a CALLAHAN COLLECTION 2017

edition 2

SMALL CREDIT UNION SUCCESS STORIES

FOR MORE CREDIT UNION STRATEGY & PERFORMANCE VISIT

CREDITUNIONS.COM

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Just because a credit union is small doesn't mean it can't be mighty. Small credit unions are making an impact on the communities, SEGs, and members they serve. What can you learn from them? Find a best practice or two in this Callahan Collection.

KEY ADVICE FOR A CREDIT UNION TURNAROUND

When Keys FCU put itself into voluntary conservatorship in 2009, its leaders and staff knew rebuilding together was the only way to save the credit union.

BY SHARON SIMPSON

Keys Federal Credit Union ($130.6M, Key West, FL) faced a trifecta of trouble during the late oughts. A difficult board, the Great Recession, and a natural disaster left the credit union in a difficult position.

In September 2009, four of the seven board members of Keys FCU signed a voluntary conservatorship order, which effectively removed the board members from their positions and instated the NCUA as the credit union's board and supervisory committee.

Rather than immediately find a merger partner or dissolve the credit union, the NCUA let Key FCU's management try to turn things around at the small Sunshine State cooperative. That's when the credit union went into recovery mode. It continued cost-cutting efforts it had implemented in 2008 and focused on increasing retained earnings. To save the credit union — and their jobs — required staff members to come together. It was all on the line, and they only had one chance to get it right.

In this Q&A, Scott Duszynski, president and CEO of Keys Federal Credit Union, discusses the events that led to the credit union's voluntary conservatorship. He also explores how the organization steadily rebuilt its financial condition while developing stronger relationships among staff, regulators, and the community.

CU QUICK FACTS

Keys FCU
KEY WEST, FL
DATA AS OF 12.31.16

$130.6M
ASSETS

12,178
MEMBERS

4
BRANCHES

3.4%
12-MO SHARE GROWTH

5.0%
12-MO LOAN GROWTH

1.62%
ROA

WHY DID KEYS FCU OPT FOR THE VOLUNTARY CONSERVATORSHIP ROUTE?

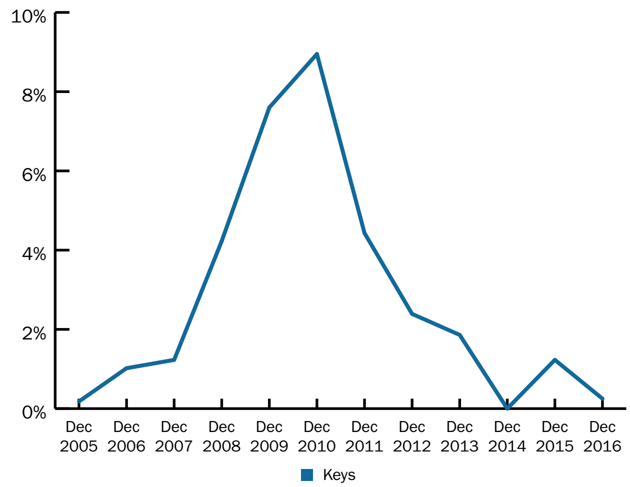
SCOTT DUSZYNSKI: We had three rather large issues we had to deal with as an organization. The first was a board of directors that had a different vision for the credit union. It's damaging when a clear path forward can't be agreed upon, and that was the situation here.

We also had to deal with the housing crisis. In Key West, the losses on real estate alone were substantial. For example, the value of my own townhouse purchased in 1999 for $148,000 soared to an appraised value of $619,000 in 2005 before plummeting back down to $180,000 during the financial crisis.

The third event was Hurricane Wilma in 2005. The credit union initially saw a surge in loan volume as a result of the flooding — 70% of our auto portfolio turned over in three months due to damaged vehicles — but the long-term impact was negative. Typically, members get new cars approximately three years into a loan, but the majority of our loans hit that mark in the 2008-2009 timeframe when most members were choosing not to get a new vehicle. This had major consequences for us as normal amortization dropped our loan income and there was no new loan demand on the horizon to replace it.

All three of these events led our board to put the credit union into voluntary conservatorship in September of 2009.

FIRST MORTGAGE DELINQUENCY
FOR KEYS CREDIT UNION | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

WHAT CHANGES DID THE CREDIT UNION MAKE AFTER THE CONSERVATORSHIP?

> "Leaders, at any level, need to understand that people are paying attention. If you have a sour face or a smile, they are watching and will respond in kind."
> – SCOTT DUSZYNSKI, PRESIDENT/CEO, KEYS FCU

SD: Obviously, the only way to build back capital was through income, so we immediately ramped up our cost-cutting efforts. This meant downsizing staff and cutting benefits like 401(k) matching and incentives.

In March 2011, we found out the building that housed our main office was being sold. We had no choice, we had to leave. We got into a new space and renovated it in just 96 days.

Also in 2011, the regional director of NCUA asked me if I wanted to move from CFO to CEO. I decided the only place to go as an organization was up, so I accepted the challenge.

WHAT OTHER CHANGES IMPROVED THE FINANCIAL POSITION OF THE CREDIT UNION?

SD: We combined two of the branches in Key West into our new main office. We also closed one branch further up the Keys with the intention of re-opening one day when we became profitable again.

The cost-cutting measures were the first piece, along with finding a stable home for the main office. Once that was done, we focused on growing loans to get the income flowing again.

At the time, we had a consumer loan goal of $600,000, and I can remember some of the staff thinking that was a stretch. Today, our monthly goal is $2.8 million, and the staff regularly beats it. The production is there now, but it took a lot of work to get there.

