



Anatomy of

VERIDIAN
CREDIT UNION





www.callahan.com/roundtables

Joy Wilson, VP, Talent Management, ORNL Federal Credit Union

WE HELP CREDIT UNIONS THRIVE.

A LEADERSHIP CULTURE

IN FEBRUARY, CALLAHAN & ASSOCIATES VISITED IOWA-BASED VERIDIAN CREDIT UNION (\$20.B, WATERLOO, IA) FOR A TWO-DAY INVESTIGATION INTO HOW THE CREDIT UNION CREATES A CULTURE WHERE EVERYONE IS A LEADER AND EVERYONE IS AN OWNER. LEARN MORE IN THIS QUARTER'S ANATOMY OF A LEADERSHIP CULTURE.

FOR MORE ANATOMY PROFILES, VISIT CREDITUNIONS.COM

LEADERSHIP DONE THE VERIDIAN WAY

At Veridian Credit Union, everyone is a leader, everyone is an owner, and everyone is responsible for the credit union's success.

DIVERSITY FROM ALL ANGLES

This heartland credit union acknowledges all perspectives because it serves all perspectives.

INVESTMENTS FOR THE INDUSTRY. INVESTMENTS FOR THE MEMBERSHIP. INVESTMENTS FOR THE COMMUNITY.

Veridian Credit Union explores different ways to invest its capital.

IOWA-BASED VERIDIAN CREDIT UNION LOOKS TO THE FUTURE WHILE RESPECTING ITS PAST. BY REBECCA WESSLER

THE PAST FEW years have been difficult for financial institutions across the United States, but Iowa-based Veridian Credit Union chose to not participate in the recession, says Jean Trainor, CEO of the \$2.0 billion credit union. It seems the surrounding area has taken the same approach.

Iowa has fared better during the recession than other states. Its December unemployment rate of 5.7% beats the national average, and as of June 2011, Iowa credit unions have the strongest asset growth – 10.47% – of any state in the country. Now, fourth quarter economic indicators are pointing to a strengthening national economy. Household borrowing increased 9.9% in November. With the addition of 243,000 jobs in January, the unemployment rate fell to a three-year low of 8.3% and remained there in February with the addition of 227,000 jobs, according to the U.S. Department of Labor.

The state has escaped some of the harsher effects of the most recent recession, but that doesn't mean Iowa is a stranger to hard times. During the farm crisis of the 1980s, the state learned firsthand about financial hardship. Fortunately, its currently robust economy includes not only farming and agriculture – although those industries are ever present – but also manufacturing, biotechnology, finance, insurance, and green energy production. Case in point: Iowa has more than 1,100 wind turbines across 47 wind farms, making it the second largest producer of wind energy in the United States (Texas is No. 1).

Despite a popular belief by the country's flyover crowd, the state actually has a predominantly urban population. According to the U.S. Census Bureau, the population of the Waterloo-Cedar Falls metropolitan area, where Veridian is based, topped 165,000 in 2010. Iowans and state visitors enjoy arts, entertainment, and recreation in the forms of museums (the Grout Museum District is located in Waterloo), festivals, hiking trails, and camping. There's Des Moines' Blank Park Zoo as well as Adventureland Amusement Park, the Iowa Great Lakes of Okoboji, and the Iowa State Fair, which inspired the novel and subsequent Broadway musical State Fair. And don't forget those infamous bridges of Madison County.

CU QUICK FACTS

VERIDIAN CREDIT UNION
HQ: WATERLOO, IA
ASSETS: \$2.0B
MEMBERS: 165,849
EMPLOYEES: 536 FTE
BRANCHES: 26
12-MONTH SHARE GROWTH: 13.16%
12-MONTH LOAN GROWTH: 6.56%
ROA: 1.32%

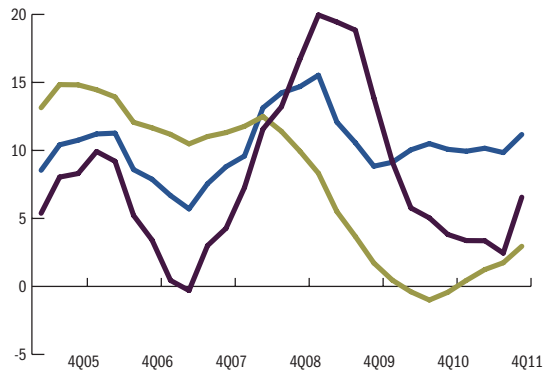
LEGEND:

Veridian

Credit Unions over \$1B

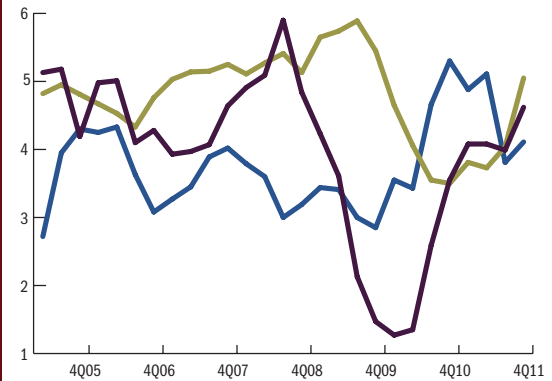
Iowa \$50M+

LOAN GROWTH



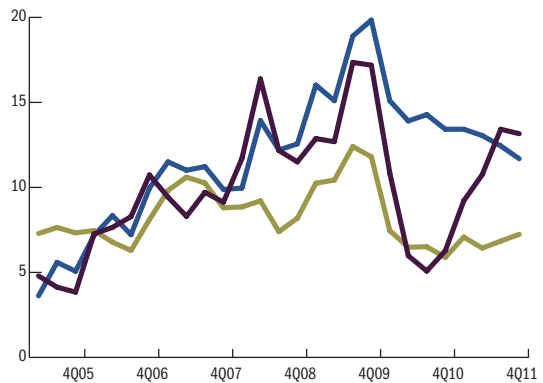
Veridian Credit Union has averaged 9% loan growth since 2006.

