



Anatomy of

GUASFCU

(GEORGETOWN UNIVERSITY ALUMNI AND
STUDENT FEDERAL CREDIT UNION)





By Rebecca McClay

A PRACTICAL EDUCATION

GEORGETOWN UNIVERSITY ALUMNI AND STUDENT FCU IS A FULLY STUDENT-RUN OPERATION BASED IN WASHINGTON, DC, THAT OFFERS LESSONS IN INNOVATION AND LEADERSHIP.

They have full course loads in economics, government, accounting, healthcare management, and business. They are trying to nail down permanent positions post-graduation. But somehow, more than 100 Georgetown University students, including seven full-time executives, find time to run a \$17 million credit union that has been shoring up more accounts and loans in recent years.

Georgetown University Alumni and Student Federal Credit Union (\$16.6M, Washington, DC) has been a fully student-run credit union for more than 25 years. From its 110 interns – approximately 20 of which are frontline employees – to its executive leadership – including the CEO and CFO – GUASFCU's leaders are all undergraduate students who rely very little on outside advice to launch successful marketing campaigns or to strengthen auto lending.

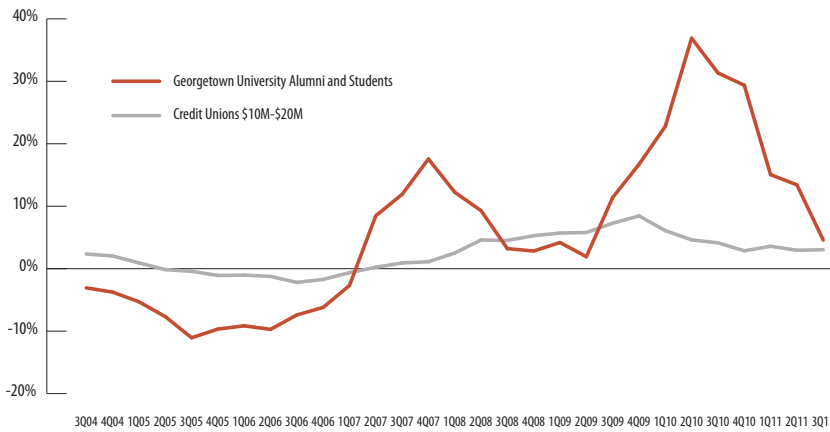
Our nation's capital is known as political hotbed but it's also a hotbed for credit union activity. This is the

region where the credit union's regulatory agency, The National Credit Union Association, is based and where credit union behemoths Navy Federal Credit Union (\$45.5B, Merrifield, VA) and Pentagon Federal Credit Union (\$15.1B, Alexandria, VA) are headquartered.

Georgetown, with its historic row homes and high end boutiques and restaurants, is nestled on the northwestern edge of the historic city along the banks of the Potomac River and its Chesapeake and Ohio Canal. It's a section of the city known for its upscale M Street shopping district and elite roster of historical residents like Thomas Jefferson and Francis Scott Key. The embassies of France, Thailand, Ukraine, Mongolia and Sweden are located here and Georgetown University's campus is nestled among them.

Georgetown University, established in 1789 as the nation's oldest Catholic and Jesuit university, had

12 Month Asset Growth | Data as of September 30, 2011



Source: Callahan & Associates' Peer-to-Peer Software

7,553 undergraduates and 5,832 graduate students as of fall 2010. Its main campus is 104 acres packed with 54 Gothic and Georgian buildings, mirroring the rest of the city's density. Parking is tight on campus, but admittance to Georgetown University is arguably tighter.

The university received 19,275 applications for the class of 2014, but only admitted 3,466 students, an acceptance rate of about 17%. And its undergraduate \$40,000 tuition is nearly as prohibitive as its admissions requirements for many students; MBAs average \$45,984, according to the school's website. Executives that run GUASFCU say the difficult admissions gives them an advantage in choosing its staff from a pool of candidates known for its drive and ambition, a pool they describe as "the best of the best."

A COMPETITIVE STAFF SELECTION PROCESS

"The challenge that is posed to us is how are we, as students, able and competent enough to do this job," says Jack Glascott, GUASFCU's chief human resources officer and a government major. "We believe our interns are the strongest asset the credit union possesses. Georgetown attracts a talented group of people and we're fortunate enough to select from the best of the best. And

that's a remarkable opportunity we get to capitalize on.

