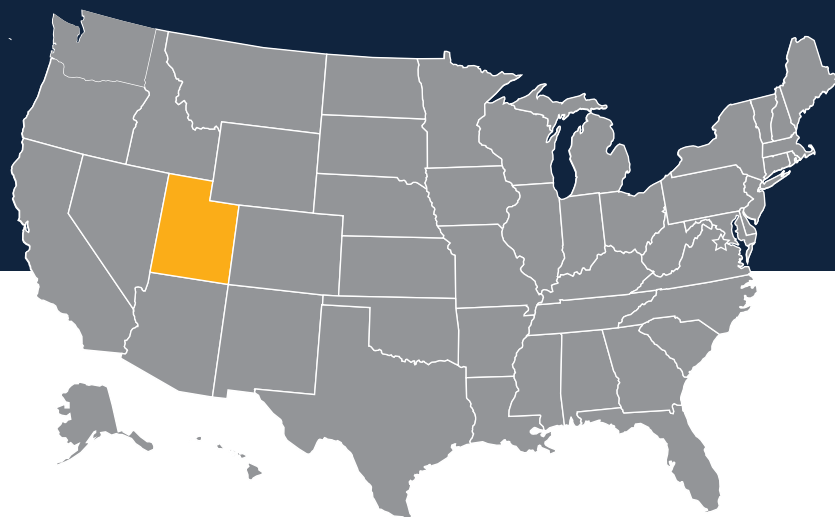




Anatomy of
Utah First
Federal Credit Union



STATES IN THE SPOTLIGHT



UTAH

POPULATION:	3.3 MILLION
UNEMPLOYMENT RATE:	2.7%
NUMBER OF CREDIT UNIONS:	60
NUMBER OF BANKS:	43

STATE CU QUICK FACTS

DATA AS OF 06.30.21

\$43,792,155,424 TOTAL ASSETS	\$29,771,000,550 TOTAL LOANS	\$1,088,228,996 TOTAL YTD REVENUE
\$38,756,091,951 TOTAL SHARES	0.40% AVERAGE DELINQUENCY	3.10% AVERAGE OPERATING EXPENSE RATIO
3,263,497 TOTAL MEMBERS	\$4,441,161,391 TOTAL CAPITAL	

Loans

LOAN BALANCES at Utah credit unions expanded 8.5% annually to \$29.8 billion, led by 14.2% first mortgage growth and 9.8% auto growth. Notably, vehicle loans comprised 46.6% of total loans held by Utah credit unions in the second quarter, the 12th-highest portion across all 50 states.

Utah credit unions **ORIGINATED** \$4,624 in loans per member throughout the first six months of 2021, the fifth highest amount of any state. They also notched a quarterly record for the state with \$2,449 in originations per member between March and June.

COMMERCIAL LOAN BALANCES at Utah credit unions expanded 25.0% annually – and 8.0% quarterly – as of June 30. These loans now comprise 12.5% of all loan balances in the state, up from 10.8% one year ago.

Shares

SHARE BALANCES at Utah credit unions expanded 18.7% annually, 1.2% quarterly, to \$38.8 billion. Share growth lagged loan growth across the second quarter. Consequently, the loan-to-share ratio increased 2.1 percentage points quarter-over-quarter to 76.8%.

SHARE DRAFT PENETRATION at the state's 60 credit unions expanded 2 percentage points during the year to 67.5% as of June 30, the seventh-highest rate of any state.

Utah credit unions added \$6.5 billion in new **CORE DEPOSITS** – drafts, regular shares, and money markets – to balance sheets during the past 12 months, equating to 29.7% annual growth. Certificate balances declined 14.5% during the same period.

Members

Utah credit unions added over 200,000 new **MEMBERS** during the past year. This 6.5% annual growth rate was the eighth fastest of any state as membership reached nearly 3.3 million.

The **AVERAGE MEMBER RELATIONSHIP** was up \$1,232 from June 2020 to \$19,757 as of June 2021. Utah credit unions are deepening member engagement on both the deposit and lending sides of the balance sheet.

Members used excess cash to make payments on time, and **LOAN DELINQUENCY** at Utah credit unions fell to 0.40% as of June 30. This is the lowest level on record.

Earnings

TOTAL REVENUE at Utah credit unions increased 6.1% annually to \$1.1 billion, the highest total ever in the state through the first half of the year. Non-interest income streams garnered 37.8% of this income, the highest portion for the state through June since 2015.

Utah credit union **EXPENSES** fell 13.3% year-over-year to \$756.1 million through June. Interest expenses declined 34.7% as Utah members moved funds into low-cost core shares. And although operating expenses increased 7.7% to keep up with asset growth, provision expenses fell 86.8%. Still, state credit unions remain well-covered.