MEMBER GROWTH



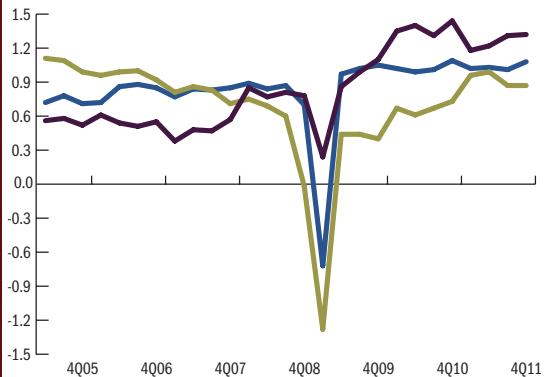
In 2011, credit unions added 440,000 net new members to their rosters. Veridian Credit Union achieved 4.62% member growth.

SHARE GROWTH



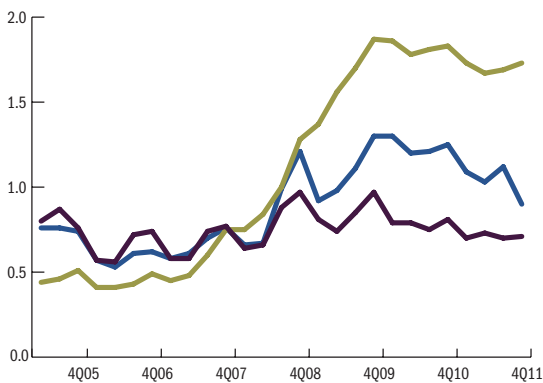
Veridian Credit Union posted 13.16% year-over-year share growth at year-end 2011.

ROA



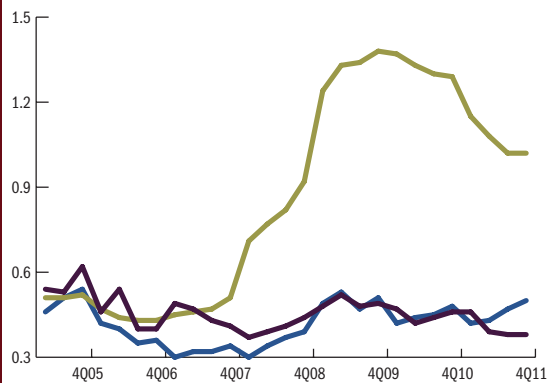
Veridian's ROA at year-end 2011 is 1.32%. That's higher than both its area and asset-size peer groups.

DELINQUENCY



Veridian Credit Union's delinquencies are less than half that of its asset-sized peer group of credit unions with more than \$1 billion in assets.

CHARGE-OFF RATIO



Veridian Credit Union's charge offs are less than half that of its asset-sized peer group of credit unions with more than \$1 billion in assets.

The ambitious Hawkeye State now hopes to become the healthiest state in the union by 2015 in terms of physical, emotional, and mental health. And with the help of local establishments such as Veridian Credit Union, the state can add financial well-being to that list.

With slightly more than \$2 billion in assets, nearly 166,000 members, and more than 500 employees, Veridian Credit Union is the largest credit union in Iowa. John Deere employees founded the credit union in 1934. John Deere Employees Credit Union transitioned to a community charter, with the name John Deere Community Credit Union, in 1986. Twenty years later, the credit union undertook an extensive rebranding campaign and became Veridian Credit Union. Its name reflects its roots – “verdant” is Latin for green, an homage to John Deere’s trademark colors – as well as its present and future – “veritas” is Latin for truth, a core value of the credit union.

If past performance is any indicator of future success, the largest credit union in Iowa has a lot to look forward to.

“We’ve experienced strong growth,” says Monte Berg, senior vice president of finance at Veridian.

Indeed, the credit union has averaged 9% loan growth and 11% deposit growth since 2006. It has maintained its target capital ratio of 9% to 10%, and its earnings are strong. It’s ROA at year-end 2011 is 1.32%, and its loan delinquency and loan charge offs are on average half its peer average.

Although it is based in Waterloo, IA, Veridian’s community charter gives it a presence in 35 counties. Veridian faces some tough competition with national banks, community banks, and credit unions in its three major markets of Des Moines, Cedar Rapids/Iowa City, and Waterloo/Cedar Falls, but credit union awareness helps support Veridian’s strong market share.

“The Cedar Rapids/Iowa City market has three significantly sized credit unions, so it just seems like credit unions as a whole do well in that market,” says Doug Gilbertson, Veridian’s senior vice president of operations. Both Collins Community Credit Union (\$685.4M, Cedar Rapids, IA) and University of Iowa Community Credit Union (\$1.4B, Iowa City, IA) are among the area’s top 10 depositories.

