service is a testament to deliberate efforts to keep our member focus.

There are three main areas where technology and philosophy interface. In some cases technology allows us to offer services that benefit members directly. For instance, to encourage saving, we can instantly show a member how much one or two different amounts set aside regularly will add up to over different periods of time and with different dividend rate expectations. This application can help a member take control of his or her financial future.

Technology also plays a major role in providing convenience, which members indicate they want. ATMs, voice-response-systems call centers, and Internet access, for example, allow

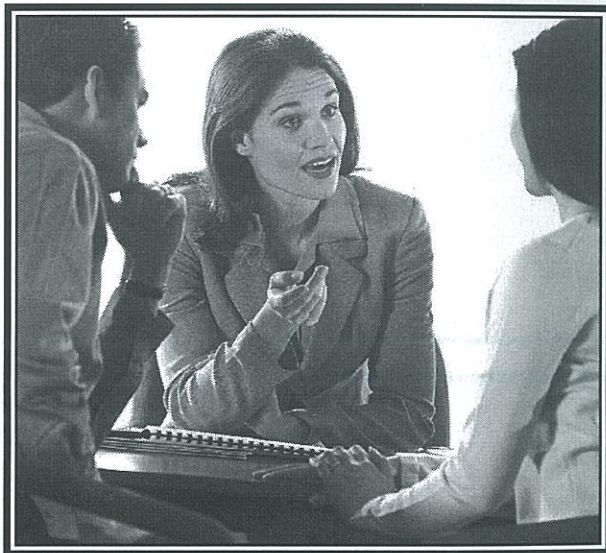
members to access their accounts on their own terms. If members find it easy to use this and other credit union services, they'll use our services more and our ability to help them will grow. In a world where everyone expects 24/7 service, not offering electronic access to an account could put a credit union at a serious competitive disadvantage. Extending service hours by offering online banking or a call center option means members use your services on their schedule, not the credit union's. A call center also can provide the ability to do business in languages other than English.

Technology also allows us to use money more effectively—or, to put it bluntly, to get more bang for the buck. In marketing, for instance, a consumer information file (CIF) allows the credit union to make the most of the dollars it spends by targeting the members most likely to have a particular need. With technology, financial managers maximize investment income, buying and selling almost instantly, or investing for periods as short as one day. Why is more bang for the buck desirable? It allows us to do more for members.

Because so much money is involved in acquiring technology, and technology is integral to member service, the effect

on members and our mission should drive any decision-making process. In today's environment, what do members need to help them get ahead? How can we get them to come to us for their needs? What can we do internally to be more effective? And will the answers to any of these questions be different tomorrow? These are the questions that have to be asked before selecting technology to meet member needs.

In addition to specific services, credit union uniqueness is reflected in the issue of service—what's often called "high-touch." Good service has many components: courtesy, friendliness, convenience, accuracy, a speedy response, going the extra mile. Because



*Credit union service takes many forms, sometimes high-tech, often with a personal touch.*



our purpose isn't to create a profit, it's natural for us to regard each member as a worthwhile individual—an owner—who has something to offer the credit union and to gain from it. Our attitude toward member service reflects that.

Tradition plays a role here, of course, as well as credit union values. When the credit union was run by volunteers out of a shoe box in the workplace, everything was more personal. Members knew the people running the credit union. The people running the credit union knew the members. Everyone was in the same boat because everyone worked together. And the spirit that was fostered then has carried over to the present.

Our basic values and our traditions have very real everyday consequences. For example, a credit union redesigning its lobby area or building a new branch may decide, for risk management purposes, to use video teller stations, but to maintain a member-friendly atmosphere by keeping a smiling face behind a reception desk.

### **Special Programs for Special Markets**

Many credit unions have organized special efforts for members in particular areas. The most common of these efforts are youth programs, college student credit unions, and senior programs. What do each of these have to

do with credit union uniqueness?

**Youth programs.** Youth programs are part of our efforts to give members the tools they need to make the most of their money. The younger they learn, the more control they'll have over their financial destinies. Lots of structures work for this purpose. Some credit unions form special clubs youngsters can join. The clubs often have their own logos or mascots, stage special events or trips, publish a newsletter for kids, and give rewards for savings achievements. Other credit unions focus on classroom presentations or set up student credit unions where staff members visit a school regularly to accept deposits, make loans, and provide information. Youngsters may be involved as tellers or loan officers. Whatever the structure, encouraging children to save *on their own* is a critical part of the program.

**College student credit unions** College student credit unions also target a group with special needs. Unlike youth programs, these credit unions are independently chartered. They're often run by student volunteers, and focus on serving the needs of young adults who rarely have established credit, yet often need to borrow. The Campus Credit Union Council provides support and assistance for these organizations.

**Senior programs.** Statistics indicate large numbers of members leave



## Credit Unions Reach Young Members in Canada

In the province of Quebec, where nearly three out of four people are credit union members, the school curriculum includes cooperative values, financial literacy, and credit unions. Children begin learning about these topics in early grades and continue through the secondary level.

Part of the process involves school credit unions, where youngsters are encouraged to save regularly. These operate much like school credit unions in the United States. They're run by local credit unions, whose staff members visit the school regularly to allow young members to make deposits.

Undoubtedly the youth program reinforces the success of the Desjardins movement, and vice versa. Through the youth program, the movement also has an ongoing means of developing credit union leaders.

In the U.S., **Jeffco Credit Union** in Lakewood, Colo., ([www.jeffcocu.coop](http://www.jeffcocu.coop)) is one of many credit unions seeking to increase awareness of youth financial illiteracy and to provide resources to overcome it. Through its partnership with the National Endowment for Financial Education (NEFE), the credit union hosted a free, two-day NEFE workshop for teachers and local credit union professionals. The NEFE High School Financial Planning Program has been used in area classrooms, benefiting thousands of students. The credit union's Making Sense Program, a free financial literacy classroom program, reaches more than 3,300 students annually. Its Youth Expo, held in conjunction with National Credit Union Youth Week, featured seminars on first-car buying, job hunting, and college financing along with food and giveaways.

The credit union offers a special program for young adults to help them establish a good credit history. Young adults 16 years and older can obtain a Visa Debit Card and Visa Credit Card with a \$100 line of credit in their names. It also offers young savers a fun program to encourage savings through its Looney Tunes program. When youngsters open their accounts they receive a stuffed Looney Tunes character. Every time they make a deposit, they receive a fun sticker.

their credit unions when they retire. Some don't know they can still use the credit union. Others look for more convenient financial services when they move to new locations. Many credit unions make special efforts to reach and retain these older members. Senior programs are usually available to members 50 years of age and older. Special

services may include seminars on retirement planning, traveler's checks at face value, no-fee credit and debit cards, and special trips or social events.

## INFORM MEMBERS

Overall, the more members know about the principle of *service*, the more



they'll be able to use the credit union to their advantage. They'll be able to participate more, and they may be able

to provide benefits for others. They'll develop a loyalty to the credit union that's a priceless asset.

## **Desjardins Award Honors Youth Financial Literacy Efforts**

The Desjardins Youth Financial Education Award recognizes leadership within the credit union movement on behalf of youth financial literacy. The state leagues advance their winning credit union entries to CUNA for a national competition. The award honors exceptional activities supporting the personal finance education of young members and nonmembers, including, but not limited to, face-to-face teaching, publicity, lobbying for curriculum requirements, teacher and volunteer training, and promotion and use of the NEFE High School Financial Planning Program® (HSFPP).

**Alternatives Federal Credit Union** in Ithaca, N.Y., ([www.alternatives.org](http://www.alternatives.org)) has been recognized for its student credit union, which has five school branches ranging from elementary to high-school levels. It's a simple operation: A laptop and cash box are transported school to school and set up on a table in the hall or cafeteria.

Students can open up savings accounts with or without their parents as joint owners. There's a \$2 member fee, but membership is free if the parent/guardian is already a member. The minimum deposit required to earn interest is \$1, and student accounts earn a higher interest rate than adult accounts.

Branches operate differently at each school. At a middle/high school, students have a credit union class two periods a week. They work on contests and promotions to help students develop a savings habit. They work as tellers twice a week during their lunch period. They also do their own fund raising to support their trip to the National Federation of Community Development Credit Unions annual youth conference.

Another branch is open for students, many of whom come from low-income families and deal with a variety of social challenge, in an independent living skills program.

At each branch the focus is to motivate students to start a savings habit no matter how small the deposit. Incentives are offered for consistent savings. As students watch their weekly deposits add up over time, they realize how their own efforts pay off. Notes Joe Cummins, community development educator at Alternatives Federal "The best lesson is when a 12-year-old proudly shows me a passbook balance that has gone from \$1 to \$50 simply by making \$1 or \$2 weekly deposits."



# 6 SOCIAL GOALS

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*No institution—except the church—  
does more good for people than credit unions.*

—Representative Wright Patman, 1893–1976

Interest in “social responsibility” seems to ebb and flow in the business community. But credit unions have consistently practiced what’s found in the cooperative principles.

As you’ll see, the three practices described here—*education, cooperation, and social responsibility*—are designed to shape credit unions into good corporate citizens, locally and globally.

## ONGOING EDUCATION IS ESSENTIAL

There’s an old proverb that goes something like this: “Give me a fish and feed me for a day. Teach me to fish and feed me for a lifetime.” As credit unions, part of our intent is to teach people wise money management skills they can use to make their entire lives better.

In their early years, many credit unions devoted considerable attention to helping members with basic information about their finances. An education committee, and at some credit unions, an education director, worked to ensure that members understood the significant advantage a credit

union loan had over credit obtained from a loan shark or pawnshop. People had less experience with financial services and less access to information. There was less government protection, too. Laws such as Truth in Lending, Truth in Savings, Equal Credit Opportunity and Fair Credit Collections are relatively new.

Today, consumers are, for the most part, more sophisticated. Laws are in place to curb abusive and deceptive practices. But that doesn’t eliminate the need for member education. In fact, the “information overload” members experience when making a consumer decision creates a need for an unbiased, reliable source of help—help that your credit union can provide. Loan sharks may not sport the 1930s gangster look anymore, but loans at usurious rates are still prevalent at “payday lenders’ and “rent-to-own” stores. And con artists have not gone away; they’re just more sophisticated, using e-mail communications to “phish” for personal information, for example.

Member education takes many forms. Some credit unions offer semi-



*The most important service of the credit union is the education of its members in the management and control of their own money.*

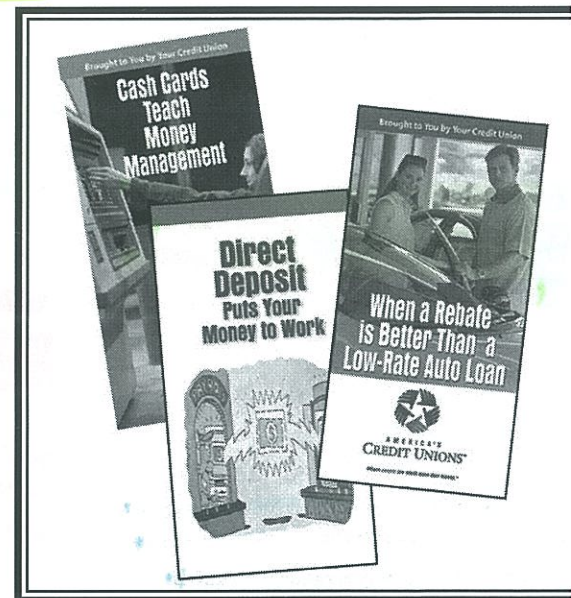
—Roy F. Bergengren

nars and workshops on topics ranging from budgeting to estate planning to buying a home. Some use newsletters to provide members with consumer and financial advice. Others educate members with statement stuffers or by including consumer information and links to consumer resources on their Web pages. Many have a consumer library or even a corner of their lobby devoted to information on money management and buying information. Member education takes place one-on-one as well in financial counseling sessions and during the process of buying a home or car.

Because member education is such an important part of what we do, materials are available through CUNA and the state leagues that help you meet this imperative. There are publications like *Home and Family Finance*, (also available in an online version) which addresses credit union services, philosophy, and money management issues. There are statement stuffers with titles like "Budget Blueprint," "Consolidate Your Debts to Save Money," "Direct Deposit Puts Your Money to Work," and an

online youth publication called *Googolplex: The CU Guide for Student Money-makers*, available as a link and with three interest levels: elementary, middle school, and high school. There are even *Credit Union Seminars in a Box* for setting up extensive education efforts on key topics like car and home buying.

CUNA also offers a Financial Counseling School that trains credit union staff members to be effective counselors.





## What's Your Credit Union Doing to Help Members Learn to Fish?

Probably more than you think. Do you recognize the educating you do in your day-to-day member contact? It's easy to discount many of our efforts as pure self-interest because they are linked to promoting a product or service—auto buying information linked to vehicle loans, for example. But does the credit union's interest conflict with the members' interests? Does a member have to use a product to get the help or information? And don't forget what the credit union is: *the credit union's self-interest is the best interests of the members.* Educational efforts like these are just as valid as others.

Are you doing all that you can? Each of us needs to make a conscious effort to educate members and potential members.