We advertised quite a bit, but immersing ourselves in the community was even more effective. We've done that primarily through volunteer projects, event sponsorship, and being active throughout the community.

Our 35 employees completed more than 550 hours of community service in 2016. And this includes only official credit union events. It doesn't include senior staff members serving in Rotary clubs, chambers of commerce, military affairs committees, The Navy League, Toastmasters, etc.

We got out there, and it has paid off. The community started talking about the credit union and relating to us as their community financial institution.

Getting out into the community has helped Keys FCU make a financial comeback. Its 35 employees completed more than 550 hours of community service in 2016, underscoring its role as the community's financial institution.

HOW DID YOU KEEP STAFF MOTIVATED?

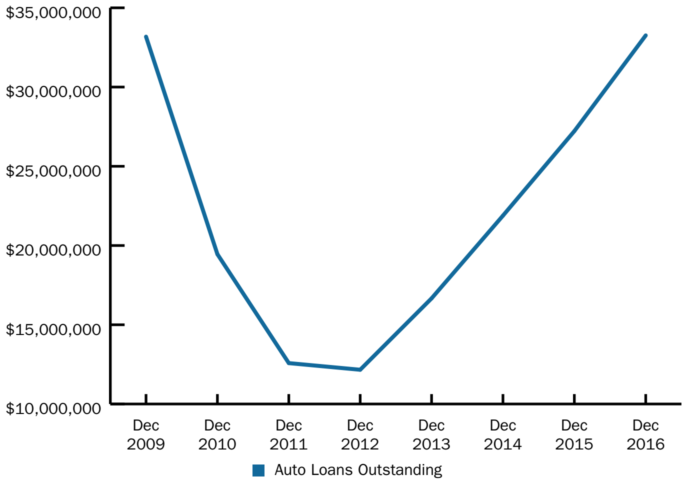
SD: The most important thing, which I didn't realize made such an impact at the time, was walking around and checking in with everyone. Simply smiling and asking "How is your day going?" can make a big difference and encourage staff to move forward even when times are tough. Leaders, at any level, need to understand that people are paying attention. If you have a sour face or a smile, they are watching and will respond in kind.

The only financial incentive we had was, if we hit the goal for the month, we'd allow staff to buy lunch up to $15. A few years ago, we put in a super goal worth a night at the credit union with bingo, pizza, sodas, and prizes. The prizes consisted of a few gift cards, but the staff loved it.

We also did Halloween dress-ups and potlucks with the senior executives. There were five senior executives at the time, and we'd make breakfast for the employees when we had monthly team meetings. That was a big hit as well. You've got to find what works for your organization.

AUTO LOANS OUTSTANDING

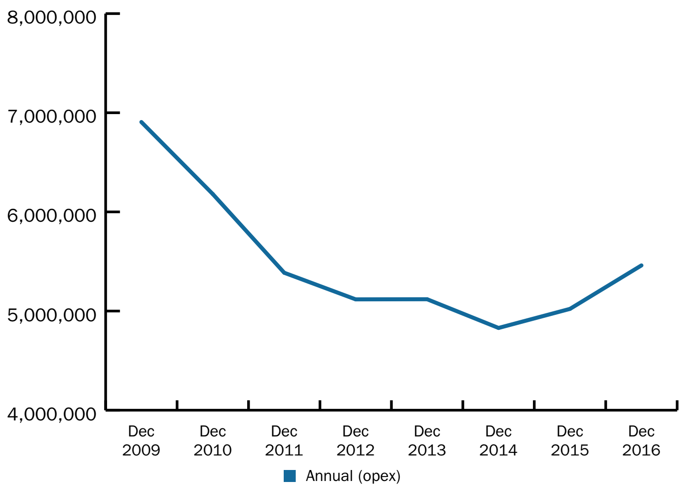
FOR KEYS CREDIT UNION | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

OPERATING EXPENSE

FOR KEYS CREDIT UNION | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

WHAT IS YOUR ADVICE FOR BUILDING, AND MAINTAINING, A STRONG RELATIONSHIP WITH REGULATORS?

SD: We're all here for the same purpose, and, ultimately, we all want the same thing. The NCUA doesn't want the credit union to fail; they want to see the organization do well and help the members. Both parties have that shared purpose in common. How we go about achieving that is different, but being open to conversation and new ideas is helpful.

Don't go into meetings with the NCUA with an attitude that you know everything and they know nothing. They have ideas that are good and some that might not be — but credit union executives are the same way. We're all people, and if you work together you can get a lot accomplished.

One of the best things about the conservatorship is that we got to experience exams from other regions. Since our own region of the NCUA was overseeing the credit union during the conservatorship — and couldn't examine themselves — outside examiners performed our exams. That process was invaluable as everyone does things a little differently and we were able to pick up some analysis tools that were quite useful.

HOW DID KEYS FCU REBUILD ITS BOARD?

SD: In the summer of 2013, the NCUA started thinking about re-establishing a board and went to our membership base to see who might fit the profile of a board member for a financial institution. They looked at some long-term members and found a cross-section of representatives from the membership who were leaders in the community.

Keys FCU's new board represents a cross-section of members who are also leaders in the community. Its members

Each of the new board members went through a vetting process. At first it was just an advisory board so they couldn't make decisions. But they went through an extensive training process with NCUA, NAFCU, and the league. We also had internal training that went on until we were released from conservatorship in September of 2015.

The onboarding period from the summer of 2013 to September of 2015 helped the new board gain needed knowledge and skills and gave us an opportunity to interact with one another.