And off the books? Veridian has excelled there as well. According to a 2011 employee opinion survey conducted by the Bankers Administration

Institute (BAI), 89% of respondents said Veridian makes sufficient effort to elicit ideas from employees, 90% of respondents said Veridian provides sufficient product knowledge training, and 91% of respondents said Veridian uses feedback from employees and internal customers to improve products, services, and quality of work. Overall, employee satisfaction is an impressive 10% higher than that of its survey peers.

“I don’t like to tell people what to do,” says Veridian CEO Jean Trainor. “I think it’s more valuable and we get better decisions if we have a team approach.”

It’s that attitude, along with its focus on leadership, community development, and inclusion that has helped the credit union excel in America’s heartland. ▀

MARKET QUICK FACTS

	Waterloo/Cedar Falls	Iowa	United States
POPULATION	167,819	3,049,883	309,349,689
POPULATION 18 AND OLDER	78%	76.2%	76.0%
POPULATION 65 AND OLDER	14.7%	14.8%	13.1%
MEDIAN AGE	35.8	38.2	37.2
WHITE PERSONS	88.2%	91.3%	72.4%
HISPANICS OR LATINO	3.1%	5.0%	16.3%
PERSONS REPORTING TWO OR MORE RACES	2.0%	1.8%	2.9%
HIGH SCHOOL GRADUATES, % OF PERSONS AGE 25+	89.1%	90.6%	85.6%
BACHELOR’S DEGREE OR HIGHER, % OF PERSONS AGE 25+	24.8%	24.9%	28.2%
POPULATION IN WORKFORCE, 16+	67.4%	68.6%	64.4%
% OF POPULATION IN MANAGEMENT, BUSINESS, SCIENCE, AND ARTS OCCUPATIONS	29.2%	33.5%	35.9%
% IN EDUCATION, HEALTH CARE, SOCIAL ASSISTANCE	23.9%	24.0%	23.2%
% IN MANUFACTURING	19.4%	14.2%	10.4%
MEDIAN HOUSEHOLD INCOME	\$37,110 (mean)	\$47,961	\$50,046
MEDIAN FAMILY INCOME	\$60,354	\$60,917	\$60,609
PER CAPITA INCOME	\$24,159	\$24,833	\$26,059
ALL PERSONS BELOW POVERTY LEVEL	16.7%	12.6%	15.3%
OWNER-OCCUPIED HOUSING UNITS	70.7%	72.1%	65.1%
RENTER-OCCUPIED HOUSING UNITS	29.3%	27.9%	34.9%
MEDIAN VALUE (OWNER-OCCUPIED)	\$123,600	\$123,400	\$179,900

Source: U.S. Census Bureau 2010 estimates, Callahan & Associates Branch Analyzer



LEADERSHIP DONE THE VERIDIAN WAY

AT VERIDIAN CREDIT UNION, EVERYONE IS A LEADER, EVERYONE IS AN OWNER, AND EVERYONE IS RESPONSIBLE FOR THE CREDIT UNION'S SUCCESS.

BY REBECCA WESSLER



IF VERIDIAN CREDIT UNION (\$2.0B, Waterloo, IA) has a special sauce for its enviable financial performance, CEO Jean Trainor says that sauce is concocted using a heavy dose of its leadership philosophy.

"We started working with a business coach in the mid-90s," says Trainor, who took the helm at the largest credit union in Iowa in 1990. "When I became CEO I wanted to empower people to make decisions. Having everyone see themselves as a leader or an owner of the credit union is a foundation that has allowed us to do some of the things we've done."

For Veridian, leadership is more than an activity undertaken by the credit union's executive staff. Leadership is a way of life.

EMPLOYEE EMPOWERMENT

With a growing employee base of more than 500 people spread across eight counties and 24 branches, it can be a challenge to ensure everyone is moving in the same direction, all with a shared understanding of the intended results and vision for the credit union's future.

To combat possible fissures, the credit union offers multiple ways for employees to promote the credit union's vision as well as advance within the credit union's ranks.

"We are advocates for leadership development," says senior vice president of administration, Renee Christoffer. "We provide opportunities, education, and coaching."

Employees undergo an initial three days of training when they join the team, and twice a year the credit union brings in coaches from Portland-based management consultant Carnahan, Smith & Gunter to offer guidance and advice to the approximately 65 people on the management staff. Managers discuss topics such as professional goals, personal goals, what their future looks like, and whether that future includes Veridian.

Managers also may seek training outside Veridian and are encouraged to work with other managers to identify action items that will help them progress.

Additionally, the credit union provides ongoing one-on-one coaching that requires monthly check-ins.

"I know there's going to be a call in 30 days asking me if I've done what I've promised to do," Trainor says. "That has helped me shift my behavior and learn, grow, and develop as a leader."

Such training is helpful for management, but it's not just the managers who take ownership of the credit union.

"We believe all employees are owners of the



For more on Veridian's products and services, see *Diversity From All Angles*, page 72.

BEST PRACTICES

TO ENCOURAGE MANAGERS TO WORK WITH ONE ANOTHER AND ADVANCE within the ranks of the credit union, encourage job swaps or cross-training that gives staff firsthand exposure to the details, difficulties, and rewards of other positions.

TO REINFORCE THE POWER BEHIND YOUR CULTURE, PUT INTO WORDS EXACTLY WHAT YOU WANT YOUR CULTURE TO REPRESENT. Write it down and share it with your employees. Outline ways in which your staff can live your culture. Give them tangible examples of what the culture means for their performance, their job, and their future.