"We're looking for hardworking and dedicated people," he says. "People who are engaging and friendly and not only work in a team environment with other students and excel there, but also we're looking for people who can be professional and handle situations that are sometimes stressful since so much of what we do is member-facing."

In addition to Glascott, GUASFCU's executive leadership includes: Katie Cohen, CEO, economics major; Kristine Cudahy, COO, finance and accounting major; Greg Francfort, CFO, physics and economics major; Jack Mohr, Board treasurer,

finance major; Rachel Piltch-Loeb, CLO, healthcare management major; and Ariana Klener, CMO, finance and accounting major.

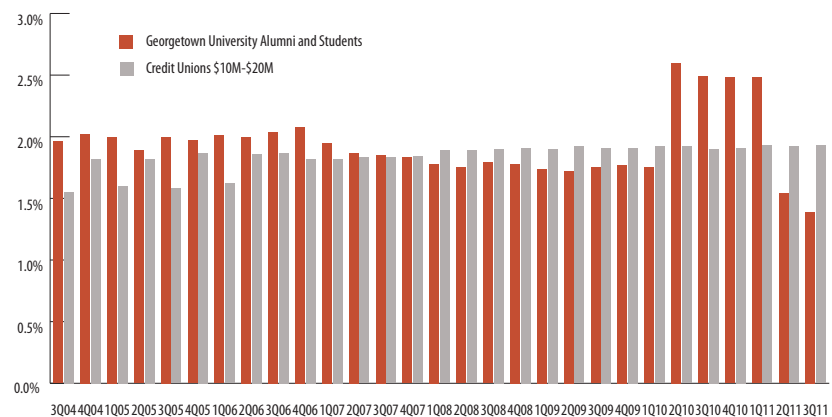
Competition for the credit union's positions is intense, and the selection process is rigorous, Glascott says. The human resources department received more than 200 applications for its 10 to 20 teller positions last semester. In coordination with the Board, the department spent a 12-hour Saturday interviewing each candidate before narrowing down the pool.

"We're not necessarily looking for a freshman intern to come in with banking or finance experience," Glascott says. "We're really looking for people who are eager to learn, who have demonstrated leadership in their past experiences, whether it be in high school or extracurricular activities, and who look like they would make a substantive commitment to our organization – and also thrive with it."

SUCCESSING WITH A BUILT-IN EXECUTIVE TURNOVER

Students are applying to GUASFCU in droves for its real world, hand-on experience. Glascott describes it as an "unparalleled opportunity" at Georgetown University that he didn't want to pass up and CEO

Loan and Share Accounts per Member | Data as of September 30, 2011



Source: Callahan & Associates' Peer-to-Peer Software

Katie Cohen says she wanted to gain leadership and analytical skills to help her in her post-graduation career.

“It’s a very productive way to get involved on campus,” Cohen says. “As I became more involved I liked what I saw, I liked what I was learning. The first thing you have to realize is ‘your time’ isn’t really your time. You’re there to serve all the interns and the members at the credit union. You’re coughing up your time to serve this purpose. Once you come to terms with that, it really helps you gain productivity.”

These student executives say the heavy turnover rate, including of all its top executives at a minimum of every four years, has become a nonissue with its regimented, institutionalized transition process. It includes a rigorous shadowing – a full year for the top executives – to learn the position as well as a bank of detailed manuals that direct executives and frontline staff. The credit union also offers mentors to each intern to guide them through functional process and assist in their professional development. Such highly specialized training brings employees up-to-speed quickly.

“Certainly there is growth and development from day one until you’re a senior,” Glascott says. “The amount of training the interns get ... makes them aware of how much responsibility and accountability we have to members.”

Glascott says minor tweaks to the traditional 9-to-5, Monday-through-Friday workday helps mitigate the built-in challenges the student-run organization faces. For example, GUASFCU’s employee shifts are structured around two-hour increments, which provide flexibility for hectic student schedules. Also, the credit union is open from 10:30 a.m. to 6:30 p.m. Monday through Saturday.