### Education is Essential for Staff and Volunteers, Too

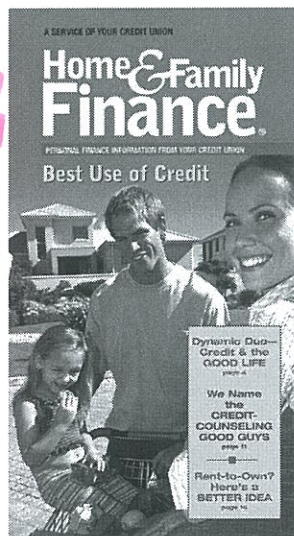
The principle that stresses education applies to staff and volunteers as well as members. There are certainly practical considerations. For instance, a board member who doesn't know how to read balance sheets and income statements can't assess the credit union's financial situation. If board and staff don't actively look into ways to operate more effectively, the credit union won't be serving members to the fullest extent possible. But even more, if volunteers and staff don't understand that credit unions are more than other financial service providers, credit unions

will cease to be more than the others.

Another philosophical basis for our emphasis on education is the fact that we value individuals. Providing the

opportunity for people to develop their skills is a way of demonstrating that value.

So a portion of every credit union's budget is dedicated to providing learning opportunities. There's money to attend meetings and purchase resources like books, videos, or certification courses for volunteers and staff. Some credit unions offer tuition reimbursement, as well as in-house training and cross-training. And those who allocate how the money is spent



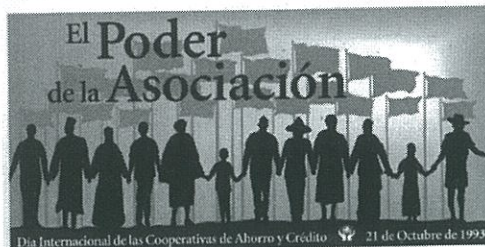
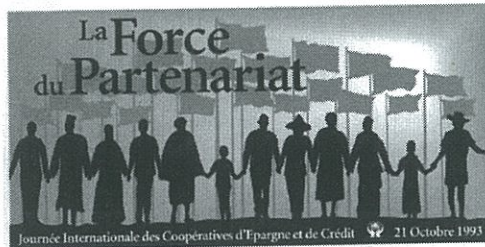
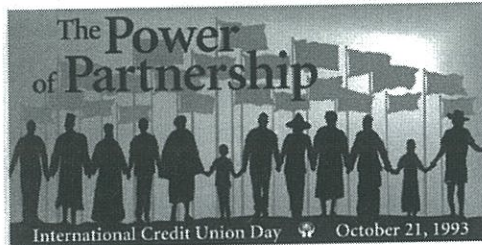
*Home & Family Finance, a quarterly consumer magazine for credit union members, also helps "teach them to fish."*



## Selling ... Marketing ... Educating

Because we're putting members' interests first, part of the selling process is making sure the member has the information he or she needs to make a wise financial choice. A lot of education takes place in sales and advertising. Newsletters usually serve this dual sales/education purpose. You might be surprised to find that credit union uniqueness is often taught and reinforced through advertising and sales. **Whether or not a member chooses a credit union service, we've taken a step toward fulfilling our mission by helping that member understand the issues involved in making a wise choice.**

Education has become a major selling tool for auto financing. Many credit unions now offer advice on negotiating strategies, give book values, tell members how to analyze the financing options, calculate a loan, and more. These services are now frequently available on the Web, at kiosks, or terminals within the credit union. Even if members get their loans elsewhere, we're helping them make better use of the money they spend.



have an obligation to include credit union history and philosophy as part of the program.

Learning is also essential for staff at the leagues, CUNA, and other support organizations. People in positions there help credit unions master the technical side of serving members—the mechanics of offering services and building financial stability. As quickly as things change these days, we all need plenty of education just to keep up. In a sense, all of our jobs, in one form or another, are to nurture and promote an understanding of credit unions.

## COOPERATION AMONG COOPERATIVES

Credit unions helping credit unions is the natural extension of people helping people. **Most managers, when faced**



with a problem they're having trouble solving, reach for the phone and talk to their peers. This kind of mutual support is formalized in the credit union operating principles as the social goal of *cooperating with cooperatives*. Most immediately, we apply the principle to our dealings with each other. Sometimes all we exchange is war stories: "Here's what happened when we tried that." Sometimes the mutual help is more concrete—a loan to meet cash flow demands or sharing documentation that solves a particular problem. Either way, when one credit

union has a need, others help. It's what we believe in.

Credit unions' "people helping people" philosophy extends beyond its membership. A portion of our resources goes to supporting and encouraging the efforts of credit unions in the United States and in other countries.

Both individually and through our system, credit unions have helped community development credit unions (CDCUs) get started and overcome their challenges of serving areas with the fewest resources. The princi-

## Educational Programs

**SELCO Community Credit Union** in Eugene, Ore., ([www.selco.org](http://www.selco.org)) has personal computers in each branch lobby that allow members access to its Web site which offers a variety of tools and resources to help them manage their accounts and make better buying decisions.

At **FAA Employees Credit Union** in Oklahoma City, ([www.faaecu.org](http://www.faaecu.org)) a Financial Survivor Seminar for Students demonstrated for young adults the basic financial concepts they will need to master in the future. FAA Employees' instructional tool covered the importance of saving and budgeting, managing credit and loans, balancing a checkbook, using debit and credit cards, insurance basics, and investing. Promotional materials billed the event as "Sharks Ahead," using vivid graphics designed to appeal to students. The seminar, given at a number of local educational facilities as well as at the credit union's main office, has attracted more than 1,000 students and has received high marks from teachers, parents, and students.

**Georgia Telco Credit Union** in Atlanta, ([www.gatelco.org](http://www.gatelco.org)) provides educational programs and opportunities including publications, forums, seminars on credit, budgeting, and home buying, as well as presentations for students. It also has special programs for all age groups, including clubs for youth, young adults, and senior members.

Some other topics covered by credit union seminars: credit reports, auto pricing, insurance, income property, planning for college, avoiding bankruptcy, job interviews, literacy, GED test training, tax preparation, retirement planning, and estate planning.



## Credit Unions Help Each Other

In a cooperative effort between **Granite Credit Union** in Salt Lake City; and **Utah Council for the Blind Credit Union (UCB CU)**, Salt Lake City; Granite Credit Union allotted the time and salaries of four employees so UCB CU could expand hours for its members, update and streamline the bookkeeping system and daily operations paperwork, increase loan volume, and lower the default rate. The loan default rate dropped from 7% to 0.6% within six months.

In Madison, Wis., **State Capitol Credit Union**, now **Summit Credit Union**, loaned **Forest Products Laboratory Credit Union** a staff member when FPL's manager—its sole employee—left the position. This allowed the credit union to remain open while the board hired a new manager. The assistance was part of a mentoring program sponsored by the **Wisconsin Credit Union League**.

ple of “cooperation among cooperatives” was a driving force in the chartering of TULIP Credit Union ([www.tulipcu.coop](http://www.tulipcu.coop)) in Washington. TULIP stands for Thurston Union of Low Income People and the credit union serves low-income residents of Thurston County and members of the Olympia Food Co-op.

The three primary partners were the Olympia Food Co-op, which provided space and donated employee staff time; Boeing Employees Credit Union, which donated employees, equipment, technical support, and financial resources, and Washington State Employees Credit Union (WSECU), which provided a business plan, pro forma statements, accounting, data processing, technical, and human resources support. The first full-time manager was a WSECU employee. (There's more about CDCUs later in this chapter.)

A larger credit union may lend staff to a smaller credit union to provide training or to temporarily fill a vacancy. **Or larger credit unions may deposit funds at no or low interest in their corporate credit unions for use by community development credit unions.** Loan participation agreements—where each credit union shares a portion of a loan too large for one of them to make—are another way credit unions cooperate with each other.

### ***Our Efforts Around the Globe***

Basic cooperative values and credit union philosophy are the most important reasons why we're involved beyond our own backyards, too. We recognize the needs people have for education, encouragement, and access to financial services, especially in developing countries. Promoting credit unions allows us to give people the



## "Dressing Down" for Development

Casual days are now standard in corporate America. But at **Research Federal Credit Union** in Warren, Mich., ([www.researchfed.com](http://www.researchfed.com)) staff each placed \$1 in a "dress down" account. The staff suggested that the funds be used to reach out to a sister relationship with **Nalipiri Savings and Credit Cooperative** (credit union) in Malawi, Africa. The staff raised more than \$4,000 and hosted a Malawi visitor. The credit union's CEO, Catherine Roberts, traveled to Malawi to provide business planning assistance to the credit union and the Malawi League.

opportunity to pull themselves up through their own efforts. And credit unions give people in many countries two things they can't find in their political and social systems—equality and democracy.

The role we play in helping other movements is coordinated by the World Council of Credit Unions (WOCCU). Through our affiliations with state leagues and CUNA, we all help support these efforts. Aid takes many forms. Experts in particular areas of credit union operations or legal concerns travel to other countries. For

example, credit union personnel from Pennsylvania have traveled to Africa to provide support and assistance to Kenyan credit unions called SACCOs—Savings and Credit Cooperatives. And representatives from Kenya, and other countries have come to the United States to study how we do things here. Grants help pay for literacy and education, technical assistance, or planning and operating materials.

Funding comes partly from WOCCU and its members, partly from the National Credit Union Foundation and individual donations. We've also

## It Takes Money, Too

The **National Credit Union Foundation**, the charitable arm of the U.S. credit union movement, receives funds from five primary sources: Contributions from individuals, credit unions, leagues, and corporate credit unions; a portion of the return from the Community Investment Fund, a special fund set up at corporate credit unions; government agencies, such as grant funds from the Department of Housing and Urban Development and the U.S. Treasury; private foundations; and corporate sponsors. The foundation undertakes national programming, serves as the financial intermediary between government agencies and credit unions, and funds innovative initiatives in support of consumer savings and asset accumulation. Visit its Web site at [www.ncuf.coop](http://www.ncuf.coop) for more details about its programs.



administered grants and contracts from the U.S. Agency for International Development (AID).

Unlike some other foreign aid projects, building and strengthening credit unions leave behind no massive debt. Instead, as we help build the organizations through which people can mobilize their own resources, we leave behind two key benefits. The first is leadership skills. With local leaders in place, credit unions continue to grow as self-supporting financial resources that make a difference in their communities and nations. Without those leaders, the efforts fall apart and die. The other key benefit we leave behind is democracy, which may be an unfamiliar concept to many members.

The situation in South Africa, while more extreme than in some other places, demonstrated how important both leadership and democracy are. For decades, the segregationist policy of apartheid prohibited black citizens from using banks. As apartheid ended, Kwedie Mkalipi (later general secretary of the South African Credit Union League) noted that many South Africans, "lacked the confidence and skills to create democratic institutions." In the transition to a free society, credit unions now offer a source of consumer credit and financial services, as well as an opportunity for leadership development. Participation in

credit unions builds confidence and teaches essential skills.

Here in the United States, an active cadre of highly trained volunteers works to connect us with the rest of the credit union world. As speakers, writers, meeting facilitators, and enthusiastic promoters, these people, called Credit Union Development Educators or "DEs," have a dual goal. On the one hand, their purpose is to spread the word about credit unions and development efforts in other countries. This promotes cooperative philosophy among credit union people and members. Too few of us know about the connections we have all over the globe. DEs also take their message to the general public whenever the opportunity comes up. And they play a major role in garnering support for international projects. They may provide the support themselves, by hosting international visitors or going abroad to share their own areas of expertise. They're also powerful fundraisers for credit union development projects.

From Asia to South America to Eastern Europe, credit unions are making a significant contribution to improving the quality of life.

In Bangkok, a credit union organized in the slums of the city implemented a housing improvement program, lending money to bring drinking



**WORLD  
COUNCIL  
OF CREDIT  
UNIONS, INC.**



water and latrines into neighborhoods, as well as fixing roofs and making other repairs.

In Cali, Columbia, a credit union started in the early 1960s by a group of housewives now allocates almost half of its loan portfolio to making small loans to women to help them with income-producing activities.

In Asia, the technical assistance provided by volunteers from various countries has allowed the national movements to avoid many of the early difficulties that older credit union movements struggled through. They've been able to accomplish in 20 years what it took us 50 years to do, thanks to cooperation and the positive effects of not having to reinvent the wheel.

Before communism and totalitarianism came to dominate their political systems, many kinds of co-ops had thrived in the countries of Eastern Europe. Today, in Poland, Hungary, Russia, the Czech Republic and other countries, interest in credit unions has been reborn. And in the process an interesting parallel to early U.S. development is taking place. Roy

*Go to the people,  
Live among them,  
Love them.  
Start with what they know,  
Build on what they have.  
And the best leaders,  
When their work is achieved,  
Their task is done,  
Will hear the people say,  
"We have done it ourselves."*

Poem by unknown author;  
motto of  
Credit Union Development  
Education Program

Bergengren spent much of his career working to "get the laws" that made credit unions legal. But legal or not, people started credit unions as soon as they could get enough supporters to back one. The same thing happened shortly after the fall of communism in Eastern Europe. There was a groundswell of interest as credit unions offered a way for people in these

newly freed countries to practice democracy and revitalize their economies. Today, progress is rapid, and volunteers from many nations assist with legal and technical skills.