LOOK TO YOUR FRONT-LINE STAFF TO PROVIDE THE DIFFERENT PERSPECTIVES OF YOUR MEMBERSHIP. It will help you create products and services that meet the expectations of those you serve.

TO MAKE THE MOST OUT OF STRATEGIC PLANNING, BREAK OUT OF THE ONE-YEAR RUT. Look further into the credit union's future and develop short-term strategies to help you meet long-term goals.

organization,” says Doug Gilbertson, Veridian’s senior vice president of operations.

The credit union educates its branch supervisors on what makes a branch profitable and conducts profitability studies on its products so employees can see real-world data that outlines how much one product earns versus another.

“We’ve had branch profitability reports for a number of years,” Gilbertson says. “Now we structure them in such a way that they’re more accurate, and profits and expenses are associated with that branch.”

Using that data, Gilbertson can educate branch supervisors about what they can do to impact their branch’s performance.

THE VERIDIAN EXPERIENCE

Veridian’s training, awareness building, and leadership philosophy helps each employee uphold what it calls “The Veridian Experience” [see sidebar], an experience that confirms the value of all members and employees.

“The Veridian Experience is our leadership culture, our vision, our values, and our service quality statement,” says senior vice president of communications, DyAnn Longseth. “When we started talking about a name change, we thought about how to make leadership a part of who we are. So we developed what we called ‘The Veridian Experience.’”

The Veridian Experience is something the credit union has cultivated through years of practice. It permeates the organization and is evident in its language [see sidebar] and practices. It encompasses how employees treat members, how employees treat one another, and how the credit union treats its community. It’s the framework for the credit union’s personality, and every person on staff recognizes they have a role as a leader and a follower in developing The Veridian Experience.

“Part of our staff’s performance review and salary increase is based on how they integrate The Veridian Experience into their lives,” Longseth says.

STRATEGIC PLANNING AT VERIDIAN CREDIT UNION

Veridian takes a futuristic approach to its strategic planning. It looks at current consumer trends, technology, financial markets, and demographics and considers how those factors influence its members. It also considers what the future looks like for the credit union.

“We try to project five to seven years out,” says Monte Berg, senior vice president of finance at Veridian. “We’ve done exercises where we’ve gone 13 years into the future.”

The credit union takes its long-term projections, solicits input from its staff during staff planning sessions, and develops strategies for the next several years. According to Berg, a 21-year veteran to the credit union, even with projections as far as seven years out, it’s not unusual for the credit union to come within a few percentage points of hitting its projections.

It’s an ability the credit union has developed over the years, and its ability to hit its projections allows its board to concentrate on issues larger than daily operations.

“Our board meetings over the past few years have become more strategic rather than operational,” says Jim Kacher, chairman of Veridian’s board. “I think that has helped our growth tremendously to get away from the day-to-day operational stuff and focus more on strategy on a monthly basis.”

Veridian monitors the progress of its projections via measurements on its balanced scorecard, which includes measurements to track member engagement and satisfaction, employee engagement and satisfaction, diversification, and financial security.

“The balanced scorecard is some

THE LINGO OF LEADERSHIP

FOR VERIDIAN CREDIT UNION TO WALK THE WALK, IT ENSURES EMPLOYEES KNOW HOW TO TALK THE TALK. TO EXCEL WITHIN VERIDIAN, STAFF COMMUNICATES VIA A LEADERSHIP-CENTRIC SET OF WORDS AND CONCEPTS.

COMPLETE COMMUNICATION

Identifying who is affected and who else needs to know about a conversation, project, initiative, etc., to aid in the development of new ideas and the growth of the credit union.

COMPLETION

Revisiting an interaction and safely discussing any disappointments or items someone is pleased about. Completion gives employees a chance to provide input and share feedback.

HOW THINKING

Considering how to make something happen rather than whether it should happen. “How Thinking” lends innovation and possibility to projects and conversations.

INTEGRATOR

An employee that is formally responsible for the Veridian Experience. Integrators help conduct training sessions, provide one-on-one coaching, and create learning modules or experiences that managers roll out to employees.

INTENTION

A methodological approach to interactions that clearly states expectations. Veridian starts meetings with a statement of intention, which includes each participant writing down how they want to be heard and the results they want to achieve from the meeting.

LEAD BY ASKING QUESTIONS

Instead of simply answering employee queries, managers ask a series of questions that teach employees where to look for information and how to find answers on their own. It's a way to empower independent action in employees.

LEAD BY EXAMPLE

Living by Veridian's practices everyday, employees' awareness that their actions impact other people as well as the work environment.

OPEN COMMUNICATION

A way of approaching and resolving all situations that involves candid communication. Veridian has a communication promise, wherein it believes it can resolve any situation, whether a member problem or employee concern, through open communication.

OWNER'S HAT (ALSO, OWNER'S PERSPECTIVE)

When employees encounter a problem or opportunity, they ask themselves, “What would I do if I owned the credit union?” Employees consider what's best for the credit union, what's best for the members, and what's best for a member's satisfaction.

ZERO-GRAVITY THINKER

Someone who has no background, history, or experience in a given topic. Veridian brings zero-gravity thinkers into meetings to ask new questions and provide a fresh perspective.



A LEADERSHIP CULTURE

thing we use on a strategic level,” Longseth says. “Goals, strategies, and measurements all go into the balanced scorecard.”