The **ROA** for Utah credit unions reached 1.62% at the end of June. This is up 10 basis points from last quarter and 64 basis points annually. It is the third-highest value of any state.

The Bottom Line

Compared to the national industry, Utah credit unions had a remarkable year in terms of performance, which is impressive given the challenges faced by financial institutions throughout the past 12 months. First mortgages helped drive loan growth in the state, but auto lending also remained strong throughout the pandemic despite lockdowns and supply chain restrictions. Utah credit unions found ways to lend to members, and penetration rates for the state were among the highest in the nation in credit cards, auto lending, and share drafts.

SOURCE: CALLAHAN & ASSOCIATES DATA AS OF 06.30.21

UTAH FIRST FEDERAL CREDIT UNION

THE ART OF SAYING YES

Utah First FCU tailors its products and services to a population accustomed to hearing ‘no’ from other financial services providers.

BY ERIK PAYNE

For nearly 90 years, Utah First Federal Credit Union (\$695.5M, Salt Lake City, UT) has strived to give its members and communities a chance to achieve financial success.

Founded in 1935 with 23 shares totaling \$115, Utah German American FCU principally served German immigrants, providing loans to help members relocate family members during a time of great instability in the United States and abroad. In 1937, it changed its name to Utah C.V. Federal Credit Union — “C” for Chemnitzer, a city in eastern Germany; “V” for *Vereinigung*, German for “unification” — to affirm its commitment to building community. In 1940, Utah’s population started to increase and has grown by no less than 18% every decade, according to U.S. Census data. Still, approximately 80% of the state’s 3.2 million residents live in what’s known as the Wasatch Front, a 140-mile geographic region ringed by mountain ranges and lakes, including the Great Salt Lake.

The credit union, which rebranded to Utah First in 1995, has benefitted from the state’s population growth, but so have other financial institutions. Two of the 12 largest credit unions in the country call this area home, as do six additional Utah credit unions that hold more assets than Utah First. That’s to say nothing of the national and regional banks with a presence in the Wasatch Front.

“We have a number of good, highly capable institutions in our area,” says Darin Moody, CEO of Utah First.

According to the CEO, that competition has created a red ocean effect wherein financial institutions deploy in-the-box solutions to chase well-served consumers.

“They’ve become great at finding low-risk, low-return lending opportunities,” Moody says. “They want to compete on rate. We don’t.”

Instead, Utah First considers itself a boutique shop that swims in the clean blue water its competitors have historically been reluctant to serve.

“We’ve created a space within our market for individuals who don’t have perfect credit but still want high-quality

products and services at affordable terms,” Moody says. “That’s what differentiates us from our competitors.”

At its heart, that model is no different from what the credit union set out to do some 86 years ago.

THE ART OF YES

Today, Utah First is a credit union with nearly \$700 million in assets, 28,000 members, and a clear mission: “To be significant in the lives of our members.”

Broadly speaking, that means offering products and services to neglected populations looking for a financial institution to take a chance on them. The credit union is committed to serving individuals with what it calls “colorful credit,” those with low FICO scores struggling to find the products they need at affordable prices. To these populations, the credit union says yes.

“It’s a refrain we use frequently around here,” Moody says. “It’s even on our marketing — ‘We practice the art of yes.’

We are constantly looking for solutions that meet individual needs. It might take a little more effort, but we’re providing something different in our market.”

Providing something different begins with people. The credit union’s front-line staff, its “financial experts,” are universal employees trained to identify what a current or potential member is facing before opening a new account or originating a loan.

“Utah First is different in that we can have a conversation with someone from any walk of life and be able to provide a financial service or solution for them,” says Brandt Kuehne, the credit union’s chief operating officer.

Every year, Utah First requires its financial experts to complete 104 hours

CU QUICK FACTS

Utah First FCU

DATA AS OF 06.30.21
SALT LAKE CITY, UT

\$695.5M

ASSETS

27,912

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BRANCHES

13.2%

12-MO SHARE GROWTH

5.5%

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1.19%

ROA

“ We’ve created a space within our market for individuals who don’t have perfect credit but still want high-quality products and services at affordable terms.”

— DARIN MOODY, CEO, UTAH FIRST FCU

of training on topics that range from home equity lines of credit to how to operate a cash drawer. It looks to third-party materials as well as its own cross-section of internal trainers and subject matter experts within its Mission University to help employees fulfill their 13 days of training per year. That training also helps employees grow within the organization — financial experts range from Level 1 to Level 5 and gain lending authority at Level 5 — and ensures they can handle any member need that comes their way.