It's not surprising that older, more established national movements have much to share with newer ones. But the open exchange of ideas and experiences also flows from newer movements to more established ones, and among the more established ones. Credit unions in Canada and Australia, for instance, may face the same challenges in new services, information management or safety and soundness that U.S. credit unions face. And though each movement—new or long-established—has its unique characteris-



## Responding to Needs in The Credit Union Community

Hurricane Andrew ... the bombing of the Federal Building in Oklahoma City ... floods in Missouri, Arkansas, and the Dakotas. Credit unions' response to these disasters was swift and generous. The **National Credit Union Foundation** administered the collection and distribution of millions of dollars to help those in need.

When the bomb struck the Alfred P. Murrah Federal Building, 18 of the 33 employees of **Federal Employees Credit Union** were killed. The response from the credit union movement was unprecedented. Credit unions from around the world sent a record \$1.4 million to the foundation and the **Oklahoma Credit Union League** to help the families of deceased and surviving employees.

A tsunami triggered by an earthquake off the coast of Indonesia in December 2004 produced a staggering loss of life and property in South Asia. An appeal for relief to rebuild the credit unions demolished netted a total of more than \$726,000. The **National Credit Union Foundation** in support of efforts by the World Council of Credit Unions raised \$318,813 in funding from the U.S. credit union movement and its business partners. In addition, WOCCU directly collected \$407,277.

tics, many solutions, like the credit union idea itself, don't lose anything in translation.

### SOCIAL RESPONSIBILITY: WHAT WE DO FOR OUR COMMUNITIES

Part of the cooperative and credit union tradition is a sense of social responsibility. Working for members' financial betterment is only part of the picture. True, we've influenced the financial industry in ways that benefit members and nonmembers alike by providing low-cost services and education. But we also have a special interaction with the communities in which we operate.

We have pride in our hometowns and the people who live there. We share their history, and our success depends in part on their success. We're connected. Not everyone's a member, but everyone's a neighbor. We're partners in many ways with our communities.

For some credit unions, the connections are closer than for others. In an era of interstate and international banking, a credit union may be the only locally owned and controlled financial institution in an area. Because of its service orientation and not-for-profit status, a credit union, serving one member at a time, can do much to promote a community agenda.



## Self-Help Credit Union Puts Social Goals First

In many ways **Self-Help Credit Union** in Durham, N.C., ([www.self-help.org](http://www.self-help.org)), is a typical community development credit union (CDCU). Its purpose is to help create economic opportunities for members. It serves people who often lack access to credit. It helps members develop good credit histories so they can get loans more easily in the future. And it converts members' savings into development funds for the community. **Self-Help makes business loans and mortgages because these types of loans help build wealth within a community.**

But Self-Help is also different from other CDCUs. Most focus on development within a single community. **Self-Help operates throughout the nation because its field of membership is open to everyone who belongs to the center or community Self-Help, a nonprofit affiliate of the credit union.**

This credit union also operates in concert with other development organizations. The credit union makes loans. The other organizations provide management and technical assistance to the borrowers which helps them succeed. The other organizations also help offset loan risks by raising funds that are primarily used as capital grants. In addition to targeting women, minorities, low-income, and rural residents, Self-Help makes loans that benefit employee-owned companies and nonprofit organizations.

**Self-Help makes mortgage loans to people who generally fall outside conventional home loan guidelines. Its other loans support small enterprises: caterers, house-cleaners, a seed distributor, a minority-owned bus company, and child-care centers.** These efforts help create or stabilize hundreds of jobs and foster local ownership and leadership in low-income communities. In its first 25 years of operation, Self-Help provided more than \$3.9 billion in financing to more than 43,000 home buyers, small businesses, and nonprofits nationwide.

Self-Help Credit Union is federally insured and must meet all of NCUA's guidelines. Despite the fact that its loans would be considered high risk by other financial institutions, its delinquency and default rates have consistently been lower than average.

### ***Community Development Credit Unions***

Community development credit unions, in particular, fulfill this function. In limited-income areas, these credit unions, often called CDCUs, take on the extra role of working to improve an entire community. For the

people CDCUs serve, the fact that the members own and control the credit union is key. The benefits they gain are shaped by their own vision, and result from their own efforts. The psychological impact is tremendously powerful.

CDCUs often have a "low-income"



designation, as do student credit unions, because the majority of their members are in low-income segments of the population. This designation, approved by regulators, allows CDCUs to accept nonmember deposits.

Besides providing financial services to individual members, CDCUs lend money for purposes that have long-term benefits for the community: to start businesses, to develop affordable housing, and so on. The projects are as diverse as the communities involved. And education is especially important.

Currently in the United States, some 300 CDCUs serve a diverse group of communities. A CDCU for South Central Los Angeles was already in the works when rioting devastated the area in the spring of 1992. The federal charter was approved in October of that year. Other urban areas—Newark, East Harlem, and Chicago to name a few—are served by CDCUs, as are people in rural areas such as Appalachia, Quitman County in Mississippi (one of the poorest sections of the country), and the Navaho Nation.

Social responsibility sounds like a heavy obligation, but in fact, it's little more than "people helping people." As it applies to our communities, social responsibility can mean many things. A need may be longstanding and ongoing, or may blow in on the back of a devastating storm. A credit union's response may come in almost any

form—donating cash, helping with fund raising, participating in community events, awarding scholarships, adopting a family during the holidays, providing special awards, granting time off for staff members to give according to their own priorities, or any number of other ways.

Some credit unions fulfill their sense of social responsibility with projects related to the environment, while others choose projects that dovetail with their common bonds. Some choose projects or programs based on other criteria. In each case, the motivation is the same: It's something we owe each other.

## WHY WE DO WHAT WE DO

Credit unions don't exist just to provide financial services. If we did, we'd just be pale imitations of small banks. We provide financial services for the purpose of improving lives.

Financial services are the means. Improvement is the end. While our first responsibility is to our members, part of being a cooperative movement means looking beyond our walls to the larger community in which we work and reside. And today, that community encompasses the entire world.

The principles grouped together under *social goals* cause us to work together in ways other financial institutions wouldn't dream of doing. They



lead us to actively participate in the overall development of our local communities. And our passion for the principle of self-help even carries us across oceans to assist fledgling credit union movements in numerous developing nations and newly emerging democracies.

We regard all the world's people as potential members of the credit union family. That's a powerful idea indeed!

## Community Service

**Raleigh County Federal Credit Union** in Beckley, W.Va., supported Appalachian Stand Down, a weekend retreat for homeless and/or disadvantaged veterans. Credit union volunteers assisted with the event, which included workshops and advice on employment and housing services and VA benefits, as well as clothing, medical, optical, and personal services for the more than 200 veterans and family members in attendance.

When area food pantries were perilously close to bare, the **Madison Chapter of Credit Unions** organized a one-day food drive collecting some 13 tons of food and \$2,000 in cash to replenish the shelves.

## There's No Place Like Home

Credit unions across the country put the principle of *mutual self-help* into practice by supporting efforts such as Habitat for Humanity that help people help themselves.

**NCSC Federal Credit Union** now called **Innovations Federal Credit Union** in Panama City, Fla., ([www.innovationsfcu.org](http://www.innovationsfcu.org)) raised money for Habitat for Humanity through a series of raffles, collections from members, sales of T-shirts, cookbooks, baseball caps, and baked goods. Credit union volunteers also participated in building the home.

With initial funding from the National Credit Union Foundation's Affordable Mortgage Lending Program, low-income families in Burlington, Vt., moved into the homes of their dreams. The **Vermont Development Credit Union** now known as **Opportunities Credit Union** ([www.oppsvt.org](http://www.oppsvt.org)), helped more than 135 low-income families buy their own homes as part of this project. The credit union also worked with the foundation on its Section 8 Homeownership Program and provided housing counseling to low-income Section 8 voucher holders in partnership with the Burlington and Winooski Housing Authorities.



## Environmental Projects

**Hancock School Employees Federal Credit Union**, Weirton, W.Va., joined the "Global Releaf" program and gave seedlings to members for planting. Environmental articles often appear in the credit union newsletter.

**Melrose (Minn.) Credit Union** participated in the state's "Adopt A Highway" program, designed to keep the state's roads clean. The credit union and its offices adopted three stretches of highway and collected 34 bags of litter. The credit union felt so strongly about the program that it adopted another five-mile stretch of road.

**Tacoma (Wash.) Telco Credit Union** sponsored the "Johnny Appleseed Ecology Fair," an educational environmental awareness event for area children. Exhibits covered environmental topics such as wetlands and recycling. The fair also featured a 10-foot Olympic salmon and a longest earthworm contest. Over 400 children and parents attended.

## Investing in Our Future

Through a number of child-centered programs, Philadelphia-based **American Heritage Federal Credit Union** ([www.amhfcu.org](http://www.amhfcu.org)) carries out its social responsibility efforts throughout the credit union's community. American Heritage Federal sponsors the Kids-N-Hope Foundation Music Therapy Program, the Adopt-A-Friend Program, the Adopt-A-Family Program, the Little Patriots Program, and also provides sponsorships and donations to a variety of credit union and community groups. In 2004, its charitable donations totaled more than \$65,000. In 1996, American Heritage became the first credit union in the U.S. to create a nonprofit charitable organization with its Kids-N-Hope Foundation. Over an eight-year period, the credit union provided \$210,000 in contributions to the foundation's Music Therapy Program. More than 2,000 volunteer hours and contributions from 4,100 members, businesses, and employees annually help to assure the program's success.

**Credit Unions for Kids** is a collaboration of credit unions, chapters, leagues, and business partners raising funds for the Children's Miracle Network ([www.cmn.org](http://www.cmn.org)) through lobby collections, run/walks, and other special events. Fund-raising activities benefit 170 affiliated children's hospitals serving 17 million kids.

Each spring, the Credit Union Cherry Blossom 10-Mile Run attracts 10,000 runners from around the world. In the first four years of credit union sponsorship, the event has raised more than \$1 million for the Children's Miracle Network. It's produced under the auspices of Credit Union Miracle Day Inc., ([www.cumiracles.org](http://www.cumiracles.org)) a nonprofit comprised of 85 credit unions and affiliated organizations

## Measure Your Credit Union's "Uniqueness Quotient"

In the previous chapters, you've read about the credit union operating principles and some examples of how credit unions are putting those principles into action. Now, check your credit union's Uniqueness Quotient with the list below.

### Democratic Structure

- ☐ Do you recruit volunteers who reflect the diversity of your membership?
- ☐ Do you encourage attendance at your annual meeting?
- ☐ Do you inform your members that voting for a board is a member right and responsibility?

### Service to Members

- ☐ Do your services improve the economic and social well-being of members by being fairly priced and encouraging thrift?
- ☐ Do you offer loans for provident and productive purposes, such as vehicle loans, student loans, loans to self-employed members for equipment, etc.?
- ☐ Have you removed language and handicap barriers so that all segments of your membership can be served?

- ☐ Do you look for ways to provide credit to members who might not qualify using traditional credit qualifications?

### Social Goals

- ☐ Do you educate your members on the wise use of money through such means as member communications, seminars, and remedial financial counseling?
- ☐ Do you do your part in educating young people on personal finance through such means as school programs and youth savings clubs?
- ☐ Does your credit union take part in community-building by donating time and money to worthy causes and/or by sponsoring events?

Score:

3-4



Good start

5-7



Doing well

8-10



Outstanding





# 7 EMERGING ISSUES

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*Progress is not the mere correction of evils.  
Progress is the constant replacing of the best there is  
with something still better.*

—Edward A. Filene

Early credit unions didn't look much like the credit unions of today.

U.S. credit unions have changed dramatically since the first one was **organized back in 1908**—and so have the members! We offer services never imagined by those pioneer founders. We've learned to view our services, methods, and many aspects of our operations for what they really are: the means by which we accomplish our purpose. We can modernize the means and remain true to our purpose. But some things cannot change: We must maintain the basic human values, cooperative principles, and member focus that make us a true alternative to other financial institutions.

What changes will tomorrow bring? It's hard to say exactly. A number of challenges will shape our future:

## STAYING IN TOUCH WITH MEMBERS' NEEDS

Credit unions will probably continue to grow in size. While we welcome the greater financial stability and flexibility in serving members' needs that

growth often brings, we have to make an effort to stay close to members. The U.S. population is aging and growing more diverse. For example, Hispanics have the fastest growth rate of any major racial and ethnic group. From 2000 to 2004, they accounted for 49% of the U.S. population increase, compared with 40% in the 1990s. Since 2000, poverty is up 1.2 percentage points, an addition of 4.3 million poor persons in the U.S. An increasing share of the population does not have health insurance, largely due to less employer-provided coverage. These all mean changing needs for members. We have to keep up with changes in society and changes within our fields of membership. We have to identify what those changes mean in terms of financial needs before we can do anything to fill them.