One goal area on Veridian Credit Union’s balanced scorecard is to maintain financial security. A strategy the credit union has implemented over the past few years to meet this goal is to increase non-interest income. Total non-interest income is also a measurement on the credit union’s scorecard. In 2011, Veridian completed two corporate projects that influenced the measurement. It generated more than \$800,000 annually in additional non-interest income through new

products and pricing adjustments. The credit union measures its 12 balanced scorecard items monthly and has rolling three-year targets. [To see Veridian’s 2012 Balanced Scorecard look below]

“We have different perspectives we’re trying to serve in the community,” Christoffer says. “So we consider how to create better products and services, how to provide better service to our members, and how to allow those members to feel valued and understood.”

TODAY’S LEADERSHIP; TOMORROW’S SUCCESS

The driving force behind Veridian’s

culture of leadership is a desire to ensure a successful future for the credit union, its members, and its staff. For Veridian, the term “leadership” encompasses its projects and planning, its language, The Veridian Experience, and so much more. “Leadership” is the strategy the credit union uses to forge its own future.

“It’s hard to declare, ‘Here’s where I am today,’ and in very specific language ‘Here’s where I want to be five years from now,’ and then take the steps to get there,” Berg says. “It’s powerful, if you think about declaring a future today and taking the steps to get there.”

VERIDIAN’S 2012 BALANCED SCORECARD MEASURES

To track the progress of its long-term strategies, Veridian Credit Union uses a balanced scorecard. In the scorecard example below, Veridian is tracking member engagement, employee engagement, diversification, and financial security. At the end of January, if Veridian had 5,284 Latino members, it would note that number in the “Actual” column and give itself a “Score” of 3 on line 3.4.

JANUARY 2012	BaseLine/Peer Info (2011)	1	2	3	4	5	ACTUAL	SCORE
GOAL 1: INCREASE MEMBER ENGAGEMENT								
1.1: Member Satisfaction	92.3%/88.9%	86.0%	87.0%	88.0%	90.0%	92.0%		
1.2: Products/Services per Household	2.98/2.94	2.96	2.97	2.98	2.99	3.00		
1.3: Net Promoter	64.6%/61%	59.1%	61.4%	63.7%	66%	66%		
GOAL 2: INCREASE EMPLOYEE ENGAGEMENT								
2.1: Employee Satisfaction	84.5%/75.4%	76.0%	78.5%	81.0%	83.5%	86.0%		
2.2: Employee Retention	90.5%/86.0%	80.0%	82.0%	84.0%	87.0%	90%		
GOAL 3: DIVERSIFY OUR MEMBERSHIP								
3.1: Total Membership in Central/East Central Regions	46,951	50,238	50,942	51,646	52,350	53,055		
3.2: Total Loans in Central/East Central Regions	\$409.5	\$442.4	\$446.4	\$450.5	\$454.5	\$458.6		
3.3: Total Millennial Members	36,289	38,466	38,829	39,192	39,555	39,918		
3.4: Total Latino Members	4,893	5,088	5,186	5,284	5,382	5,480		
GOAL 4: MAINTAIN FINANCIAL SECURITY								
4.1: Non-Interest Income	\$26.4/\$24.2	\$25.4	\$25.9	\$26.4	\$26.8	\$27.3		
4.2: Capital	9.77%/9.79%	9.00%	9.25%	9.50%	9.75%	10.00%		
4.3: Operating Expense Ratio	2.83%/2.89%	2.70%	2.65%	2.60%	2.55%	2.50%		

LEADERSHIP IN THE COMMUNITY

VERIDIAN CREDIT UNION IS CONSTANTLY ON THE LOOKOUT FOR WAYS TO PARTNER WITH ITS SURROUNDING COMMUNITIES.

“WE HAVE A RESPONSIBILITY AS A FINANCIAL ORGANIZATION AND AS A BUSINESS TO PLAY A ROLE IN AND SUPPORT OUR COMMUNITIES”

DyAnn Longseth, Veridian's Senior Vice President of Communications

HERE ARE A FEW WAYS VERIDIAN AND ITS STAFF SHARE TIME, TALENT, AND RESOURCES:

STAFF



Veridian staff has helped raise more than \$100,000 for non-profit organizations through Jeans Days for United Way.



Veridian staff invests more than 18,000 hours of volunteer time annually.

“VERIDIAN HAS A STRONG TEAM OF INDIVIDUALS WHO VOLUNTEER TIME IN THE COMMUNITY”

Sheila Bard, President of the Cedar Valley United Way



Veridian staff volunteer to serve on boards of more than nine local non-profit organizations.



For six to eight weeks, one Veridian employee gets in-depth exposure to the community through a United Way apprenticeship-type experience.

CORPORATE



Veridian's corporate donations in 2011 topped \$233,000 to 60 non-profit organizations.



For more than 25 years, Veridian has been a sponsor of Mike & Leona Adams' Thanksgiving Dinner, which typically serves holiday meals to more than 1,000 individuals.



Veridian awards more than \$135,000 annually in tuition assistance for Iowa high school and non-traditional college students.



Veridian partners with schools to provide financial education programs for more than 8,000 students every year.



Veridian recognizes the community engagement of one faculty person from each of the five colleges at the University of Northern Iowa. The UNI Community Engagement Award includes a \$1,000 donation to a non-profit of the faculty member's choice.