The NCUA then released us from conservatorship during one of our regularly scheduled board meetings. The NCUA start the meeting by saying, "Congratulations. This is your board meeting now." The new board took it from there and didn't miss a beat.

This interview has been edited and condensed.

This article original appeared on CreditUnions.com on Dec. 19, 2016.

IT'S NICE TO BE THE KING

By just about any metric, Kings FCU is growing — quickly. However, it still ranks high in its ability to provide credit to its borrowers at low cost.

BY IAN MELHORN

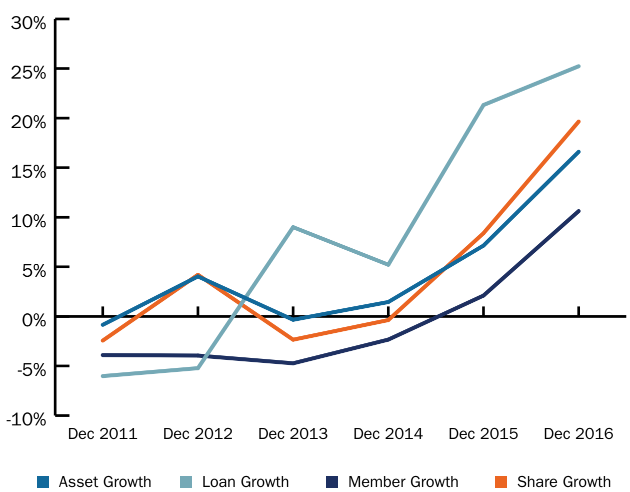
In 1955, eight members of the Kings County Employees Association each deposited $5 to become the charter members of the Kings County Employees Federal Credit Union. The name was later changed to Kings Federal Credit Union upon expansion of employer SEGs, and the credit union currently serves members from all over Kings County, CA.

Over the past 12 months, Kings FCU ($106.6M, Hanford, CA) has seen notable growth across a variety of key metrics, sustaining its upward trend of the past few years. That includes balance sheet growth of 19.7% for shares and 25.2% for loans, resulting in an increase of 16.6% for total assets. Kings FCU attracted 899 new members over the year, bringing its total to 9,367 while employing 20 professionals at a single location.

Kings president and CEO Jeff Bassill and his credit union rolled out several significant enhancements in 2016, including CardValet, which allows members to manage their debit card by freezing the card, setting spending limits, and receiving real-time alerts. A new mobile deposit feature also has been added.

GROWTH RATES

FOR KINGS CREDIT UNION | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

CU QUICK FACTS

Kings FCU
HANFORD, CA
DATA AS OF 12.31.16

$106.6M
ASSETS

9,367
MEMBERS

1
BRANCHES

19.74%
12-MO SHARE GROWTH

25.2%
12-MO LOAN GROWTH

0.49%
ROA

> "Over the past two years, Kings FCU has more than doubled its marketing and promotional spend, which along with new products has helped spur growth."
>
> – IAN MELHORN, INDUSTRY ANALYST, CALLAHAN & ASSOCIATES

Return to Borrowers	Your Value	Peer Average	Rank	Out Of*	Percentile		Weight		Weighted Score
(Loans + Servicing Portfolio - Purchased Participations) Shares	82.71%	69.11%	29	116	75.86	x	30%	=	22.76
Yeild on Average Loans	4.41%	4.92%	31	116	74.14	x	20%	=	14.83
Loans Per Member	0.55	0.52	41	116	65.52	x	10%	=	6.55
3-Year Loan Growth	16.93%	9.20%	16	116	87.07	x	15%	=	13.06
YTD Loan Originations Per Member	$4,223.09	$3,018.75	27	116	77.59	x	15%	=	11.64
Change in Avg Consumer & RE Loan Balance	13.17%	4.47%	14	116	88.79	x	10%	=	8.88
Total Return to Borroweres					**99.10**				**77.72**

Auto lending makes up 86.2% of its loan portfolio with a split of 68.4% new auto loans and 31.6% used auto loans. The credit union's 25.2% overall loan growth was bolstered by a 56.1% year-over-year increase in new auto loans. With a high concentration of auto loans, Kings FCU relies heavily on indirect lending as a key contributor to their overall loan growth.

On the other side of the balance sheet, Kings FCU's 19.7% share growth rate was underpinned by a year-over-year increase of 68.8% in share certificates. Regular shares continue to lead the way in Kings FCU's share composition but share certificates are now trailing in a close second by 5 percentage points, closing in on a gap of 19% from the prior year end.

Over the past two years, Kings FCU has more than doubled its marketing and promotional spend, which along with new products has helped spur growth. Although this expense has increased, the credit union maintained an operating expense ratio well below its asset band peer average of 3.72%.

To put Kings FCU's success in perspective, Kings FCU currently ranks in the 99th percentile, out of 116 credit unions in the Western NCUA Region between $100 million and $250 million in assets, for Return to Borrowers in Callahan's proprietary Return of The Member (ROM) index. The lending component recognizes the credit union's ability to provide credit to its members at a reasonable cost. Although Kings FCU has a high concentration of auto loans, it also posted double digit year-over-year growth across all other loan types.

Not surprisingly, this has led the credit union to a 10.4% year-over-year growth in average member relationship, nearly double that of state- and asset-based peers. In addition, Kings outpaces its peers by serving 6.23% of its potential members.

Said another way, it's not bad to be the king.

A STRATEGY TO SERVE C AND D PAPER BORROWERS

Cornhusker credit union Trius FCU offers ways to reach good borrowers in hard times while still mitigating risk.