How will we keep in touch and identify changing needs? We need to use resources like census data, the CUNA *Environmental Scan*, and the Hispanic Resource Center at [www.cuna.org](http://www.cuna.org). We have to keep asking questions of members and pay atten-



tion to their answers. We must analyze trends in service usage, survey members, and listen to them when they come into our offices or call on the telephone. Then we have to take that information and turn it into services that mean something to members.

## ADOPTING NEW TECHNOLOGIES

We can't meet tomorrow's needs with yesterday's tools. Yet technological change is so fast that it seems you've scarcely mastered one system when it's being replaced by a different one. Consumers' expectations of tech-

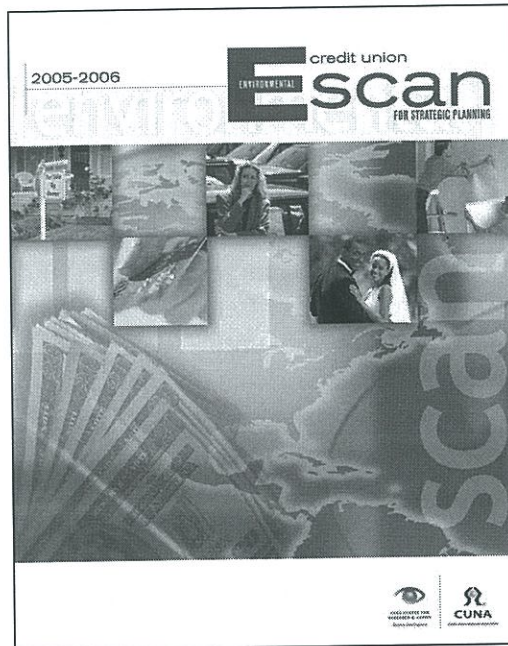
nology are constantly rising. So, for example, adding a Web site is not enough, it demands continuous updates.

Much is at stake in choosing technologies. The cost for hardware, software, services, and training is exceeded only by a credit union's cost of funds and employee salaries and benefits. A bad choice can create untold problems. It even has the potential to cause members to question whether their trust in the people to whom they delegate their authority is justified.

Hiding behind conservatism, though, isn't the answer. Our mandate isn't to do merely a "good enough" job serving members. We're supposed to look out for their best interests. That means actively questioning how existing and emerging technologies can benefit members in the areas of financial services and operating efficiency. When all the answers, including cost, make sense, we need to be willing to adopt that new technology.

## REGULATION

Conventional wisdom says that regulations have become far more numerous and burdensome in recent years. The fact that compliance seems to be a burden puts us in a bind. While we support, in principle, many consumer regulations, we also have to consider their financial effect on our ability to serve members' best interests. Money



*The CUNA Environmental Scan identifies trends and helps us understand the implications for the credit union movement.*

isn't everything, but unless income meets or exceeds expenses, we can't do anything. This is a philosophical question we'll each have to weigh as new regulations are put out for comment.

## TAXATION

In 1937, Congress granted credit unions a federal income tax exemption. Since then, the question of whether we should continue to have the exemption has been raised from time to time. It's likely to be raised again. Until the federal budget deficit has been substantially reduced, there will be tremendous pressure to generate additional tax revenues. Banking groups continue attempts to remove the exemption.

A reversal of our tax-exempt status would have a powerful effect on our ability to serve members. How will we answer if Congress looks our way again?

Originally, we were exempted from federal income taxes on the basis of our cooperative structure. We were organized and operated for mutual purposes and without profit. Earnings were promptly distributed to members, and taxed as part of their personal income.

All that remains true. We're still democratically structured and member-owned and controlled. We still operate for service to members, not for the

profit of anyone outside the membership. Dividends are still taxed as income to members. But from the start, there was another consideration, too.

Writing in 1986, shortly after a Congressional review of our tax status, Admiral Joe Schoggen, then CEO of Navy Federal Credit Union, commented that credit unions "voluntarily fill a vital social need which Congress would otherwise be under great pressure to fill at taxpayer expense." That function is providing affordable credit to people of average means.

So another answer to Congress would be based on how well we fulfill that "vital social function." There are two major challenges implicit in this answer. One is that we continue to earn the privilege. Are we honestly meeting a public need? Are enough credit unions involved in the effort? Could we be doing more? Those are questions that we, both as individual credit unions and as a movement, need to continue to discuss and act on. The other challenge is documenting and communicating the ways we fill that public need. In both of these challenges, responsibility for action lies with each credit union because we all share in the benefits.

There are other practical concerns when we weigh the benefits of increased tax revenues against the likely consequences of taxation. All credit



unions would have a harder time generating the capital which provides financial stability. Without adequate reserves, some credit unions would be forced out of business, taking away financial services from those who most need them. Financial services would probably become more expensive for everyone. Members would pay more for the same services. Customers at other types of financial institutions would likely pay higher costs and get lower returns too. Why? Because many institutions consider competitors' prices when setting their own. If we have to

change our prices as a result of taxation, other institutions will be able to change theirs and remain competitive.

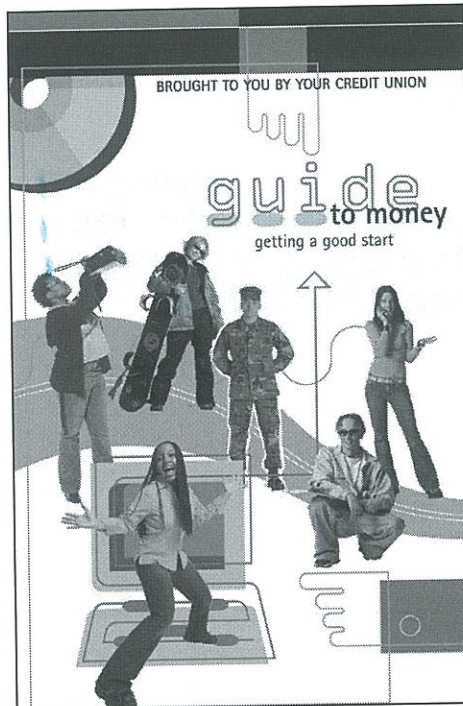
If credit unions were taxed, it will be difficult to continue as the unique alternative to other financial providers that we are now. It seems clear the costs to the public would far outweigh the benefits of taxation.

## HAVE WE FULFILLED OUR MISSION?

Much of credit union tradition centers around providing credit for those who may be refused by other lenders. But when we look at who we are now, many of our members can (and do!) easily qualify for loans from other sources. When we compare lifestyles today with lifestyles in the 1920s and 1930s, when credit unions first got a strong foothold we see an incredible improvement in members' financial security.

We should take great pride in the part we've played in bringing about these successes, but does that very success take away our purpose? Like an *ad hoc* committee, have we served our purpose and should therefore be dissolved?

After all you've read so far, you probably see many reasons why credit unions must continue. Statistics indicate that members still need the services we've traditionally offered, and we're still more likely than other



*Preparing the next generation for responsible money management continues the credit union mission.*

lenders to make credit available to people who need it. But there's more.

Our lives can always be made better. Improving social and economic well-being isn't a purpose with a definable end. Financial services are a critical way in which we interact with our society and realize our dreams: having a home, purchasing goods, sending children to college, and other goals. With each individual, the process begins anew.

## STAYING FOCUSED IN THE RUSH

Probably the greatest challenge to credit unions today and in the future is separating the things we *need* to do from the reason for our existence. We need to comply with an alphabet soup of regulation. We need to build financial stability, perhaps increase capital. We need to sell our services. We need to master complex tools for controlling different kinds of risk. We need to nurture our human resources. We need to stay competitive.

But most of all, we need to put everything in the perspective of how it contributes to our purpose of helping members build a strong financial future. If we keep sight of the fact that each of these things we *need* to do is actually a means to an end, not the end itself, we'll expand our power to make a difference. This is our basic

belief in *mutual self-help* applied to the credit union as an organization. By working together, members, volunteers and staff can accomplish more than if we each work on our own.

Along with the direct effect we can have on members' lives, we can continue to be a positive influence on the financial industry as a whole. By setting an example that all financial institutions have to live up to in order to be competitive, we can make life better even for people who never set foot in a credit union.

There's a great need for financial literacy and financial services. If we apply the powerful ideas that set credit unions apart from all other financial institutions, we can make a difference.

For example, among CUNA's Youth Initiatives is a three-way partnership with the National Endowment for Financial Education, the Cooperative Extension Service and CUNA that provides a fully developed curriculum that credit union people can take into schools. The NEFE High School Financial Planning Program consists of six units that provide a basic introduction to personal financial planning and fit into a number of existing courses, such as math, social studies, economics, and consumer or life science. The student's materials and step-by-step instructor manual are available at no charge, and teachers are matched with financial professionals—like



you—in order to team teach the program.

## THE INTANGIBLE BALANCE SHEET

Measuring the economic effect of credit unions is relatively easy, as we mentioned at the beginning. But credit unions are more than figures on a piece of paper. **Someone once said that we keep two balance sheets: a financial one and a human one. And it's true.**

Think about the pride of teenagers who have money in a savings account because their credit unions encouraged them to save as youngsters. Or families that survive with the help of their credit unions when a wage-earner is on strike or laid off. Consider the words of a manager whose credit union serves an inner city: **"You have to see the expression on their faces when they get their loans to appreciate what this credit union means to its members. It's hard to explain the feeling you have. I get phone calls from people telling me how much the credit union's existence means to them."**

Think about these intangibles the next time you look at your credit union's balance sheet. **Try to visualize the people behind the numbers.** That's the real credit union story. And it happens because of you.

## YOU'RE PART OF IT ALL

The credit union difference is very real and very powerful but it's not a given. It requires our constant renewal and dedication. It's something you—yes, *you!*—must continue to learn about, take to heart and—most of all—act on in all your credit union responsibilities.

If you're a staff member, look for the ways credit union philosophy influences the things you do. Based on that philosophy, look for ways you can put it into action. Deliver the promises.

If you're part of management, you also need to understand how philosophy is part of everything you do. You need to weave it into all the decisions you make. You're in a position to encourage and support staff's efforts to put philosophy in action, by providing early training for them in that philosophy. **Work for a true member focus, rather than an operations focus in everything the credit union does.** Then take it all a step further. Teach members about philosophy. Get involved in the movement. Share your stories and experiences.

**If you're a volunteer, make philosophy part of every policy you set. Always ask how your decisions will benefit members. Ask how can we do more. Seek meaningful ways for members to participate. Hold everyone—yourself, fellow volunteers, manage-**



## Let's Inspire Each Other to Greater Efforts

There's an easy way for each credit union to inspire its own people and other credit union people—to apply our philosophy in the day-to-day business of serving members.

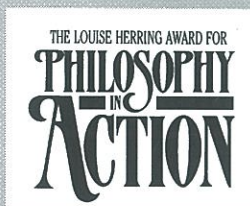
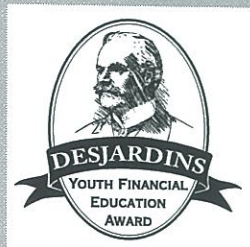
How? In traditional credit union fashion, by sharing our stories with each other.

Within your credit union take the time to ask employees and volunteers for examples of "putting people first." Publish them in an employee newsletter (or member newsletter, for that matter). Take time at meetings for verbal reports, or post examples on a bulletin board for all to see. Thank people for their efforts, both in applying the philosophy and for taking time to report it. The more you encourage and recognize people, the more you'll inspire additional efforts.

Please share with the rest of us, too, so we can build on the positive energy. Many of the examples of outstanding service to members and community that you've read in this book are drawn from entries in the Desjardins Youth Financial Education Awards, Dora Maxwell Social Responsibility Awards, and Louise Herring Philosophy in Action Awards. Entering the award programs is one way to share the excitement with us and receive recognition. But don't feel limited to the contests. CUNA is always interested in "good news" stories that demonstrate the credit union difference. These stories help to foster a positive environment in which all of us can operate.

These award programs inspire us to act on our philosophical heritage.

(See the Resources section for the address and phone number of CUNA Publications.)



ment and staff—to a high standard of uniqueness. Your interest will fuel everyone else's. Educate yourself so you can make wise decisions on behalf of members. Cooperate with and support the efforts of others in the movement.

If you're part of the Credit Union

System or another support organization, build philosophy into the products and services you provide and the discussions you facilitate. Keep credit union uniqueness on the agenda. Act on our cooperative values in relations with others. Suggest ways credit unions can put philosophy into action.



To keep the credit union difference real and vital, we're all counting on each other. That's part of our cooperative heritage, too.

## SUPPLEMENT A

# CREDIT UNION ORIGINS OUR EUROPEAN ROOTS

The story of our American credit unions has been a constant search for "something still better." But in Europe of the 1840s, the cooperative credit movement was born out of an even more urgent goal—economic survival.

### DESPERATE TIMES, DESPERATE MEASURES

The 19th century was a time of turmoil and suffering, with the inevitable upheavals that result from massive change. The industrial revolution and democratic ideals were transforming the political and social institutions of western civilization. Nationalist revolutions and workers' uprisings swept the continent, while economic depression and famine brought widespread disaster and misery.