The regular turnover is so ingrained in GUASFCU that its student directors rarely need to connect with its

advisory board of professionals and professors, which meets annually to review the students’ initiatives. In fact, as CEO, Cohen says she touches base with members of the credit union’s Maryland & District of Columbia Credit Union Association advisory board and external advisory board, which include two college professors and former credit union executives, less than once-per-month.

ACHIEVING FINANCIAL GOALS WITH INNOVATION

Many credit unions are exploring establishing branches at high schools and colleges, GUASFCU – which is the oldest and largest entirely student-run credit union in the United States both by asset size and member base – offers plenty of best practices. It was chartered in 1983 as Georgetown University Student Federal Credit Union, but the name was changed to include “alumni” in 1994 to underscore its growing focus in attracting and retaining former students. GUASFCU offers savings accounts, checking accounts, CDs, and auto loans among its products.

In the third quarter of 2011, GUASFCU posted a 3.55% 12-month share growth and a 3.96% 12-month loan growth, according to Callahan & Associates’ Peer-to-Peer data. The credit union holds approximately \$1.5 million in its loan portfolio, and from Sept. 2010 to Sept. 2011, its membership has grown from 4,873 members to 7,801 members, which executives attribute to more aggressive marketing through channels like Facebook.

Its loan and share accounts per member soared in the second quarter of 2010, when many financial institutions lowered their interest rates along with the broader interest rate trend, but GUSAFUCU kept its higher. The credit union also saw a decline in member growth rate that quarter, which would also contribute to the higher loan and share accounts per

member.

GUASFCU’s asset growth trends and net worth ratio trends are rockier than its peer group’s of credit unions with asset sizes from \$10 million to \$20 million, a trend that its executives attribute to its heavier connection with the academic calendar year and its associated cash inflows and outflows. Still, they say they are a competitive and serious player in the credit union industry.

“We are pretty connected to the greater credit union community, although we are a bit isolated in the sense that we are significantly younger than most other people in our positions at neighboring institutions,” says Cohen, who started at GUASFCU as a teller and is still heavily involved in the day-to-day, member-facing operations. “Our age demographic has really allowed the credit union to stay current and innovative and always thinking of fresh ideas. That’s served us well.”

Though GUASFCU doesn’t provide professional financial counseling, the credit union, through its George Houston Fund Committee, hosts a financial literacy series on campus to address topics such as understanding the FICO score, choosing a credit card, or developing a budget. Its executives participate as lecturers, but they also invite experienced experts to speak on financial issues affecting students.

“We’re integrating the entire credit union into a Georgetown tradition and to serve our community,” says Glascott, who also serves as a loan and member service representative. “The financial literacy series is a way we really try to do that – drawing on our experiences and talents and giving it back to the community.”

By Aaron Pugh

LOAN TO WRITE HOME ABOUT

GEORGETOWN UNIVERSITY'S STUDENT-RUN CREDIT UNION NAILS DOWN LONG-TERM FINANCIAL RELATIONSHIPS AMONG ITS SHIFTING MEMBERSHIP BASE.

Neither snow, nor rain, nor final exams distract the executives of the student-run Georgetown University Alumni and Students Federal Credit Union (\$16.6M, Washington, D.C.) from their goal of bringing cooperative financial services to the nation's capital.

With nearly 8,000 members that include a fluctuating student base as well as Georgetown alumni, the credit union is seldom at a standstill. But careful balance sheet management by the executive team ensures the momentum is always driving the credit union in the right direction.

"Our cash position is very good, as are our investments," says Jack Mohr, treasurer for the credit union. "We do a great job of trying to have the yield we want and that higher return on our investments, while still staying cogni-

zant of the duration of our investments so that we also have liquidity."

A UNIQUE BALANCE SHEET

As of 3Q11, net loans represent less than 10% of the credit union's assets. The credit union has approximately 60% in investments and roughly 28% in cash or other equivalents, according to Callahan & Associate's Peer-to-Peer Software.

"We keep more cash on hand due to our cash volatilities and the seasonality of our member base, which is something you can't really prevent," Mohr says. "From March to May, we have kids graduating and pulling their money out. In August, we'll have kids coming back to campus and we'll see a huge

influx of money."