BY ERIK PAYNE

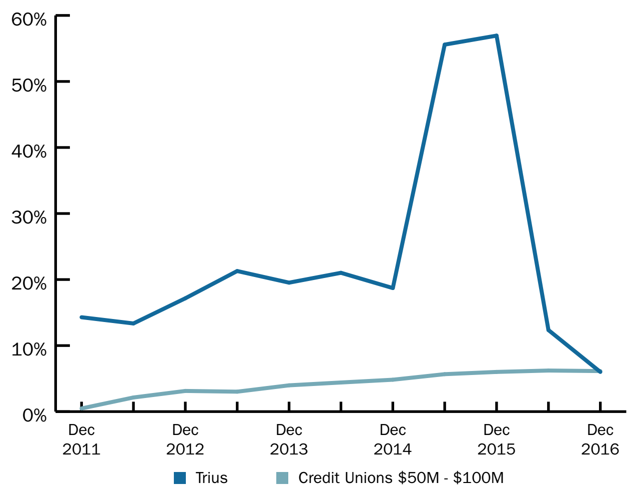
In April 2015, Trius Federal Credit Union ($68.6M, Kearney, NE) — then called Kearney Federal Credit Union — agreed to merge Kearney Eaton Employees Federal Credit Union, an $18 million institution and the only other credit union in town.

"We were in competition all the time, and members would flip back and forth based on who had the better rates," says Amy Schade, the credit union's vice president of lending. "Because we had so many joint members, it made sense for us to grow stronger together."

As a result of the merger, the credit union posted immediate spikes in key financial ratios, such as loan, share, and member growth.

LOAN GROWTH

FOR CREDIT UNIONS $50M-$100M | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

HOW DID LENDING AT KEARNEY FCU COMPARE TO KEARNEY EATON EMPLOYEES BEFORE THE MERGER?

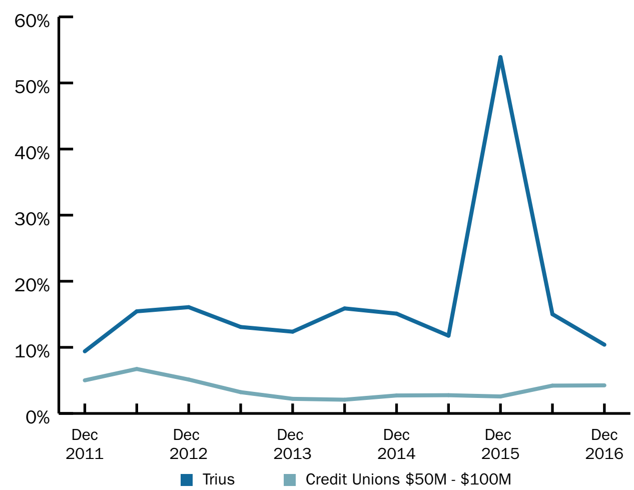
AMY SCHADE: Our lending style was different from Kearney Eaton. We offered a more diverse suite of loans — credit cards, consolidation loans, unsecured loans more than $2,000, and more. Kearney Eaton's lending guidelines were boxy and strict, whereas we offer members outside-of-the-box ideas. Kearney Eaton just didn't lend to the riskier paper as much as we do.

HOW DOES THE CREDIT UNION'S LOAN PORTFOLIO BREAKDOWN IN TERMS OF CREDIT TIER?

AS: For our most recent numbers from June 2016, E was 3.56%, D was 6.94%, C was 13.12%, B was 16.05%, A was 18.32%, and AAA was 24.42%. The remaining 17% is made up of non-risk based products such as some HELOCs, mortgages, and loans inherited from Kearney Eaton Employees in the merger.

SHARE GROWTH

FOR CREDIT UNIONS $50M-$100M | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

"Word travelled fast that we were giving people a financial opportunity."

– AMY SCHADE, VICE PRESIDENT OF LENDING, TRIUS FCU

HOW DOES THE CREDIT UNION REACH C/D PAPER BORROWERS?

AS: We try to build relationships. Members come in and we speak with them for 30 minutes to an hour to get to know them. We ask them how they've arrived in the situation they're in and try to put loans together based on the information we've collected.

HOW DO YOU MITIGATE RISK?

AS: We have an approval matrix for loan officers based on how advanced they are in their interviewing skills and how long they've been with the credit union, among other variables. A number of loan officers are not able to approve C/D paper loans on their own. Instead, they underwrite the loan and place them in a loan approval queue with a written statement explaining why the loan should be approved. Then, a higher-level lender will ask questions and approve or deny the loan. The approval queue isn't just for C/D/E paper, but that's much of what we see come through.

We also conduct random loan audits. Each month we monitor the yields and delinquencies in the portfolios of our loan officers. If we see an employee's portfolio has spiked in delinquency relative to the norm, they we'll audit 10 random loans from the past month to see if something is going on.

For the C/D paper on the mortgage side, we run a credit score enhancement program. Our mortgage loan originators sit down with these members, dissect their application and financial picture, and say, "This is where you are today. If you want to buy a house in six months this is where you need to be."

We've also built a relationship with a local, small, used car dealer. It probably has 30 cars on the lot with prices running from $10,000 - $30,000 each. He's sent us a lot of business.