None of the organized systems we rely on to provide relief today existed back then. There were no provisions for disaster relief, no government aid programs, no Social Security, no safety net. The problems were too widespread

for individual charity to solve. Slowly the idea began to take shape that if people were to survive economically, they would have to work together, rely on each other to make it happen. The idea of cooperatives—of mutual self-help—had special appeal, and many different kinds of co-ops were organized. One in particular is remembered because it developed a set of workable business practices that have characterized cooperative enterprises ever since.

In 1844, a group of weavers in Rochdale (*rowsh-dale*), England estab-



*Rochdale Cooperative Store, 1844*

<b>1850</b> <i>Hermann Schulze-Delitzsch organizes first "people's bank" in Germany</i>	<b>1859</b> <i>Some 180 credit societies have formed in Germany with 18,000 members</i>	<b>1864</b> <i>Raiffeisen starts first credit union</i>	<b>1866</b> <i>First cooperative bank in Italy</i>	<b>1901</b> <i>Desjardins starts first credit union in North America</i>
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lished the Rochdale Society of Equitable Pioneers, a consumer's cooperative store. Its business practices, now known as the *Rochdale Principles*, included open membership, democratic control, the return of any profits to members, and member education.

The Rochdale Principles apply to all kinds of cooperatives. Six years after the Rochdale Society was formed, the cooperative idea began to be applied to the need for credit. (The International Credit Union Operating Principles, which are discussed in Chapters 3–5, evolved from the original Rochdale Principles.)

## FINANCIAL COOPERATIVES EMERGE

Events that took place during the decade of the “hungry forties” led to the first credit society, organized in 1850. In Germany during 1846 and 1847, widespread crop failures, followed by one of the harshest winters ever, fueled an economic depression whose effects were felt in city and country alike.

In the cities, there was no work.

Businesses languished. In the country, small farmers were allowed to own their own land for the first time, but the hope this offered turned out to be largely illusory. Few had the means to buy and farm the land. Buying the land was only the start. They had to have money for seed and livestock, too. Their only source of credit was moneylenders who charged outrageous rates and foreclosed indiscriminately if, as often happened, payments couldn't be met.

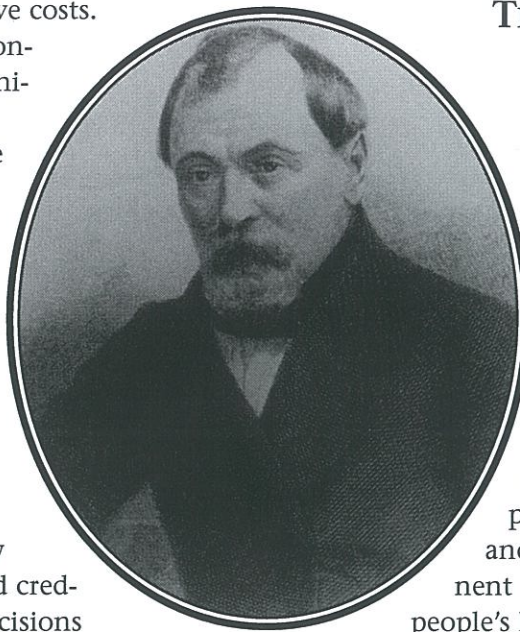
The combination of crop failure, a harsh winter, and economic depression created misery on a scale that's hard for us to imagine. In response, cooperatives of all kinds began to be formed. “Bread unions” were some of the earliest ones, reflecting just how desperate things really were.

The first “people's bank” was organized by civil servant Hermann Schulze-Delitzsch in 1850. Through trial and error and with a base of established cooperative principles, the people's banks soon proved successful at filling the need for credit. Membership was open to anyone willing to accept the requirements. An entrance fee helped

1908	1909	1909	1934	1934
First credit union organized in United States	First credit union chartered in United States	First credit union law passes in Massachusetts	Federal Credit Union Act is passed	National organizational meeting held in Estes Park, Colo.; Credit Union National Association formed

cover administrative costs.

Members had to contribute to the organization's capital by buying at least one share, which they could pay for in installments. To encourage people to save, and thus provide the funds to make loans, dividends were paid on deposits. Since the intent was to allow people who needed credit to get it, loan decisions were based on character and rates were reasonable. Each member had one vote, regardless of his or her share of ownership, and the entire operation was run by the members through elected committees. By 1859, there were 183 credit societies organized along these lines, with 18,000 members.



*Hermann Schulze-Delitzsch created "people's banks" which provided credit on a cooperative basis.*

## THE CONCEPT DEVELOPS

As the idea of cooperative credit spread from the cities into the countryside, it began to be conceived of as a force for social change: not just a source of credit, but a means to fight poverty and usury, and to make permanent improvements in people's lives. Friedrich Raiffeisen, mayor of a rural district in Bavaria, was instrumental in this expansion of the credit union

idea to its full potential.

Raiffeisen came to see cooperative credit as an answer to the pressing economic and social ills that he witnessed every day. He started his first credit union in 1864 using the ideas and operating principles that had already proven effective: democratic control,

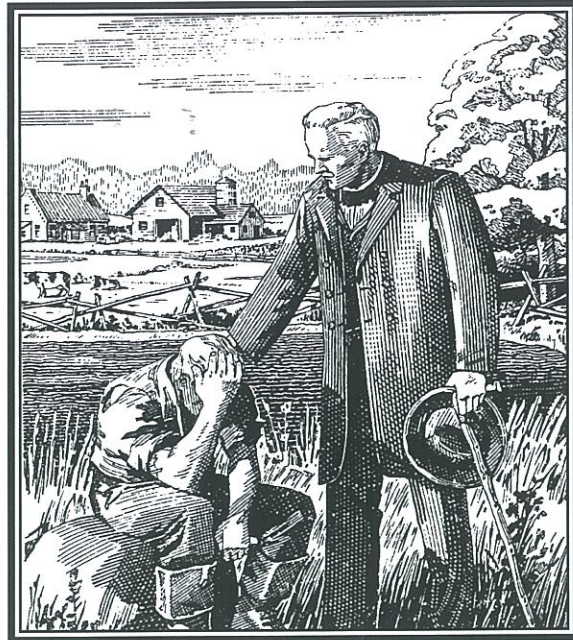




equal rights of members, volunteer operation, minimum participation levels.

The number of financial cooperatives continued to increase, slowly at first, then more rapidly. As the numbers grew, so did the organizations' interactions with each other. Regional and national associations were created to look out for common

interests. These associations served as a conduit for information, promoted additional development, and fought for enabling legislation. Since supply of and demand for money in individual credit cooperatives were rarely a perfect match, a central facility was created to



*Friedrich Raiffeisen promoted cooperative credit as a means to alleviate suffering among the rural poor, thus earning the title "father of the credit union movement."*

lend the surplus funds to credit unions with higher loan demand. The organizations created then remain a major banking system in Germany today.

With a central credit facility, all the now-familiar pieces of the credit union world had been established.

Refinements would continue to be made, but

the basic concepts were in place.

Out of all of this, the concept we most take for granted was probably the most radical back then: that average people are capable of managing their own financial affairs. Things have changed a great deal in 150 years.

**1970**  
World Council of  
Credit Unions  
formed

**1970**  
National Credit  
Union  
Administration and National  
Credit Union Share  
Insurance Fund  
created by  
Congress

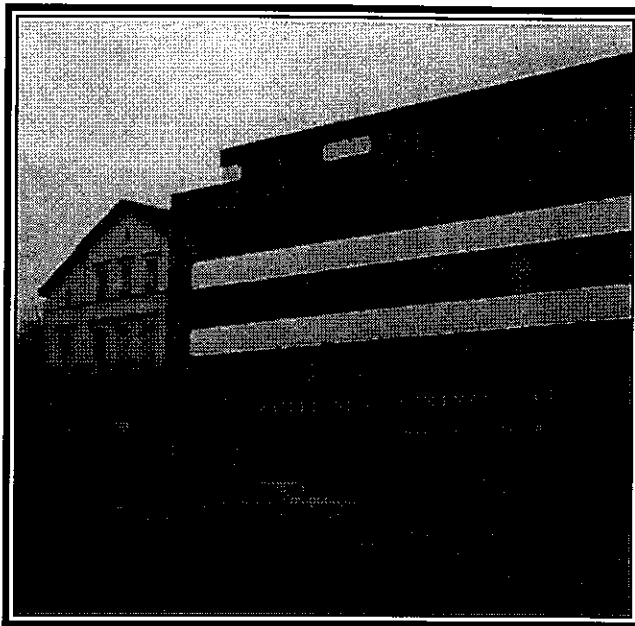
**1974**  
U.S. Central Credit  
Union created

**1979**  
"Save Our Share  
Drafts" campaign  
launched

**1991**  
Operation  
Grassroots rally in  
Washington, D.C.

## THE IDEA SPREADS

Even while the concept of cooperative credit was being refined and proven in Germany, it spread to other European countries. The first cooperative bank opened in Italy in 1866, with a refinement of its own: the idea that individual members' liability for the debts of the society should be limited. The German models, however, were remarkably sound. With few changes, credit societies based on these models were established in Switzerland, Austria, France, Ireland, and other countries. As described in Chapter 2, Alphonse Desjardins would study the European concepts and introduce the credit union idea to North America in 1901.



*Raiffeisen credit unions and central banking facilities are a familiar sight throughout Germany today.*

1996	1996	1998	2005	2005
D.C. Court of Appeals rules Federal Credit Union Act does not permit multiple common bonds within one field of membership	Credit Union Campaign for Consumer Choice launched	"Credit Union Membership Access Act"—H.R. 1151	Bankruptcy Abuse Prevention and Consumer Protection Act signed into law	Credit Union Regulatory Improvements Act of 2005 introduced





SUPPLEMENT B

# PEOPLE HELPING PEOPLE: A GALLERY OF CREDIT UNION LEADERS

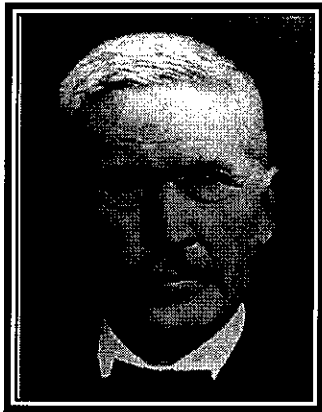
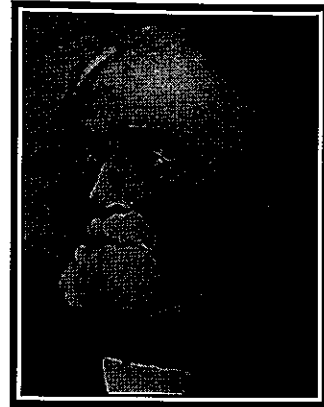
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## KEY PEOPLE IN THE DEVELOPMENT OF THE CREDIT UNION IDEA

### **Hermann Schulze-Delitzsch**

(*Shoolts'-eh Day'-litch*) (1808–1883)

- German civil servant and member of Parliament with a strong interest in cooperatives
- Recognized the need for credit as separate from the needs other co-ops served and gradually focused most of his efforts in this area
- Founded his first credit society in 1850. After some trial and error, the initial "loan association" came to closely resemble the credit unions of today
- Spent the rest of his life organizing "people's banks," promoting them through his writings and working to give them legal status



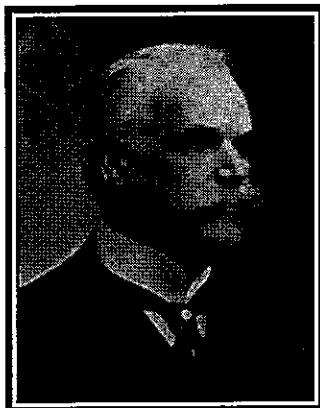
### **Friedrich Wilhelm Raiffeisen**

(1818–1888)

- Mayor of Flammersfeld, a rural district in Bavaria
- Founded rural cooperatives (loan societies) to aid poor farmers
- Organized the Heddesdorf Credit Union in 1864
- Founded regional and national credit union organizations
- Founded first central credit union bank to serve liquidity needs of member credit unions
- Eventually formed 425 credit societies
- "Raiffeisen Societies" had elements of a common bond, were run by volunteers, and had committees for handling loan applications and supervising operations
- Considered the "Father of the Credit Union Movement"