“LEADERSHIP BY VERIDIAN ... IS IMPORTANT TO THE LONG-TERM HEALTH AND VIBRANCY OF THIS WHOLE AREA.”

Leslie Wilson, Associate Dean in the College of Business at the University of Northern Iowa



Diversity From All Angles

THIS HEARTLAND CREDIT UNION ACKNOWLEDGES ALL PERSPECTIVES BECAUSE IT SERVES ALL PERSPECTIVES.

BY REBECCA WESSLER

FOR VERIDIAN CREDIT UNION, diversity is as much an operational consideration as a strategic goal. The \$2 billion credit union based in Waterloo, IA, launched in 1934 as a financial services provider serving the employees and families of Deere & Company, maker of the John Deere tractor. When the farm crisis hit Iowa in the 1980s, the credit union broadened its member base to strengthen its economic outlook. In 1986, Veridian expanded its charter to include those living or working in nearby Cedar Falls, and today the credit union serves more than 165,000 members in 35 counties across Iowa.

"Approximately 50% of our membership is here in the [Waterloo/

Cedar Falls] area and 50% is outside," says Veridian CEO and chief inclusion officer, Jean Trainor. "That helps us from a financial security standpoint."

Veridian's growing footprint includes nearly 166,000 members, and the credit union strives to be inclusive in its outreach and operations.

"We want to make sure everyone feels valued and welcomed here," Trainor says. "That strategy has helped us look at new products and make sure everyone has access to the credit union."

Veridian is exploring a balanced scorecard approach to diversity and inclusion. It benchmarks its progress by taking into consideration mea-

sureable financial performance as well as non-financial variables. Using the holistic framework the balances scorecard provides, Veridian can articulate the activities that will help it achieve its goals. The three goals that are currently a part of the credit union's scorecard include employee inclusion, community inclusion, and member inclusion, says DyAnn Longseth, senior vice president of communications.

The credit union's dedication to diversity and inclusion is just one more example of how it lives up to its role as a community leader, and Veridian's diversity encapsulates many fronts. Here are just a few products and services that highlight its inclusion efforts.

DIVERSITY OF CULTURE

Hispanics are Iowa's largest ethnic minority and fastest-growing segment of the population. Iowa's Hispanic population increased more than 80% from 2000-2010, according to the U.S. Census Bureau. Hispanics now comprise 3-5% of Iowa's population. In Waterloo, the Hispanic population increased more than twofold during that timeframe. In 2009, Veridian had fewer than 10 Spanish-speaking employees; today that number is 27.

Product: Quinceañera Account

Veridian bundles a suite of products to help its Latino members prepare for the celebration of their daughters' fifteenth birthdays. In addition to highlighting the availability of savings, checking, and loan products, the credit union offers a planning tool to help members budget for estimated expenses.

"What we want to be able to do, especially in the Latino community, is develop a relationship so we gain a member today," says Doug Gilbertson, senior vice president of operations. "Their family, and eventually their children, will join Veridian Credit Union

BEST PRACTICES

COMMUNICATION PLAYS A MAJOR ROLE IN INCLUSION. Be straightforward so there's little room for interpretation. For example, keep product pricing and disclosures free of qualifiers.

LOOK TO A COMMUNITY INCLUSION MANAGER TO IDENTIFY GAPS AND OPPORTUNITIES. For example, are the credit union's financial literacy resources geared toward the spectrum of membership? Is the credit union sponsoring events that potential members attend?

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Veridian sponsors the Diversity Case Competition at the University of Northern Iowa to start a conversation among students about the importance of diversity. Learn more in *Anatomy of a Leadership Culture*, Season 9.

Diversity isn't just about members and employees. It's about suppliers, too. Learn about Veridian's supplier diversity program in *Anatomy of a Leadership Culture*, Season 9.

because they trust us.”

CREDITUNIONS.COM

Veridian is partnering with other community leaders to re-launch the Hola Center, a major resource for services in the Latino community. Learn more in *Anatomy of a Leadership Culture*, Season 9.

DIVERSITY OF ABILITY

People with disabilities, especially those that receive government assistance, don't always have control over their daily care and activities. In 2006, Iowa launched a program that gave Medicaid recipients the option to choose when and how their services are provided as well as who will provide them. This freedom allows people with disabilities to make choices that “better meet their needs and use funds more creatively,” according to the Iowa Department of Human Services.

Product: Consumer Choices Option

Recognized by the state as a provider of financial management, Veridian acts as a fiscal agent for people with disabilities who are receiving benefit dollars. The state deposits money into a Veridian account, beneficiaries hire their choice of service providers, and Veridian processes the payments and requisite payroll taxes.

“They [beneficiaries] have choice and control over how those dollars are spent to meet their needs,” Trainor says. “It's been a great opportunity for us to do something unique, and we're hoping those members start using other products and services rather than just our payroll services.”

DIVERSITY OF INCOME

Unemployment in the United States reached 10.0% in October 2009. Although that number dropped to 8.3% by January 2012, the effects of an elevated unemployment rate are far-reaching. Iowa has fared better than the nation. Its unemployment rate has hovered around 6%, dipping to 5.6% at

the end of 2011. Still, Veridian sees the need in its communities and among its membership for short-term assistance.