CU QUICK FACTS

Trius FCU
KEARNEY, NE
DATA AS OF 12.31.16

$68.6M
ASSETS

10,660
MEMBERS

4
BRANCHES

10.4%
12-MO SHARE GROWTH

6.0%
12-MO LOAN GROWTH

0.58%
ROA

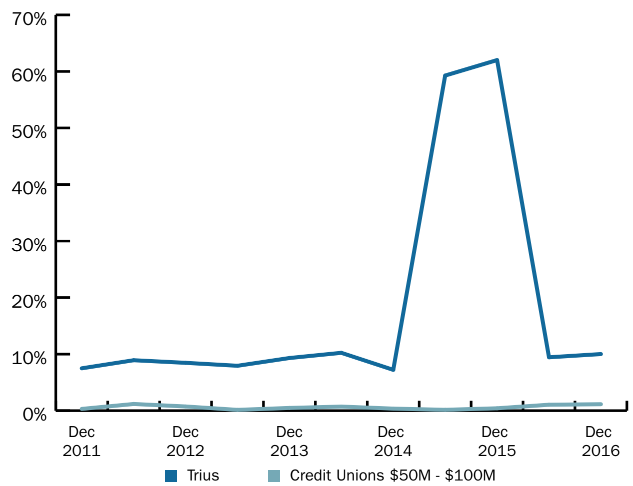
HOW DID YOU BUILD THIS RELATIONSHIP?

AS: I oversee collections and was getting tired of sending vehicles to auction or sending them to a used car lot. A few years ago, I reached out and asked if Tim and Lanny's Auto Center was interested in consigning some of my repossessions.

We hit it off, and at the beginning of 2015 we started an in-dealership office on Saturday mornings that we staff with two Trius loan officers. The dealership refers them to us and we do the financing there. It's like indirect but not really because we get to touch and feel the loan before we make the decision.

MEMBER GROWTH

FOR CREDIT UNIONS $50M-$100M | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

WHAT IS IT ABOUT TRIUS' FIELD OF MEMBERSHIP THAT MAKES YOU COMFORTABLE APPROVING LOANS IN THIS CREDIT TIER?

AS: We have a lot of manufacturing in our area. We have the Eaton Corporation, which was the main field of membership for the credit union we merged. We also have Tyson meats and a few other meat packing plants. We know they're all paid weekly and are blue-collar hard workers.

We have the mindset that bad things happen to good people. Kearney is a small town of approximately 35,000, and word travelled fast that we were giving people a financial opportunity and weren't of one of those Buy Here Pay Here-type places.

This interview has been edited and condensed.

This article originally appeared on CreditUnions.com on Jan. 30, 2017.

LESSONS FROM A 12-MONTH TURNAROUND

A new approach to the credit union basics of people and finance helped this West Virginia cooperative turn six-figure losses into seven-figure gains.

BY SHARON SIMPSON

Dan McGowan joined Pioneer West Virginia Federal Credit Union ($196.9M, Charleston, WV) as its CFO in late 2010 and became CEO in 2014. Economic distress in its marketplace, which covers 10 counties in West Virginia, and a heavily authoritarian management style had left the credit union with six-figure losses and an anemic loan-to-share ratio.

In this Q&A, McGowan discusses the challenges the credit union faced and how the organization has turned things around to become a profitable — as well as enjoyable — place to work.

WHAT CHALLENGES WAS THE CREDIT UNION FACING WHEN YOU JOINED IN 2010?

DAN MCGOWAN: As we closed out 2010, the credit union had its second year of six-figure losses. Employee morale was low and the loan-to-share ratio was approximately 62%. Basically, all our metrics were going in the wrong direction and the board decided a change was needed. The authoritarian, "Theory X" management style was just not working.

The credit union had become a laughingstock in our area. The relationship Pioneer West Virginia had with the NCUA was contentious. In a short period of time, the top three positions in the credit union turned over. Dana Rawlings was the new CEO and I was the CFO. The path forward was clear for our new management team, we had to get the ship in order and turn things around.

WITH SO MUCH TO DO, HOW DID THE NEW TEAM PRIORITIZE? WHERE DID YOU START?

DM: The credibility issue came into play very quickly. We had trust issues on multiple levels and we understood we had to be open, honest, and approachable to engender trust among staff. There was cautious optimism among employees tempered by skepticism.

We also needed to focus on growing our loan portfolio. Our new leadership team had experience in the world of banking but were all converts to the credit union world. We brought an enthusiastic, aggressive competitiveness to the forefront — we like to aggressively convert bank customers to credit union members and bring them all the benefits of the cooperative.

The credit union had a portfolio of $60 million of sub-optimized cash investments, so we went to work on getting those positioned into higher-yielding investments while we continued to build the loan portfolio.

In 2011, we had a phenomenal year and went from six-figure losses to a seven-figure net income. Today we have a loan-to-share ratio of approximately 107% and have continued the positive momentum.

CU QUICK FACTS

Pioneer West Virginia FCU
CHARLESTON, WV
DATA AS OF 12.31.16

$196.9M
ASSETS

17,242
MEMBERS

7
BRANCHES

-3.2%
12-MO SHARE GROWTH

1.0%
12-MO LOAN GROWTH

0.68%
ROA

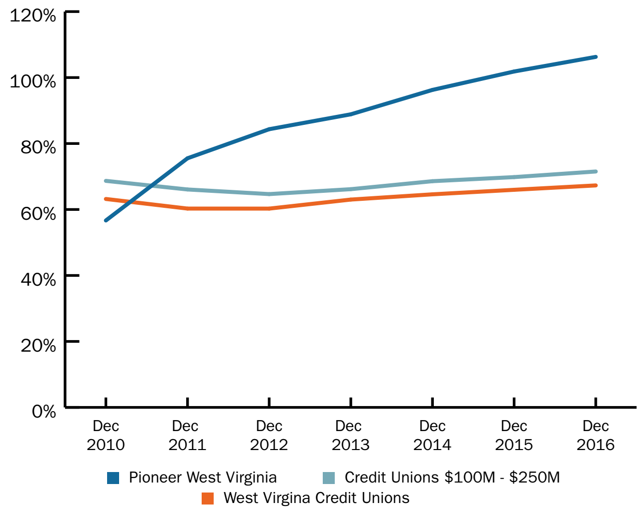
»

“We have the best deal in the nation for people who carry a balance on their credit card.”