## EARLY NORTH AMERICAN LEADERS

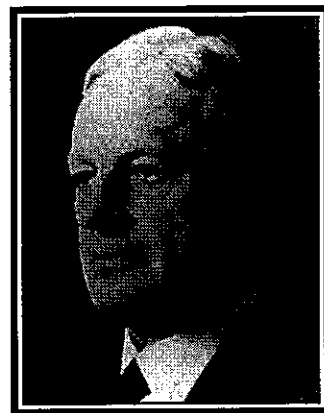


### **Alphonse Desjardins** (*Day-zhar-dan*) (1854–1920)

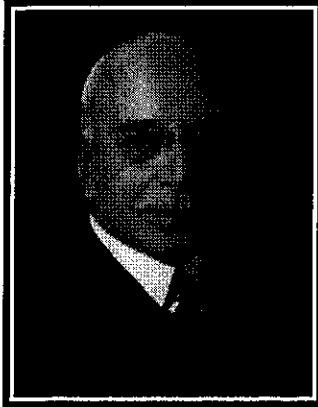
- Reporter with an interest in cooperatives who covered the Canadian Parliament
- Outraged by testimony about usurious interest rates, he organized a financial cooperative: La Caisse Populaire de Lévis in 1901. Operated out of his home, its first deposit was 10 cents, but within six years it had made more than \$200,000 in loans without losing a penny
- Organized many other credit societies, including St. Mary's Bank, the first credit union in the United States
- Instrumental in obtaining legislation to recognize credit unions in Quebec, and his support and testimony helped secure the first U.S. credit union law in Massachusetts
- In Quebec, the movement is known as the Desjardins movement; almost three-quarters of citizens are members

### **Pierre Jay** (1870–1949)

- Massachusetts state banking commissioner just after the turn of the century
- Co-organizer of first credit cooperative in the United States
- Drafted the legislation for the first state credit union law in the United States, which passed in 1909



## A DEDICATED SUPPORTER OF U.S. CREDIT UNION DEVELOPMENT



**Edward A. Filene** (1860–1937)

- Millionaire philanthropist with creative vision and boundless energy
- Earned his millions in the family's department store in Boston, where he introduced many innovations: bargain basement, a profit-sharing plan, minimum wages for women, medical and other benefits, and a 40-hour workweek
- In 1907, during a round-the-world trip, saw cooperative credit societies in action in India
- Provided the vision and financial support that made the growth of credit unions possible in the United States; personally contributed more than \$1 million
- Instrumental in setting up a succession of organizations to promote and assist credit unions, including the Massachusetts Credit Union Association, the Credit Union National Extension Bureau, and CUNA
- Provided the \$25,000 loan that put CUNA Mutual in business
- A national figure whose ideas were sought and respected; a friend and business associate of several U.S. presidents
- Helped establish the chamber of commerce on local, state, and national levels and founded the Cooperative League, which is now the 20th Century Fund, devoted to economic research



## THE ARCHITECT OF U.S. DEVELOPMENT

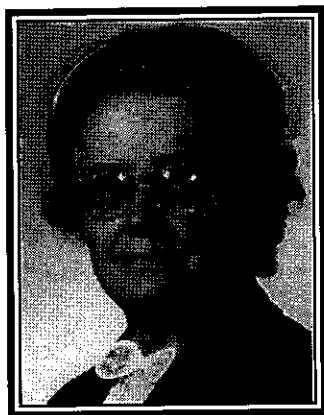
### **Roy F. Bergengren**

*(Ber-gin-gren)* (1879–1955)

- Massachusetts lawyer
- In 1920, hired by Edward Filene to head the Massachusetts Credit Union Association
- Director and co-organizer of the Credit Union National Extension Bureau
- Wrote a model law which was used to enact most state laws
- Grassroots organizer for the Federal Credit Union Act, passed in 1934
- First general manager of CUNA, CUNA Mutual, and CUNA Supply
- Helped launch U.S. movement's involvement in international development



## WOMEN IN EARLY LEADERSHIP ROLES



### **Agnes Gartland**

(1892–1966)

- Assistant executive secretary to Roy Bergengren
- Managed League Central Supply, an organization formed in 1930 for the purpose of taking over the handling of credit union supplies from the Massachusetts League
- Served as secretary for the CUNA organizational meeting in Estes Park, Colo., in 1934



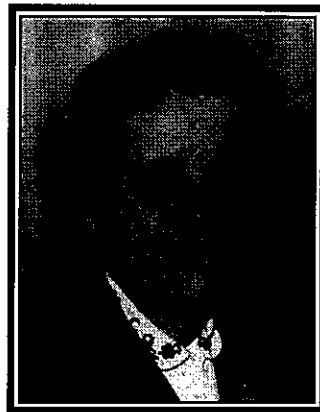
**Dora Maxwell**

(1897–1985)

- Treasurer of the New York Consumers Cooperative Credit Union in the early 1920s
- Elected to the first board of directors of the New York State Credit Union League
- Employed by the Credit Union National Extension Bureau to work in New York, New Jersey, and Pennsylvania
- Signed the CUNA charter at Estes Park, Colo., in 1934
- During a five-month period in 1935, she personally organized 120 credit unions
- Served on CUNA field staff and as director of organization and education during the critical period until 1947
- Served as Eastern region representative for CUNA and CUNA Mutual
- CUNA's Social Responsibility Recognition Program is named for her

**Louise McCarren Herring** (1909–1987)

- Delegate to CUNA organizational meeting in Estes Park, Colo., at age 20 (Bergengren was initially annoyed at being sent a "kid," but Herring was more than able)
- Organized more than 500 credit unions in Ohio and managed several at different times
- Founder and the first managing director of the Ohio Credit Union League
- An unfailing supporter of credit unions as institutions with a social agenda, not a purely economic one
- CUNA's Philosophy in Action Award named for her



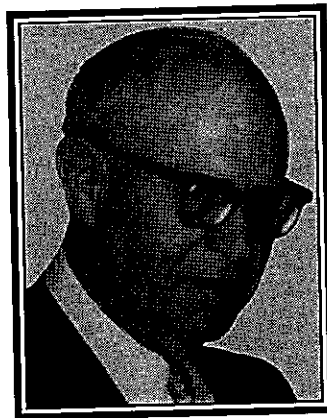
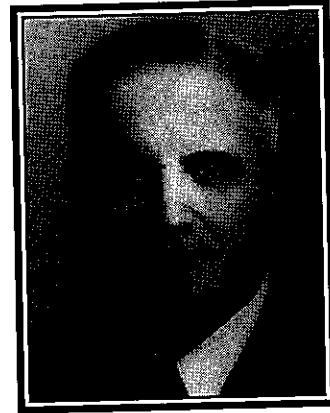


## TWO OTHER EARLY U.S. LEADERS

### **Thomas Doig**

(1896–1955)

- A postal worker when he first became involved with credit unions; an enthusiastic member of the Minneapolis Postal Employees Credit Union, later worked as its manager
- Worked as an assistant to Roy Bergengren at CUNEB in the late 1920s
- Organized credit unions throughout the Midwest
- Worked at manic pace, personally organized more than 1,000 credit unions
- Joined CUNA when it replaced CUNEB
- Chosen as managing director of CUNA, CUNA Mutual, and CUNA Supply when Bergengren retired in 1955

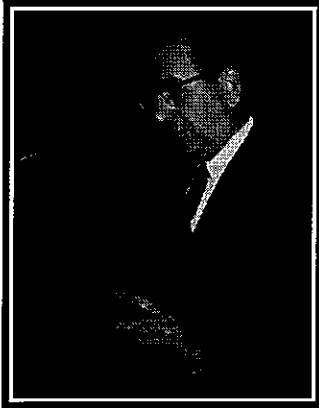


### **Leo Shapiro**

(1895–1992)

- California attorney outraged by a loan shark's practices, inspired by a magazine article about Filene and credit unions
- Worked for five years to get legislation passed in California, succeeding in 1927
- Organized more than 100 credit unions, including the first in California
- Instrumental in organizing the California Credit Union League and served as its first president
- California's co-counsel for many years
- Charter member of the National Association for Retired Credit Union People
- In California, known as the "Prophet"

## MODERN CREDIT UNION LEADERS



**Charles F. Eikel Jr.**

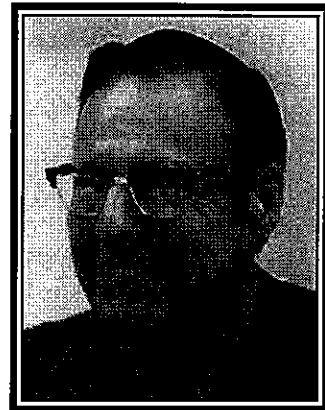
(1908–1988)

- Secretary, and later, managing director of Louisiana Credit Union League
- Field representative for CUNA
- In 1956, became chief executive of CUNA, CUNA Mutual, and CUNA Supply
- Under his leadership, CUNA Mutual's insurance coverage increased more than \$16 billion
- Responsible for starting Credit Union Day, now observed throughout the world
- Principal founder and first president of the National Association for Retired Credit Union People

**R.C. Morgan**

(1912–1991)

- Known as the credit union movement's "senior statesman," devoted more than a half-century of service to the movement
- Helped transform CUNA from simply a trade association to a wide-ranging service organization through his work with planning committees
- Broad involvement in the movement: held elected offices on the state, national, and international levels for many years, including top positions with the Texas Credit Union League and CUNA
- Director and officer of ICU Services Corp., CUNA Service Group, U.S. Central Credit Union, and the World Council of Credit Unions
- Involved in regulatory functions, serving on the Texas Credit Union Commission and the Consumer Advisory Council of the Federal Reserve Board
- Numerous awards recognized his outstanding service, including election to the Cooperative Hall of Fame





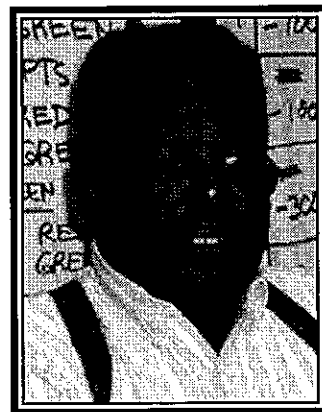


### **R.C. "Dick" Robertson**

- President and CEO of Arizona State Savings & Credit Union
- First person to have held the highest elected office of each of the key national and international organizations of the credit union system
- Youngest individual to serve as chair of CUNA, when elected in 1968
- One of the organizers of U.S. Central Credit Union and served as its first treasurer
- Chair, World Council of Credit Unions, 1971
- Chair, CUNA Mutual Insurance Group, 1983–1985
- Chair of the Capitalization Committee, 1980s; helped ensure that credit unions adjusted to the financial risks of a deregulated environment
- Had more than 35 years of service in other volunteer positions throughout the credit union system
- Appointed by People-to-People International, led a group of financial management specialists from the United States to the People's Republic of China in 1987

### **John Earnest Johnson**

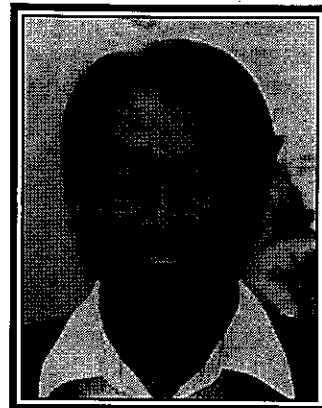
- Credit union specialist with the Federation of Southern Cooperatives
- Helped establish rural, community-based credit unions for more than 30 years
- Championed the cause of poor and low-income borrowers throughout the rural South
- Set up innovative programs including a computer training lab, youth credit unions and training materials sensitive to the needs of low-income and African-American credit union members
- Assisted in development of credit unions in South Africa
- Inducted into Cooperative Hall of Fame, 1999



## LEADERS ENCOURAGING CREDIT UNION GROWTH IN OTHER COUNTRIES

### **Augustine Kang**

- Promoting interest in credit unions in The People's Republic of China; refers to his efforts as "China Dream"
- Two pilot credit unions formed in Harbin City as result of his efforts
- Nurtured the growth of the Korean movement
- Retired employee of the World Council of Credit Unions



### **Victorine Kpohazounde**

(Ko-pu-zoo-de)

- Served as executive director of the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA), headquartered in Nairobi, Kenya
- Served as ACCOSCA chief of the Member Services Department, chief of Research and Development, and program developer
- Cooperatives Commissioner in Benin
- National Women in Development Officer, Ministry of Rural Development in Benin
- Has worked to foster cooperative relationships with U.S. credit unions; her address to CUNA delegates in 1995 inspired audience to think globally



**Aston A. (Paddy) Bailey**

- Called the "First True Global Credit Union Pioneer"
- Active in co-op movement since 1939
- Served in Jamaican government before becoming CUNA's Caribbean field representative
- Transferred to Africa in 1961; responsible for introduction of credit union idea in Africa
- Became executive director, World Extension Department, 1964
- Worked in more than 100 countries
- Inducted into Cooperative Hall of Fame in 1997



### **Volunteers in Support of South African Credit Unions**

- South Africa's credit unions, called Savings and Credit Co-Operatives (SACCOs), originally had to operate underground. The country's shift to democracy in 1994 allowed credit unions to operate openly and legally. In 1996 the People to People (PTP) program sponsored a two-week visit of U.S. credit union leaders to South Africa promoting credit union development.
- The University of Western Cape SACCO serves union workers who were previously denied access to financial services and often victimized by loan sharks. A three-year business and marketing plan developed by PTP volunteers contributed dramatically to credit union operations and improved member finances.
- The Louisiana Credit Union League formed an international partnership with SACCOL (the South African League) in 1996. Six SACCO interns received on-the-job training at Louisiana credit unions. Tremendous progress in key areas continues as a result of this partnership.
- People-to-People volunteers included:
  - Richard Turnley Jr., Southern Teachers and Parents FCU
  - Helen Godfrey, Shreveport FCU
  - Robert Kina, Louisiana CU League
  - Delphina Byrd, American Airlines FCU
  - Joyce Jackson, former hospital credit union president
  - Earnest Johnson, Federation of Southern Cooperatives
  - Carl Stewart, Water & Power FCU
  - Juanita Quann, credit union board member

*Checking the financial status of the Umanyano SACCO are manager Sindile Moya (left) and People-to-People Program technical advisers Bob King (Louisiana CU League) and Helen Godfrey (Shreveport FCU).*





## WOMEN IN MODERN LEADERSHIP ROLES

### **Janet Miller**

(1936-2001)

- First woman to be elected chair of CUNA (1989-1991)
- Former president and CEO of Air Academy Federal Credit Union in Colorado Springs, Colo.
- Served on several committees dealing with legislative, regulatory, and government affairs
- Pursued the special interests of military credit unions with service to the Defense Credit Union Council
- Former chair of the Colorado Credit Union League and CUNA Mortgage
- Served as board member of the National Association for Retired Credit Union People



### **Rosemarie Shultz**

- First woman elected to serve as chair of CUNA Mutual Insurance Group (1989)
- President and CEO of Public Employees Credit Union in Bellingham, Wash.
- Served as vice chair and treasurer of Washington Credit Union League and vice chair of the Washington Credit Union Share Guaranty Association
- Served as a CUNA national director

## IDENTIFYING LEADERS IN YOUR STATE

The people identified in this section are just a sampling of the many people who have contributed to the development of credit unions, here and abroad. Who was instrumental in establishing credit unions in your area?