This volatility is a challenge, but it's also a learning opportunity. Because the credit union has been able to analyze these trends over the years, leadership can create a fairly solid projection of its position for upcoming quarters and understands how future rates and fees might impact these trends.

"Having that knowledge makes us more comfortable in making investment, liquidity, or duration decisions,"

Mohr says. However, the benefits and drawbacks of each option are not always clear-cut. For example, in 2010, the credit union saw a massive influx of shares, with the majority being in savings accounts.

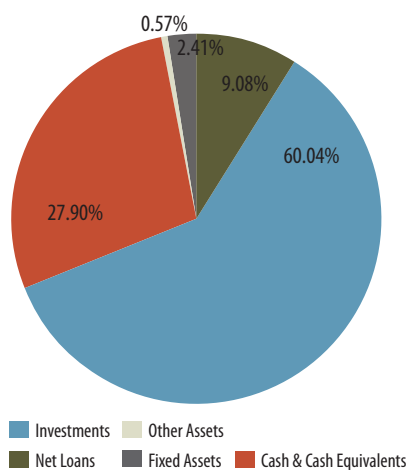
"We were offering a 1%



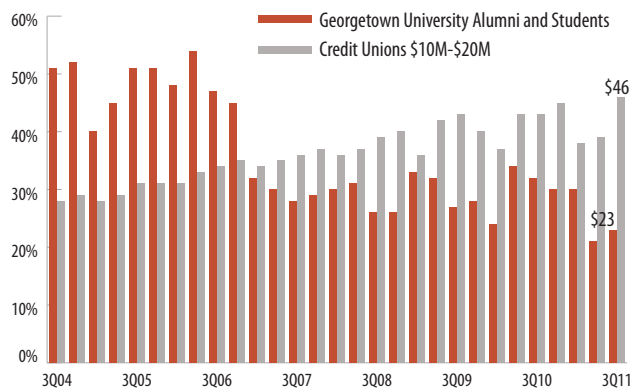
BEST PRACTICE:

Don't risk taking an ax to a valued feature or service. When in doubt about what matters most to membership, ask them.

Asset Composition | Data as of September 30, 2011



Fee Income Per Member | Data as of September 30, 2011





BEST PRACTICE:

Authenticity can't be faked. Show young members you value their business today, regardless of profitability, and you'll reap the reward of that loyalty down the line.

in delinquency or a negative account. If we have a good member, we don't want to penalize them."

As a result of this strategy, the credit union has been able to drop its fee income per member by \$9 year-over-year, to one of the lowest levels in a decade. In addition, it has also significantly improved its ROA this year, taking it from -0.09% in 3Q 2010 to 0.55% in 3Q 2011.

"Given the current climate, people are looking more toward credit unions as an opportunity for financing," says Rachael Piltch-Loeb, chief lending officer.

LENDING FOR THE LONG HAUL

As of 3Q11, approximately 37.5% of the credit union's \$1.5 million loan portfolio is auto loans. Since summer 2010, the institution has financed 100% of the value of a new auto, whereas it was previously only able to finance 90%.

"Because those auto loans are secure

rate during that time and maintained it while other institutions were dropping their rates significantly," Mohr says. "Word got out that we had some of the highest saving and CD rates in the country, which is great, but so much growth in such a short amount of time does have an impact on your bottom line."

Moving forward, the credit union is looking for ways to encourage balanced organic growth in both income and assets.

EFFICIENT OPERATIONS

The credit union operates with only a single primary branch location and has increased its accessibility through an extensive Allpoint ATM network and online banking. What's more, although these investments have come at a high cost, the credit union's business model has helped it keep expenses in check.

"Because employees are not paid, it makes things easier in terms of managing operational costs," says Greg Francfort, chief financial officer. "But we're always looking for ways to

increase efficiency because it boosts income without impacting members as much."