– DAN MCGOWAN, CEO PIONEER WEST VIRGINIA FCU

LOAN-TO-SHARE RATIO

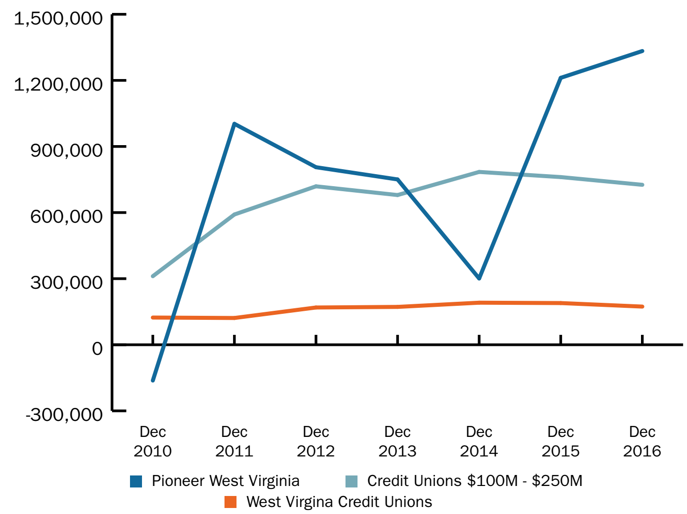
FOR CREDIT UNIONS $100M-$250M | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

NET INCOME

FOR CREDIT UNIONS $100M-$250M | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

WHAT SPECIFIC CHANGES MADE AN IMMEDIATE, POSITIVE IMPACT?

DM: Going back to the human element, we had to start at the top with a vision of what we could do together. We wanted to let everyone know we could do bigger and better things, so we started by rolling the snowball. We pointed out small successes, and the snowball grew over time. My immediate predecessor sent emails to all employees with the title “Can you believe?” and pointed out specific successes that emphasized we are something special.

We also developed Today’s Pioneer Status Report — the TPS Report — to keep everyone engaged and paying attention to the vital areas of the business every day. It includes activities like loans made and call center stats. We start each day by examining where we are in the key areas. That daily awareness, not just monthly reports, keeps our staff focused.

HOW DID PIONEER WEST GROW ITS LOAN PORTFOLIO DESPITE THE ECONOMIC STRAIN WITHIN THE COMMUNITIES IT SERVES?

DM: We believe in growing business by removing obstacles that are in front of members. We have the best deal in the nation for people who carry a balance on their credit card — rates as low as 5.25% APR with a cap of 17.95%. Even on the higher-end of the scale, this is much better than the 24% rate or higher that members likely pay elsewhere. We don’t do teaser rates or charge balance transfer fees, we try to make it easy for members to bring their balances to us.

Want to read more Callahan Collections?
Find them only on CreditUnions.com/publications.

Our Financial Advocates, which is what we call loan officers or member services representatives, take the time to get to know each member’s situation and provide the best solutions. I recently met a member who was worried about her large credit card balance. She

"She was fighting back tears of gratitude for what we had done for her, relative to what the banks were doing to her."

– DAN MCGOWAN, CEO PIONEER WEST VIRGINIA FCU

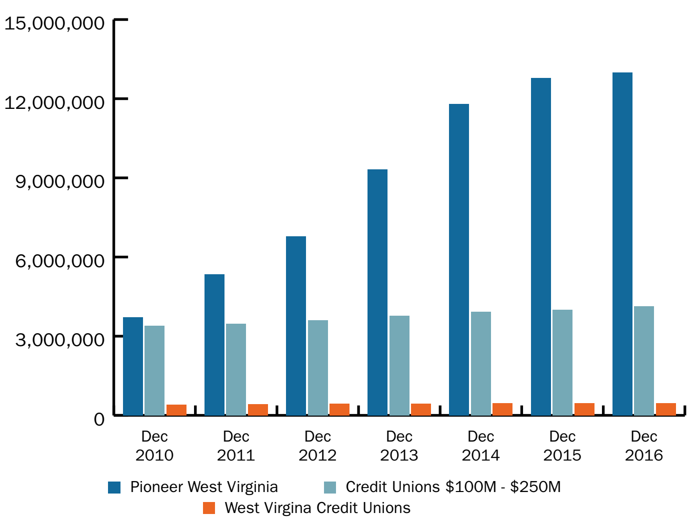
was responsible, but life events had led to debt. She qualified for our credit card and transferred the entire balance, saving on interest and monthly payments. She was fighting back tears of gratitude for what we had done for her, relative to what the banks were doing to her.

That's why we call these staff members "Financial Advocates" instead of loan officers. We expect more from them than just lending. We want them to advocate for the members, to do something for people and to protect them.

Another member in her mid-50s had come to us concerned that she'd never be able to retire because she had so much debt. It wasn't unusual debt — a mortgage, student loans, a car, and credit cards. We ultimately bundled every penny of debt into one 10-year loan. This made it possible for the member to be completely debt-free by age 65. Not only that, we also reduced her overall debt payments by $2,000 a month so she can save for retirement. That's an extra $240,000 over the next 10 years that will help her reach her goal of retiring on time. Those are the stories that make all of us at Pioneer West Virginia feel good about who we are and what we're doing for our members.