**Names**

**Contributions**

**Who organized  
your credit union?**

**Who was the  
first president/manager?**

**Who were the leaders  
in forming your state's  
league?**

**Which credit unions  
did they come from?**





## SUPPLEMENT C

# OUR SUPPORT SYSTEMS AND ORGANIZATIONS

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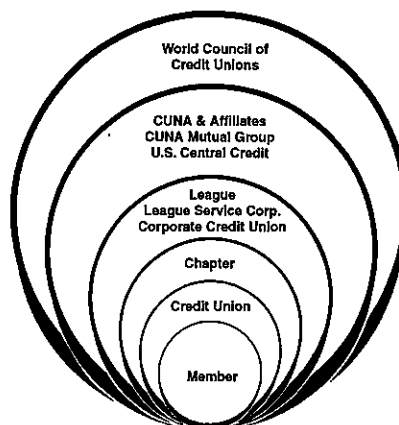
The ideas of *self-help* and *mutual help* are both important aspects of credit union philosophy. A credit union is an example of mutual help—many people acting together to provide opportunities that those same people acting alone couldn't create. Those opportunities, on the other hand, are chances for members to help *themselves* by saving, using credit well and making wise financial choices. Self-help and mutual help aren't exclusive. They're complementary.

## A WORLD OF COOPERATION: THE CREDIT UNION SYSTEM

To facilitate mutual help among ourselves, and to work for the good of all credit unions, we've created a set of organizations known as the credit union system. The system operates with the same basic set of principles and values as its member credit unions. The various components are owned and operated by the credit unions and—indirectly—by the people they serve. The only reason for a support system is to serve those credit unions and their members.

Earlier, you read about the emergence of credit unions in the United States. Their development is closely linked with the development of these

## CREDIT UNIONS: A WORLDWIDE SYSTEM CENTERED ON THE MEMBER



support organizations. Two months after the Federal Credit Union Act was passed, 52 delegates representing credit union people from 21 states met in Estes Park, Colo. They drafted and approved a charter and bylaws for a self-supporting national association. Before the year was out, 34 states and the District of Columbia had approved the document. In the process, many state leagues were either newly organized or reorganized, thereby strengthening the entire movement. In 1935, the Credit Union National Association (CUNA) opened its doors in Madison, Wis., with Roy Bergengren as its managing director.



## THE DEBT SHALL DIE WITH THE DEBTOR

While all of this was going on, credit union leaders were also coming to recognize some emerging needs in the movement. One was for some type of insurance to protect both credit unions and members. The other was for affordable office supplies for credit unions' unique operations. As a result, two national organizations joined CUNA in 1935 and 1936.

The need for insurance was based on the fact that when credit unions were becoming established in this



*The "Lesson of the Lineman" symbolized the need for loan protection insurance, which led to the formation of the CUNA Mutual Insurance Society.*

country, any debts people owed at the time of their deaths still had to be paid by the estate, the family, or any co-signers. According to a traditional credit union story, a power company lineman was killed on the job in the early 1930s, during the worst of the Great Depression. He had borrowed \$250 from his credit union just two days before, so no payments had been made. The entire balance had to be covered by his two co-signers. This particular story is not literally true, although similar stories have been documented. Still, the recognition of the need for insurance protection came to be known as "The Lesson of the Lineman." Facing real-life examples of similar situations, the response among credit union people was always the same. Somehow, survivors had to be relieved of the burdensome debts of the deceased.

To answer that need, the CUNA Mutual Insurance Society was approved in 1935, before CUNA even started operating. CUNA Mutual didn't invent the concept of an insurance policy that would pay off a loan if the borrower died. But it did reinvent the idea. Instead of a policy written on an individual, CUNA Mutual's loan protection insurance covers borrowers as a group, and makes payments to the credit union, rather than the individual, if the borrower dies before repaying the loan. The pooling of risk

means the cost is low and individuals don't have to be turned away as "bad risks." In addition to protecting the families of deceased borrowers, loan protection insurance helps credit unions meet their responsibilities to safeguard members' funds.

CUNA Mutual did invent a parallel policy called life savings insurance, another group policy that pays a death benefit equal to the amount of a member's shares, up to a certain limit. This was a good way to encourage savings, but unlike loan protection, this policy offered no direct benefit to the credit union itself. Yet for years, both policies were offered as a benefit of membership by most credit unions at no direct cost to members.

These products were created for their benefits to members, but they also made the credit union a more attractive alternative, and so contributed to the movement's growth. Over time, CUNA Mutual (now called CUNA Mutual Group) has changed in response to our changing insurance needs. For example, today, the pressure of increased operating costs has caused a decline in the number of credit unions that offer loan protection and life savings insurance to members at no charge. But more than half of U.S. credit unions still do so. Most of the rest offer similar coverage on a member-pay basis, at rates significantly lower than other financial institutions.

## SUPPORT SERVICES DEVELOP

CUNA Supply Cooperative was created in 1936. Known as the printing arm of the movement, it provided the unique bookkeeping forms and promotional items credit unions needed but could not obtain elsewhere except by paying the high cost of custom printing.

In 1953, CUNA decided to respond to longstanding requests for assistance from overseas. It created a World Extension Division—later CUNA International—to help spread the credit union idea to other parts of the world. With CUNA's help, the credit union idea spread rapidly in Asia, Africa, Latin America, the Caribbean, and the Pacific. This energetic expansion pointed out the need for a more inclusive international organization than CUNA International, which was part of the U.S. movement. So in 1970, our leaders chartered the World Council of Credit Unions (WOCCU) as a forum for international activity. CUNA became a national organization again, joining other federations and leagues as a WOCCU member.

The movement's financial support network was completed by the creation of U.S. Central Credit Union in 1974. U.S. Central's members are 36 corporate credit unions. U.S. Central's members originally included only 36 corporate credit unions, but now its total



membership stands at 72, including its 29 member corporate credit unions, national and state credit union organizations, credit union service organizations, international financial cooperatives, and individual directors and organizers. Credit unions can access a wide range of liquidity and electronic services through corporates and U.S. Central. Originally, some corporates were structurally integrated with the leagues in their states or regions. But in 1994, NCUA questioned the propriety of these "interlocks" and ruled that on the national level, U.S. Central could not be part of CUNA and that at the state or regional level, corporates could not be part of leagues. Arguing that credit union people should be allowed to structure their organizations in the manner that worked best for them, CUNA sued NCUA, but lost the case in U.S. district court.

## SYSTEM STRUCTURE

Credit union organizations at all levels work together to serve the needs of members. The most basic elements of the system are:

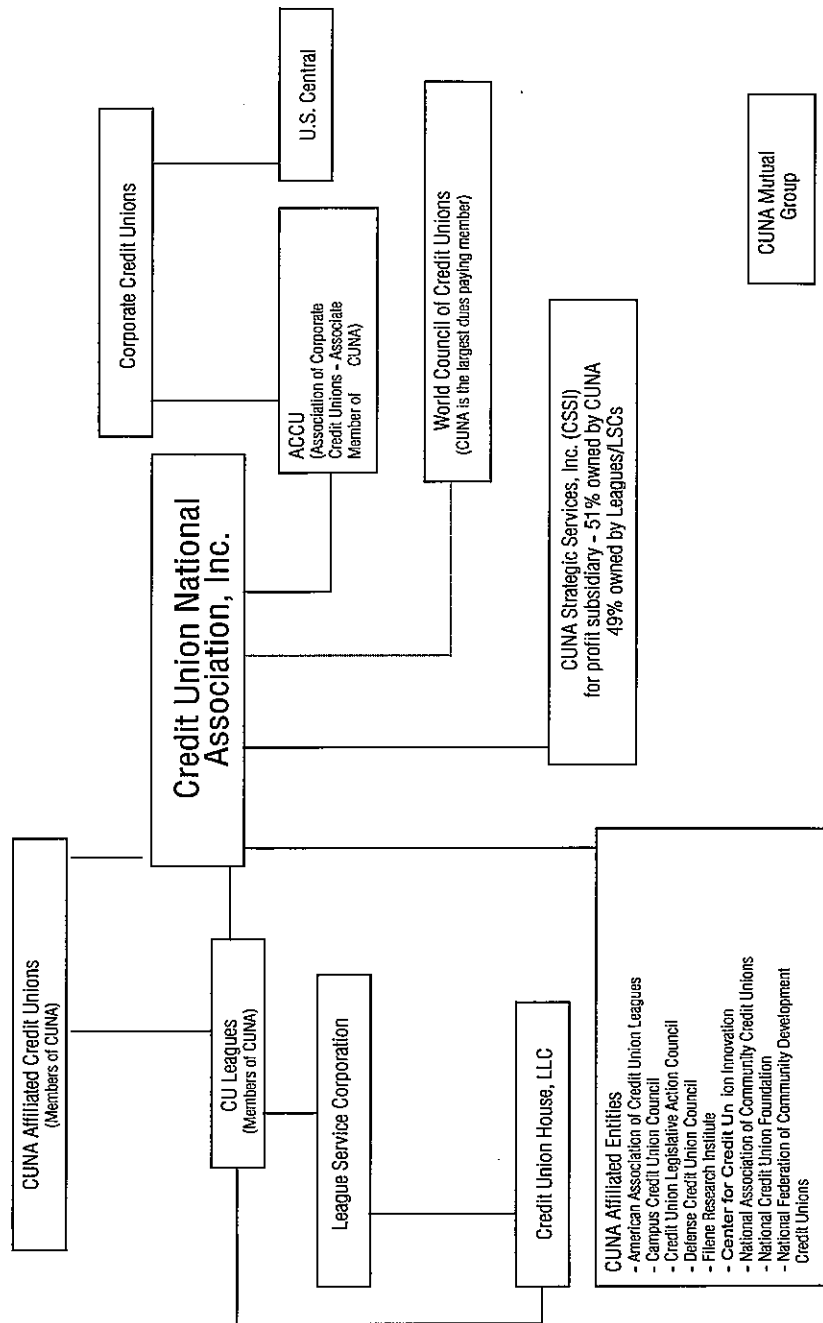
**Chapters.** A chapter is the local version of credit unions working together to meet a common need. For the most part, chapters are educational arms of the state league. Staff and volunteers from member credit unions meet monthly to exchange experiences

on an informal basis and to hear speakers on various financial and cooperative topics. Many chapters organize community projects, such as walk-a-thons and food drives.

**Leagues.** A league is a nonprofit trade association that serves credit unions in a specific state. Membership is voluntary, but most U.S. credit unions see the benefits of belonging. Activities are supported by a combination of dues and fees. Dues are based on asset or membership size and cover the cost of activities from which all members benefit. Fees are charged for services that only some credit unions use, such as data processing or auditing.

Workshops, seminars, and conferences provide opportunities for credit union people to learn from experts and from each other. Publications, both print and electronic, alert league members to events of interest and provide another avenue for sharing information and educating readers. Legislation and regulation are still an important part of our operating environment, so most leagues have a lobbyist who provides a two-way flow of information—to the league and its members and from them to the state legislature. State laws may affect both state and federal credit unions, so this is an important function. League staff also work closely with state and federal regulators. Leagues do public relations work on

## The Credit Union System



*The credit union system structure is designed to promote cooperation among each of the components.*



behalf of credit unions, and help member credit unions with their own.

Similarly, legal counsel serves the needs of both the league itself and its member credit unions. League counsel is usually also involved when an issue at one credit union could affect many others. League staff also provide technical assistance for credit unions in complex areas such as asset/liability management, strategic planning, management, recruiting and more.