Product: Payday Alternative Loan

Veridian provides a six-month loan of up to \$1,000 at an interest rate of 19-21%. Only half of the total loan amount is available immediately to the member, however. The other half goes into a savings account until the member repays the loan, giving the member an opportunity to start saving. When compared to a traditional payday loan, which saddles consumers with hidden fees and triple-digit rates, Veridian's PAL offers a financially smart way to access short-term cash with a long-term benefit.

“Last year we made more than 6,000 of these loans,” Gilbertson says. “The program basically breaks even, but we don't do it to make money. We do it to provide a service to those without credit or with marginal credit. The permanent objective is to break that payday lending cycle.”

Veridian is always considering how to create better products and provide better services in an effort to make all its members feel valued and understood, says Renee Christoffer, senior vice president of administration at Veridian. Everyone at Veridian, from the tellers to the executive team, plays a part in making that happen.

“We employ a diverse workforce so people feel welcomed and valued here,” Christoffer says. “We need different perspectives at the table because we have different perspectives we're trying to serve in the community.”

Investments For The Industry. Investments For The Membership. Investments For The Community.

VERIDIAN CREDIT UNION EXPLORES DIFFERENT WAYS TO INVEST ITS CAPITAL.

BY REBECCA WESSLER

THE PAST FEW YEARS have been a difficult time for credit unions to generate net income. Consumer loan demand has been weak and interest rates have been low. Operating costs continue to rise. Intense competition has suppressed rates and services fees and regulatory scrutiny is leading credit unions to reduce or eliminate risk. Credit unions need answers, and Veridian Credit Union, a \$2 billion cooperative enterprise based in Waterloo, IA, is finding solutions in several sources.

At year-end 2011, approximately one-third of credit unions reported having an investment with a Credit Union Service Organization (CUSO). Veridian invested in its first CUSO in 1990 and to date has investments with two CUSOs: The Veridian Group, a wholly owned subsidiary of Veridian Credit Union, and Student CU Connect, a student lending CUSO that caters primarily to ITT Technical Institute students.

"We got into CUSOs because we were looking for non-interest income to help offset the escalating costs of insurance and benefits," says Jim Kacher, chair of Veridian Credit Union's board of directors. "We looked for other areas, alternative ways to keep costs down, other than just from the members."

As the financial world evolves,

Veridian continues to see value in the opportunities CUSOs offer. For example, The Veridian Group is invested in six CUSOs [see sidebar] and over the past 22 years has built a reputation as a go-to resource for conversations about CUSOs and other ventures that support the local economy.

"We're mostly an investment CUSO, for lack of a better term," says Nick Evens, president of The Veridian Group. "A lot of people only invest in CUSOs that they're going to use the service or product. We don't necessarily take that attitude. First and foremost, we look at if it is a viable product."

Although it doesn't invest in every opportunity, it is aggressive in what it does consider. The credit union's amenable attitude makes it an approachable collaborator, and when it comes to investing in its community – whether that community is defined as Waterloo, Iowa, or the larger credit union system – Veridian practices "how" thinking [see Lingo Of Leadership sidebar on pg. 69].

"We're open-minded," Evens says. "So a lot of opportunities come our way."

ADVENTURES WITH VENTURE CAPITAL

In addition to its CUSO investments, the credit union invests in ventures that are geared to spur economic growth in Iowa.

"The state of Iowa credit union code has a provision that allows credit unions to invest a small percentage of their assets in small business or venture capital funds that are headquartered in Iowa," says Monte Berg, senior vice president of finance at Veridian. "The intent of the code is to encourage economic development and new business investment in Iowa."

According to the code – section 533.304 – credit unions can invest up to 5% of their assets, but a Veridian board policy limits total dollars invested in venture capital funds and small businesses to 1% of net capital.

"Because this area of investing is new for Veridian, we have taken a conservative position," Berg says.

The city of Waterloo is located in the northeast quadrant of Iowa, one of the many states that comprise what has been coined the "Silicon Prairie." With a growing base of entrepreneurs, access to local colleges and universities, low cost facilities, competitive telecommunications, an extensive fiber optic structure, and data centers that offer inexpensive computing, Iowa has an ideal mix of talent, capital, and infrastructure.

Doing its part to encourage development, Veridian is invested with West Des Moines-based private equity firm River Glen Private Capital, which has, in turn, invested in three companies: a central Iowa-based high-tech ceramics company that develops materials for industrial applications; a central Iowa-based animal vaccination company; and

■ **BEST PRACTICE**
ESTABLISH CRITERIA FOR THE RETURN ON YOUR CUSO INVESTMENT. Include monetary goals as well as timeliness.

a northeast Iowa-based structural monitoring company. Veridian is also invested in a Cedar Rapids/Iowa City-area seed fund that will invest in several early-stage startups.

“These companies are within our field of membership,” Berg says. “They provide jobs to people within our field of membership and they provide economic growth for Iowa.”

MEMBER SUPPORT

Veridian’s approach to its investments – whether through CUSOs or venture capital funds – reflects its desire to build a stronger credit union for its members.

“As a financial cooperative, our owners are interested in the return to them, which we keep competitive,” Berg says. “We don’t have a group of shareholders that say, ‘You have to increase profits every quarter.’ We have a group of members that say, ‘We want you to be financially secure and provide us with high-quality products and services at the best rates.’”

It’s that alignment of the credit union’s strategic future and the members’ interest that allows Veridian to pursue innovative, some might say “aggressive,” avenues for investment. ▴

CREDITUNIONS.COM

How does The Veridian Group’s board collaborate with the community, brainstorm ideas, and refine products? Find out in *Anatomy Of A Leadership Culture*, Season 9.