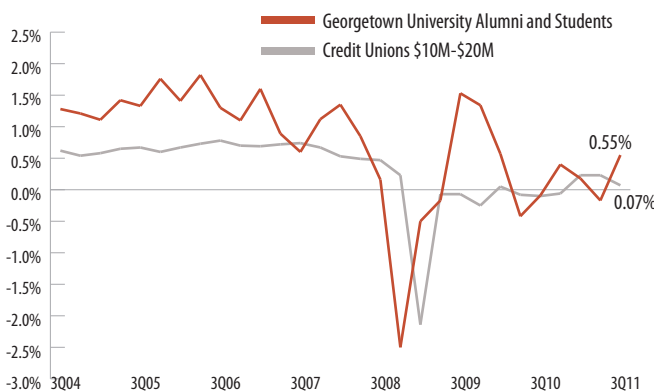
Instead of trying to spread the cost, as other for-profit institutions might, the credit union turns its efficiency focus inward, through practices such as consolidating its vendor contracts to minimize expense and enhancing service.

"We can't invest in everything and we can't do everything, so we have to ask what services add the most value for our members," Mohr says.

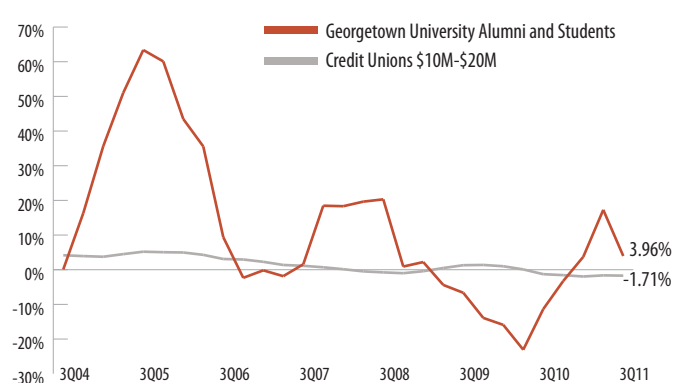
The credit union offers a free checking account and free electronic transfers. But in cases where fees must be a part of the income strategy, the credit union makes sure it considers the interest of the member first.

"In some cases, it's very quantifiable, like what we pay to VISA for our cash advances, or what we pay to vendors for each wire out. We're really trying to break even on those services," Mohr says. "But if fees have to be raised, we look to areas where there's some member culpability for that, whether it's

Return On Assets | Data as of September 30, 2011



12- Month Loan Growth | Data as of September 30, 2011



All graphs Source: Callahan & Associates' Peer-to-Peer Software

and backed by the title, we have less risk and can also offer a better rate to our members,” Francfort says.

“Alumni are the primary target of outreach for many of our loans,” she continues, “but as an institution we hold financial literacy near and dear, so we also offer a secured credit builder program so students can better understand and build their credit before they go out into the real world.”

The credit union also offers a unique bridge loan program for soon-to-be graduates that want to transition to a new job or city.

“Even before they become alumni, we make sure we’re reaching out to them and building those relationships,” says Piltch-Loeb. “Once we’re in with members, we work hard to get repeat applicants and offer reductions on rates if they were in good standing with us the last time they borrowed.”

Although GUASFCU’s loan growth is down from the 17.3% in 2Q11, the roughly 4% loan growth achieved this quarter is much improved from the negative loan growth of the third and fourth quarter of 2010. The credit union has no plans to expand into mortgage lending at this time, but it

is considering introducing other products such as a credit card sometime in the future.

The credit union currently maintains a 15-person collection department, and outreach to members starts as soon as a loan becomes more than a month delinquent. GUASFCU has also implemented a debt restructuring and loan modification process wherein each request is examined and confirmed by two financial executive officers and the board.

As a testament to the credit union’s lending abilities, delinquency has decreased 2% since the current executive team took over in March, and today it hovers right around 3% says Piltch-Loeb.

“If a situation is going to be a repeat issue, we want to take care of it through restructuring as soon as possible,” says Piltch-Loeb. “The biggest difference you strive for as a credit union is your relationship with the member, so we work with them to try and maintain that.”

FINAL EXAM

1. Net Loans make up roughly what percent of the credit union’s assets?

- A. 10%
- B. 30%
- C. 60%

ANSWER: A

As of 3Q11, net loans are under 10% of the credit union’s assets, according to Callahan & Associate’s Peer-to-Peer software.

2. ROA from 3Q10 to 3Q11 has done what?

- A. Stayed the same
- B. Increased
- C. Decreased

ANSWER: B

ROA has also seen a significant improvement this year, from -0.42 in 3Q10 to 0.55 in 3Q11.