Just as credit unions have CUSOs to expand the services they can offer members, many leagues have for-profit service corporations to allow them to provide additional help. Service corporations may act as ad agencies or data processing service bureaus, provide financial analysis, survey members, offer investment and insurance services, administer programs for members, and more.

**Credit Union National Association (CUNA).** CUNA is the national trade association, representing

more than 90% of U.S. credit unions. In 1996, CUNA's directors adopted a new structure as part of the Renewal Project, which provided for credit unions and leagues to be members. Previously, only leagues were members. CUNA is partly supported by dues, based on assets and the number of credit union members. Dues generally support services that benefit all members. Fees are charged for additional services that credit unions may opt to use. CUNA provides programs and services that are more practical to develop on a national basis. The following examples don't cover every program and function, but they give you an idea of how CUNA helps credit unions succeed.

Governmental affairs activities are similar to those at the leagues but differ in scope. In Washington, D.C., CUNA keeps tabs on Congress and many federal agencies (including NCUA). CUNA lobbies and encourages credit unions and members to partici-

### **Services Tailored to Credit Union Concerns**

In most cases, CUNA and the leagues aren't developing products or information from scratch. Strategic planning, for instance, isn't unique to credit unions. The process is much the same for a Fortune 500 manufacturer as it is for a \$1 million asset credit union. Instead, the value CUNA and league services offer is that each has been adapted to our credit union world: our values, purpose, and concerns. To go back to the strategic planning example, CUNA not only teaches the process of strategic planning, but it regularly publishes an *Environmental Scan* that identifies current and upcoming situations, trends, and issues that may affect credit unions.

pate in shaping public policy when their interests are at stake. **The Credit Union Legislative Action Council** promotes credit union involvement in political campaigns and backs candidates who support credit unions.

CUNA tracks regulations affecting credit unions through its Regulatory Advocacy area and provides compliance assistance. Credit unions can keep up-to-date by visiting [www.cuna.org](http://www.cuna.org) and through *RegWatch*, a newsletter.

A research and statistics department helps credit unions understand and interpret the economic environment in which they function. It also compiles statistics on credit unions. The research department conducts custom research, including surveys and focus groups, for leagues and individual credit unions.

Education is a major function. CUNA has helped credit unions grow and change into full-service financial institutions with the sophisticated operations they have today. Both the advice of experts and the experience of credit unions themselves are disseminated through publications, conferences, schools, training programs, correspondence courses, books, videos, and more. CUNA also plays a major role in keeping us focused on our purpose and mission by teaching credit union history, values, and philosophy.

**National Credit Union Foundation.** The charitable arm of the system, the foundation raises

money for disaster relief and domestic and international credit union development.

Like credit unions and leagues, CUNA has a for-profit affiliate to expand its ability to meet members' needs. Owned by CUNA and leagues, **CUNA Strategic Services** provides business and financial services that help credit unions compete in the modern financial marketplace, regardless of their size. Through partnerships with major companies, CUNA Strategic Services provides better value and pricing than a single credit union would be able to obtain on its own. The idea traces back to the original CUNA Supply: Credit unions can save time and money by joining forces.

**CUNA Mutual Group.** You've already read about how CUNA Mutual got started and developed innovative products like loan protection and life savings insurance. These products are still important. In fact, CUNA Mutual is the largest direct writer of credit insurance in the world. But as credit unions have grown and changed, so have their insurance needs. CUNA Mutual has grown to match. CUNA Mutual Group is now the leading financial services provider to credit unions and their members worldwide offering more than 300 insurance, investment and technology products and services through strategic relationships and multiple service channels.



No other company in the world offers so many credit union-specific products. As a mutual company, CUNA Mutual belongs to its credit union policyholders and operates to serve in their best interests. Nearly 95% of the U.S. credit unions purchase some type of insurance from CUNA Mutual.

The CUNA Mutual Group companies provide accident, health, and life insurance; long-term care insurance; and annuities. Its subsidiary, CUNA Brokerage Services Inc., is a registered broker dealer making available investments and mutual funds and its MEMBERS Capital Advisors Inc., is a registered investment adviser.

CUNA Mutual Mortgage Corp. provides mortgage loan origination, purchasing, and servicing; and CMG Mortgage Insurance Co. offers private mortgage insurance. In addition, CUNA Mutual Insurance Agency Inc. helps distribute insurance and annuity products to meet special needs of its customers.

In addition to the insurance and services for credit unions and their employees, CUNA Mutual makes available, through credit unions, individual insurance, annuities, mutual funds, and other investment products to more than 9.3 million credit union members nationwide. It also offers loan protection, credit disability, and credit life insurance products to 10.2 million credit union members.

CUNA Mutual also serves as a major advocate of the credit union movement, providing financial support to credit union organizations such as CUNA, the Filene Research Institute, the World Council of Credit Unions, the National Federation of Community Development Credit Unions, and the National Credit Union Foundation to help movement organizations develop and nurture credit unions both in the U.S. and internationally.

It's another valuable resource dedicated to promoting credit unions and helping us fulfill our promise.

**The Corporate Credit Union Network.** Just like their members, credit unions need transaction accounts they can use to pay their bills, a safe place to invest extra funds, and a place to borrow when the need for money outstrips the amount available. So we created cooperative financial institutions that operate within a defined area and whose member/owners are individual credit unions. These "credit unions for credit unions" are called *corporate credit unions*, or corporates. The 29 corporates also have a credit union to serve their financial needs, called U.S. Central Credit Union. In addition to the services mentioned above, the corporate network offers electronic money transfer services and settlement services.

The corporates formed the **Association of Corporate Credit**

**Unions** to provide representation, educational and informational exchange opportunities, and promote corporate credit unions' safety and soundness and financial strength through regular advertisements.

Credit unions have access to securities brokerage, investment advisory, and outsourced asset/liability management reporting services through CNBS. Originally a corporation known as Corporate Network Brokerage Services, CNBS is now a limited liability company.

The same philosophy and values that drive individual credit unions drive the corporate network. The network provides a structure in which credit unions throughout the country support each others' development by redistributing excess supply of funds to areas with excess demand. A deposit from a credit union in San Diego may flow from the corporate to U.S. Central, and may be loaned out through a different corporate to allow a credit union in Kennebunkport, Maine, to keep up with an unusually



*The "Little Man" was a symbol for credit unions everywhere. He was later replaced by the "hands and globe" logo.*



high demand for loans. The money keeps working to help members meet their financial service needs.

**World Council of Credit Unions (WOCCU).** As already explained, WOCCU serves credit unions on an international level. It has offices in Madison, Wis., and Washington, D.C., but its staff people work in developing countries throughout the world. It helps spread the credit union idea by encouraging the formation of credit unions and providing them with the technical assistance they need to get rolling. Through its International Partnership program, that assistance is in the form of an exchange between credit union people who are willing to share their expertise. These volunteers, after an intensive training program, participate in credit union movements around the globe, and they further encourage our participation and support for the World Council's work.

There are other organizations in the credit union system. There are **councils** devoted to the professional development needs of credit union professionals working in marketing, lending, operations, technology, and human resources. **The National Federation of Community Development Credit Unions** represents the special interests of CDCUs and provides technical assistance. The **Defense Credit Union Council** assists credit unions

that serve "those who serve." **The Filene Research Institute** publishes scholarly research on topical issues such as field of membership, bankruptcy, and member service.

The system is the largest source of technical and financial support for credit unions. Because the system supports individual credit unions, it shares their world view and their people-oriented approach to service. Together we stay focused on our purpose and move mountains to achieve it.

### ***Other Organizations Serve Specialized Needs***

In addition to the credit union system, a number of other organizations are dedicated to helping credit unions grow and succeed. Many of these evolved to address the special concerns of subgroups within the credit union movement.

For instance, the National Association of Federal Credit Unions (NAFCU) is a trade association specifically for federal credit unions. It represents the interests of its members with Congress and federal agencies, including NCUA. The Credit Union Executives Society (CUES) is an association dedicated to improving the professionalism of credit union CEOs and their management staffs through education. The Combined Council of Automotive Credit Unions, Education Credit Union Council and other organ-

izations address concerns shared by credit unions with similar fields of membership.

These organizations use many of the same tools as credit union system organizations (meetings, publications) and exist for the same purposes (information sharing, lobbying, promoting credit union success), but they focus their efforts in specific areas.

### REGULATORS REINFORCE SAFETY AND SOUNDNESS

As financial institutions, we take on special responsibility for the care of members' funds. Because that trust is so important, and because the stability of financial institutions is critical to the economy, the government checks to be sure we fulfill our obligations to members. Members' best interests demand that we operate safely so that we can continue to serve their needs. In the sense that regulators establish standards for safe operation and check our compliance with them, they're support organizations for credit unions.

A credit union can be organized under state or federal law. Federally chartered credit unions are examined by NCUA, must comply with federal regulations, and insure their shares through NCUSIF. State-chartered credit unions are supervised and regulated by state agencies. They may have share

insurance from a cooperative insurer or NCUSIF. More and more, however, NCUSIF insurance is required by state regulators; those credit unions must meet federal standards, even though they have state charters.

Examiners evaluate a credit union's financial soundness, compliance with laws and regulations, and areas of policy, procedures, or internal controls that need improvement. They help credit union officials develop plans to make needed improvements. If necessary to protect members, examiners can take control of a credit union that fails to make adequate progress. NCUA also has a central credit function, the *Central Liquidity Facility* (CLF), to provide emergency cash and seasonal or short-term loans to credit unions when funds are not available from other sources.

NCUA also reflects credit unions' value of self-help. Although it's a government agency, both its operating revenues and the capital in NCUSIF come directly from the credit unions it serves. No tax dollars are involved.

### FRIENDS IN THE FOR-PROFIT SECTOR

In addition to all the organizations discussed above, a number of suppliers and consultants specialize in serving the credit union market. Some have owners or employees who worked in



credit unions or within the credit union system. Others have simply found credit unions to be a worthwhile market. Either way, they understand credit unions' member-driven focus

and how it affects policies and operations. With a grounding in philosophy and expertise in their specialties, these people can effectively help credit unions pursue their goals.

# RESOURCES

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## ORGANIZATIONS/PROGRAMS

### **Credit Union National Association**

P.O. Box 431  
Madison, WI 53701-0431  
608-231-4000  
800-356-9655  
[www.cuna.org](http://www.cuna.org)

and:

601 Pennsylvania Ave., N.W., Suite 600, South Building  
Washington, DC 20004-2601  
202-638-5777  
[www.cuna.org](http://www.cuna.org)

Public Relations Department:

202-682-4200 or  
608-231-4114  
[www.cuna.org](http://www.cuna.org)

### **CUNA Mutual Group**

5910 Mineral Point Road  
P.O. Box 391  
Madison, WI 53701-0391  
608-238-5851  
[www.cunamutual.com](http://www.cunamutual.com)

### **National Credit Union Foundation Inc.**

601 Pennsylvania Ave., N.W., Suite 600, South Building  
Washington, DC 20004-2601  
800-356-9655  
[www.ncuf.coop](http://www.ncuf.coop)



**Credit Union Development Education Program**

P.O. Box 431  
Madison, WI 53701-0431  
800-356-9655, ext. 4395

**Defense Credit Union Council**

601 Pennsylvania Ave., N.W., Suite 600, South Building  
Washington, DC 20004-2601  
202-638-3950  
[www.dcuc.org](http://www.dcuc.org)

**Filene Research Institute**

P.O. Box 2998  
Madison, WI 53701-2998  
608-231-8550  
[www.filene.org](http://www.filene.org)

**National Federation of Community Development  
Credit Unions (NFCDCU)**

120 Wall Street, 10th Floor  
New York, NY 10005  
212-809-1850  
[www.natfed.org](http://www.natfed.org)

**U.S. Central Credit Union**

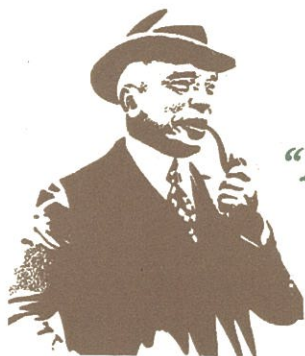
9701 Renner Blvd., Suite 100  
Lenaxa, KS 66219  
913-227-6000  
[www.uscentral.coop](http://www.uscentral.coop)

**World Council of Credit Unions**

5710 Mineral Point Road  
P.O. Box 2982  
Madison, WI 53705-2982  
608-231-7130  
[www.woccu.org](http://www.woccu.org)







*"It's a great movement,  
worthy of great deeds,  
deserving of great loyalty."*

—Edward A. Filene

*Filene's words continue to inspire all of us who are part of today's credit union movement. His words remind us of our tradition—150 years of service to members. And they urge us to put forth our best efforts in a challenging era.*

*This revised fourth edition of People, Not Profit helps to:*

- *instill commitment in employees and volunteers through orientation and training*
- *market our unique cooperative advantage*
- *improve member awareness of the credit union, and*
- *serve as the basis of community activities and information campaigns*

*For veterans as well as newcomers, this easy-to-read manual is guaranteed to capture your interest and help make your credit union unique among financial providers!*