Watch *Anatomy Of A Leadership Culture*, Season 9, to learn how Veridian evaluates new investment opportunities.

VERIDIAN’S CUSOS

NAME: THE VERIDIAN GROUP

Service: holding company

Description: The Veridian Group is a wholly-owned subsidiary of Veridian Credit Union.

NAME: STUDENT CU CONNECT

Service: student lending

Description: This CUSO provides student loans primarily to ITT Technical Institute students.

Invested: Since 2009

THE VERIDIAN GROUP’S CUSOS

MEMBERS INSURANCE SERVICES DBA VERIDIAN INSURANCE

Service: insurance services

This CUSO is a partnership between Veridian Credit Union and a local insurance brokerage. The CUSO offers personal lines of property and casualty insurance (home, auto, umbrella, etc.) to Veridian members.

Invested: Since 1990

COOPERATIVE PAYROLL SOLUTIONS

Service: payment processing

Cooperative Payroll Solutions provides payroll processing and solutions to credit unions and private business.

Invested: Since 2006

BEYOND MARKETING

Service: professional services

The CUSO provides marketing and communication solutions to credit unions and state leagues.

Invested: Since 2007

TMG FINANCIAL SERVICES

Service: purchaser of credit card portfolios

In addition to buying credit card portfolios from credit unions and community banks, this CUSO also helps credit unions and banks launch new credit card programs.

Invested: Since 2008

CU INSURANCE ALLIANCE

Service: insurance services

This CUSO provides insurance solutions – from health plans to collateral protection – to credit unions.

Invested: Since 2009

DWOLLA HOLDINGS, LLC

Service: Person-to-person payment solutions to credit unions and community banks.

This CUSO offers the Dwolla P2P payment software platform to credit unions.

Invested: Since 2010

THANK YOU TO THE EMPLOYEES AND COMMUNITY OF VERIDIAN CREDIT UNION.

YOUR INSIGHT ALLOWED US TO CAPTURE WHAT IT MEANS TO BE A MEMBER, EMPLOYEE, AND PARTNER OF VERIDIAN. THANK YOU, ESPECIALLY, TO THE FOLLOWING INTERVIEWEES WHO GRACIOUSLY SHARED THEIR TIME AND EXPERIENCE:

MONTE BERG

SENIOR VICE PRESIDENT, FINANCE
WITH VERIDIAN: 21 YEARS

Quote: We'd rather compete against Wells Fargo than a community bank or credit union. There's always new people moving into the market. They have to choose a financial institution, and we'd like them to choose us. We'd also like somebody who is dissatisfied with their large national bank to come see us.

RENEE CHRISTOFFER

SENIOR VICE PRESIDENT, ADMINISTRATION
WITH VERIDIAN: 18 YEARS

Quote: The Veridian experience is what makes us special. It's something you can feel when you walk into the credit union versus another company down the road. We treat you as we would want to be treated. We treat you with respect. We call you by your name. It's the service we provide. It's all of the things that make us who we are. It's our values and our vision all rolled up into one experience.

NICK EVENS

PRESIDENT, VERIDIAN GROUP (A WHOLLY OWNED SUBSIDIARY OF VERIDIAN CREDIT UNION)
WITH VERIDIAN: 2 YEARS

Quote: We want to be known as being out on the leading edge of helping CUSOs and coming up with new ideas and new CUSOs to help lead the movement.

DOUG GILBERTSON

SENIOR VICE PRESIDENT, OPERATIONS
WITH VERIDIAN: 25 YEARS

Quote: The culture around here is to be innovative, think outside the box. We're constantly being challenged to do things differently. If we try it one way and it doesn't work out, that's ok. We try it again. We just have to be open to that. We like to say we want to figure out how to do it, not if.

JIM KACHER

CHAIRMAN OF THE BOARD OF DIRECTORS
ON THE BOARD: 22 YEARS

Quote: We have an obligation to be a good citizen, to be a good employer, to support our communities, and to do what we can when the opportunity arises to make our communities better places to live and work and raise our families.

DYANN LONGSETH

SENIOR VICE PRESIDENT, COMMUNICATIONS
YEARS WITH VERIDIAN: 19 YEARS

Quote: What makes us innovative in some regard is the ability to take something that someone else has offered and what we call "Veridianize" it. That's putting our own little stamp on it.

JEAN TRAINOR

CEO & CHIEF INCLUSION OFFICER
WITH VERIDIAN: 30 YEARS, 22 YEARS AS CEO

Quote: We've done a lot of work around inclusion. That's important for the future. To have an inclusive approach we've reached out not only to immigrants, but also to people with disabilities. We need to understand and welcome and value everyone for who they are.

SHEILA BAIRD

PRESIDENT, CEDAR VALLEY UNITED WAY

Quote: It is wonderful to see an organization as large as Veridian Credit Union take such a leadership role in the community. It has helped the community focus on inclusion and diversity. As any community grows, you have to take advantage of the diversity.

LESLIE WILSON

ASSOCIATE DEAN, UNIVERSITY OF NORTHERN IOWA
COLLEGE OF BUSINESS
WITH UNI: 27 YEARS

Quote: We want our community to be a community that people enjoy living in, that our people want to come back to and raise a family. Leadership by Veridian Credit Union, and other organizations within our community, is important to the long-term health and vibrancy of this whole area. ▲