CREDIT CARD LOAN BALANCES

FOR CREDIT UNIONS $100M-$250M | DATA AS OF 12.31.16



SOURCE: CALLAHAN & ASSOCIATES

HOW DID THE CREDIT UNION REPAIR ITS RELATIONSHIP WITH OTHERS, THE NCUA IN PARTICULAR?

DM: The previous CEO had a contentious relationship with the regulators, so we had to repair the damage. Being genuinely decent human beings is a good place to start. We tried to be candid and up-front as we talked with the regulators. It takes time to earn back trust, but once the examiners saw we were doing wise things and getting results, they felt more comfortable with us.

We have a superb relationship with the examiners now — a number of them cycle through, and we always enjoy the interchange. One of the first things we say during the entrance interview is "tell me what you see out there." These examiners are all over the country, so we like to pick their brains and have a tremendous amount of respect for them.

WHAT ADVICE DO YOU HAVE FOR A CREDIT UNION EXPERIENCING SIMILAR CHALLENGES?

DM: A leader or a manager is only as good as the people who support them, so make sure you have good people on board and the right people in the right seats.

I had to make some adjustments when I got here, but giving people the support, encouragement, and infrastructure they need to be successful works. Also, reward staff with tangible rewards, not just a pat on the back, tied to the organization's success.

And lastly, articulate your vision and inspire your staff. If they are proud to work for your organization, it will show and will lead to success.

When I joined the credit union, we had employees who didn't want to wear our logo shirts out in public because they were ashamed of our reputation. In 2014, we did an employee survey and the first response was "I am proud to work for Pioneer West Virginia."

That's the bottom line for me.

This interview has been edited and condensed.

This article originally appeared on CreditUnions.com on Mar. 13, 2017.

HOW PACIFIC NORTHWEST IRONWORKERS RESTORED ITS NET WORTH AND BUILT MEMBER VALUE

The small Oregon-Washington credit union uses internal efficiencies and external outreach to hit new heights.

BY MARC RAPPORT

Teri Robinson had only been at the helm of her small, member-owned cooperative for approximately six months when it came to a crossroads in 2009.

A perfect storm of the recession, out-of-work members, losses to the corporate credit union collapse, and money it owed to the NCUA corporate stabilization funds had Pacific Northwest Ironworkers Federal Credit Union ($24.1M, Portland OR) on the brink.

"We were afraid the credit union might not survive if we didn't start moving in the right direction," Robinson says.

TERI ROBINSON,
CEO,
PACIFIC NORTHWEST
IRONWORKERS FCU

With net worth less than 7%, Robinson and her board began by going into the NCUA's net worth restoration program and accessing secondary capital sources that would allow the credit union to begin lending.

Since then, assets at the credit union that serves members of six union locals from three branches in Washington and Oregon have tripled, and member engagement has soared. Today, the $22 million cooperative stands tall among its peers as one of the top-performing small credit unions in the country.

Here, Robinson sheds light on how the credit union came back from the brink.

WHAT MADE THE CREDIT UNION DECIDE TO GO INTO THE NCUA NET WORTH RESTORATION PROGRAM?

TERI ROBINSON: Our members — union ironworkers and their families — were going to predatory lenders. The NCUA wanted me to close branches. These branches are our lifeline. I asked the NCUA to give me a chance. The board and staff were on board to help our members and see the credit union thrive.

During this restoration, I called vendors and asked them if they wanted me to be around. If so, [they needed to] help me and reduce costs for right now. When we are successful again, we can renegotiate.

WHERE ARE YOU NOW WITH THE NET WORTH PROGRAM, AND WHAT ROLE DID SECONDARY CAPITAL PLAY IN THAT PROCESS?

TR: We moved out of the Net Worth Restoration Plan in June 2013. I've got the notice in a plaque on my desk as a reminder of where we've come from.

"I wake up in the middle of the night thinking of new ways to reach our members. We're involved in union meetings, picnics, parties, apprenticeship classes. I want us to be seen as a partner."

– TERI ROBINSON, CEO, NORTHWEST IRONWORKERS FCU

We got out with the help of secondary capital from the National Federation of Community Development Credit Unions in June 2012. Those funds allowed the credit union to focus on loan growth and stabilize our net worth. That let us begin requesting that members bring their shares and loans to the credit union.

Don't reinvent the wheel. Get rolling on important initiatives using documents, policies, and templates borrowed from fellow credit unions. Pull them off the shelf and tailor them to your needs. Visit Callahan's Executive Resource Center today.

THE CREDIT UNION RANKS IN THE TOP 25% NATIONALLY IN ROM, HAS MORE THAN 60% MEMBER PENETRATION, AND SECOND QUARTER SHARE GROWTH WAS IN THE TOP 10% OF ALL CREDIT UNIONS. HOW'D YOU DO THAT?

TR: We advertise to our members constantly. We're always asking them for their business. We only do direct lending, and when a member calls about a loan, we look at the credit report and show them how we can beat their rates.

If they're paying someone else, I want the loan here. We look at the ACH withdrawals for payments going elsewhere, call the member, and ask them to bring the loan to us. They belong to us for a reason, so we try to find out what that is.

If you have 6,000 members but only 1,500 are borrowing, then you aren't doing your job. The number of members doesn't matter. It's your loans.