3. As of last year on, the credit union is able to finance how much of the value of a new auto?

- A. 80%
- B. 90%
- C. 100%

ANSWER: C

The institution is able to finance 100% of the value of a new auto.

MORE ONLINE

More in-depth articles on Georgetown University Alumni and Student Federal Credit Union will be featured on creditunions.com in the months ahead. Here are a few pieces on our course list:

MAKING ON-CAMPUS MARKETING A CINCH

WHAT YOU’LL LEARN: Georgetown University Alumni and Student Federal Credit Union has a captive member base – the more than 16,800 students on campus. Learn the innovative ways that the credit union competes for their attention and then tries to retain them as long-term members.

WHY TAKE THIS COURSE: You’ll gain inspiration for better connecting with a younger demographic to lower your average member age. You will better understand how to capture college-age members, who may be looking for the right financial institution for their lifetime.

CONNECTING WITH COLLEGE FINANCIAL WOES

WHAT YOU’LL LEARN: GUASFCU strives to help students make wiser financial decisions both through its lecture series and through its mentor program for its staff. Learn how the credit union leverages the higher demand for more money-saving advice it faces with its member base.

WHY TAKE THIS COURSE: Your credit union will learn how to connect with its community as GUASFCU does by engaging in Georgetown University campus life.

CREATING A SUCCESSFUL AUTO LOAN PROGRAM

WHAT YOU’LL LEARN: Few students might need loans for a new car, but GUASFCU has found that catering auto loans to its alumni members pays off. Learn how the credit union has built its auto loan portfolio.

WHY TAKE THIS COURSE: You can improve your long-term outlook for your auto loan, as GUASFCU does by targeting alumni for its student loans.

LEADERSHIP

We'd like to extend a special "thank you" to the Georgetown University Alumni and Student Credit Union staff and Board of Directors for their time and talent. Below, our interviewees reflect on what their leadership experience has taught them and how they've tried to shape their roles for the next board.

Katie Cohen, CEO

YEAR: SENIOR
MAJOR: ECONOMICS

"The Credit union offers a unique and productive way to become involved on campus. My experience has enhanced my leadership skills and my ability to work collectively."

Kristine Cudahy, COO

YEAR: SENIOR
MAJOR: FINANCE & ACCOUNTING

"GUASFCU has given me real world outlet for my finance and accounting majors. The most important things I've learned are less tangible: team work, leadership, problem-solving skills, and dedication."

Greg Francfort, CFO

YEAR: SENIOR
MAJOR: PHYSICS & ECONOMICS

"Having so much responsibility in protecting people's money and offering them financial services that make their lives easier has definitely had a profound effect on me. I'm trying to focus on continued efficiency with maximizing products and services while minimizing the expense."

Jack Glascott, Chief Human Resources Officer

YEAR: SENIOR
MAJOR: GOVERNMENT

"What have I learned? In a word: Everything. I've learned specific technical knowledge regarding how a financial institution operates. But, more importantly, I've learned how to be entirely accountable for our members and interns. Moving forward, I'm attempting to further standardize our hiring process and looking for inefficiencies in our recruitment initiatives."

Ariana Klener, CMO

YEAR: SENIOR
MAJOR: FINANCE & ACCOUNTING

"I wanted real world business experience. At this credit union, I've been able to develop my communication, leadership, and professional skills. It's an experience that has far surpassed my expectations."

Jack Mohr, Board Treasurer

YEAR: SENIOR
MAJOR: FINANCE MAJOR

"As a student, handling extremely sensitive information and interacting with older members, I've learned how to work efficiently and positively within a group. The role of the treasurer is flexible and open — I've tried to build financial models that will help future treasurers gain a sustainable perspective on our cash flows. I am constantly looking for new ways to maximize our revenues and minimize our expenses."

Rachel Pilch-Loeb, CLO

YEAR: SENIOR
MAJOR: HEALTHCARE MANAGEMENT

"I've gained the hard skills and the soft skills that will continue to serve me — a breadth of knowledge from problem solving to actual portfolio analysis. The lending officer position has continued to develop through improved marketing strategies to grow our loan portfolio and reduce delinquency. We're also continuing to build member relationships."