We also implemented mobile banking in June 2013 that allows members to deposit their paychecks remotely. The number of new checking accounts and new loan growth then went hand in hand.

PACIFIC NW IRONWORKERS' EFFICIENCY METRICS ARE PARTICULARLY OUTSTANDING. HOW'D YOU ACCOMPLISH THAT?

TR: We use online banking and the process efficiencies that are built into our core processing system. We use email blasts to get members to call. Our core system creates efficiencies in our process.

Most importantly, we have longtime staff who know our members and work efficiently. We all want the credit union to survive and be here for more ironworkers.

HOW DO YOU COMPARE?

Check out Pacific NW Ironworkers' performance profile on Search & Analyze. Then build your own peer group and browse performance reports for more insightful comparisons. Search & Analyze.

THERE'S A LOT OF TALK ABOUT THE VIABILITY OF SMALL CREDIT UNIONS. WHAT DO YOU THINK IS THE SECRET TO STAYING RELEVANT?

TR: You have to constantly ask your members for their business. It's not realistic to assume they know what you have and will ask you for it. You have to go get it!

I wake up in the middle of the night thinking of new ways to reach our members. We're involved in union meetings, picnics, parties, and apprenticeship classes. I want us to be seen as a partner and as a benefit to the local unions' membership.

Marketing is a huge part of our secret sauce. We use technology such as mobile banking, Facebook, and email blasting.

I also have a supportive board and staff who believe in the vision. It's hard to slow down and not take advantage of all the opportunities we have, even without becoming community chartered. We have a closed field of membership but we see huge opportunities.

I hope you follow up with us in six years. Just think of how many more members and potential members we'll be helping then.

This interview has been edited and condensed.

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CU QUICK FACTS

Northwest Ironworkers FCU

PORTLAND, OR

DATA AS OF 12.31.16

$24.1M
ASSETS

5,207
MEMBERS

3
BRANCHES

16.0%
12-MO SHARE GROWTH

10.7%
12-MO LOAN GROWTH

2.22%
ROA

LEADERSHIP QUALITIES: OPENNESS AND INTERACTION TOP THE LIST

The CEO of Community Credit Union offers her view on adaptability, tough conversations, and industry needs.

BY E.C. HARRISON

Jen Hogan was working as a radio station manager and ad sales rep in Lewiston-Auburn, ME, in late 2006 when a local newspaper interviewed her for a monthly feature on young professionals. When asked about career goals in an interview, she responded "marketing director."

JENNIFER HOGAN,
CEO,
COMMUNITY
CREDIT UNION

Two months later, she heard from Community Credit Union (Lewiston, ME, $50.8M) about a job opening for a marketing and training coordinator. She got the job and later that year was named Young Professional of the Year. Soon, she was named marketing and business development director. In 2012, Hogan became an executive vice president, adding deposits, loans, and collections to her areas of responsibility. In October 2015, she took the reins as president and CEO.

To say Hogan is a hands-on manager would be an understatement. She helped contractors lay out the credit union's third branch, scrubbed toilets when the janitor was out, and took over tech support for office PCs (with no technical background). She still gets requests to fix PCs, but she's finally training someone else.

"I've definitely picked up the habits of an IT person," says Hogan, a mother of a 6-year-old and recent recipient of the area's 40 Under 40 Award for educational activism. "My first response is always, 'Did you shut it down and restart it?'"

Here, Hogan shares perspectives on building effective teams and leading by example.

ON HER LEADERSHIP STYLE …

I've got a hands-on leadership style. If there's an issue, I like to hit it head on. But I've learned over time you have to adapt to different people. We've done a lot of training on how to approach people based

"I live and breathe the credit union philosophy of people helping people. I think a lot of credit unions do, too, but others need to live it and get their hands dirty."

— JENNIFER HOGAN, CEO, COMMUNITY CREDIT UNION

on their personality type and how they're going to respond. I think it's important to know your audience and how they're going to react.

ON WHAT DIFFERENTIATES A GOOD LEADER FROM A GREAT ONE …

A developing leader takes more of a management role, directing people and holding them accountable to the organization's objectives. A great leader unites people around a vision and motivates them to do better. I believe in mentoring, coaching, developing people — and not just in the hard skills. It's important to show everyone you're in it for the long haul.

We've done a lot of training on how to approach people based on their personality type and how they're going to respond. It's important to know your audience.

ON WHAT TO LOOK FOR IN FELLOW LEADERS …

I look for people who aren't afraid to have conversations. Sometimes the tough conversations are the best if you want to develop people. An old boss told me that keeping what you know to yourself isn't job security. Training and developing people is job security. So when I look for leaders in my organization, I'm looking for people who aren't afraid to share their knowledge and create a better-educated workforce.

ON THE STATE OF THE CREDIT UNION INDUSTRY …

The Maine Credit Union League does a good job of bringing credit unions together, large and small, across the state. It offers training and seminars, and there's a lot of information sharing. But I sometimes feel people at other credit unions hold back what they should be sharing because, let's face it, we're competitors. I sometimes feel the only way to get good ideas is to go to national conferences and hear from credit unions that aren't afraid to share their secrets.

I'd like to see more of the credit union philosophy out there. I live and breathe the credit union philosophy of people helping people. I think a lot of credit unions do, too, but others need to live it and get their hands dirty.

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CU QUICK FACTS

Community Credit Union
LEWISTON, ME
DATA AS OF 12.31.16

$50.8M
ASSETS

9,441
MEMBERS

3
BRANCHES

7.7%
12-MO SHARE GROWTH

24.5%
12-MO LOAN GROWTH

0.41%
ROA