Flip to page 31 to learn more about training at Utah First’s Mission University.

Often, that need is a loan.

Utah First’s loan-to-share was 91.2% in the second quarter of 2021. That’s a drop of 16 percentage points from its fourth quarter 2018 high but consistent with its efforts to lean on lending as the entryway to a deeper relationship. That’s important because the credit union prides itself on the service and products it offers.

“If we don’t treat people well and are not providing excellent service, we’re not going to win the race,” Moody says. “But we go beyond that to provide products and services folks don’t typically find elsewhere.”

GROWING WITH COLORFUL CREDIT

To cement its significance in the lives of members, Utah First offers loan products and terms borrowers with lower credit scores are unlikely to receive from other financial institutions. Its lending suite includes debt consolidation loans as well as personal loans to cover large expenses, it has structured its auto loan rate sheet to be more competitive for lower credit tier borrowers, and it geared its Clean Slate Mortgage specifically toward borrowers who are unable to qualify for traditional financing.

Serving members with colorful credit has two benefits. First, doing so allows Utah First to help disregarded borrowers. Second, it allows the credit union to earn a better rate of return commensurate with the level of risk.

As of the second quarter, Utah First’s yield on loans was 4.99% — greater than asset, state, and national credit union averages by at least 50 basis points.

“We’re earning a higher yield,” Moody says. “But the member is receiving a lower rate than they would otherwise, so they’re still saving money.”

Flip to page 28 to learn more about Utah First’s approach to making loans and building relationships.

Taking that initial chance is paying off in the long run, too. Historically, Utah First ranks within the top 10 among its asset-based peer group of \$500 million to \$1 billion in Callahan’s Return Of The Member, a proprietary scoring system that grades member value. In the second quarter of 2018, Utah First’s member growth surpassed its asset-based peer average and continued to climb; its 11.5% growth in the second quarter of 2021 was more than 8.5 percentage points greater than its peers.

UTAH FIRST’S ECONOMIC OPPORTUNITY

By many metrics, Utah’s economy is among the strongest in the nation. Its 2.6% unemployment rate in July 2021 ranked second only behind Nebraska at 2.3%, according to the Bureau of Labor Statistics. What’s more, a June report from WalletHub ranked Utah first among states in terms of economic strength. The Beehive State had the highest year-over-year change in GDP, ranked second in startup activity, third in median annual household income, and 10th in innovation potential, among other metrics.

According to 2020 U.S. Census data, Utah’s 18.4% growth is the fastest in the country. For a financial institution, a growing population and a strong economy means one thing: opportunity.

“We believe the economic opportunities in the state will help us continue to grow and extend our reach into the communities we serve,” says Jeff Stringham, vice president of commercial services at Utah First.

Among other things, a growing statewide population presents the need for new business and commercial services. Although Utah First has had an active commercial department for many decades — and has been a low-income designated credit union for five years — demand has accelerated in recent years.



“ If we don’t treat people well and are not providing excellent service, we’re not going to win the race. But we go beyond to provide products and services folks don’t typically find elsewhere.

– DARIN MOODY, CEO, UTAH FIRST FCU

Case in point: Utah First held \$5 million in member business loans five years ago; today, that portfolio is near \$164 million.

In 2020, Utah legalized the use of cannabis for medical use. Sensing opportunity, Utah First became the state’s first financial institution to provide banking services to the medical cannabis industry — offering a full-suite of services to all levels of the supply chain, from checking accounts and business loans to growers to real estate loans to pharmacies.

“These are services not readily available in Utah,” CEO Moody says. “If we are going to be significant in the lives

of our members and communities, we want to be part of the process that legitimizes the medical cannabis industry in the state.”

Looking forward, Utah First expects to continue evolving as an organization. That will require a nimbleness to act on new needs and opportunities as they arise — whether investing in technology or reallocating resources to ensure products and services match what members need.

“Utah First has a history of being progressive, aggressive, proactive, and daring in how we serve members,” says COO Kuehne. “That won’t change.”

WHO? WHAT? WHERE? WHEN? WHY?

WHO?

Neal Cassady was born in Salt Lake City in 1926. Cassady was a major figure of the Beat Generation in the 1950s and the counterculture movements in the 1960s. He is perhaps best known as the model for Dean Moriarty, a main character in Jack Kerouac’s 1957 novel, *On The Road*.

WHAT?

The Great Salt Lake — from which Salt Lake City takes its name — is so salty in parts that swimmers can easily float in its water. The salinity of the lake varies based on water level but ranges between 5%-27%. For comparison, the salinity of the world’s oceans are 3.5% and the salinity of the Dead Sea is 33.7%.



WHERE?

Joseph Smith, founder of the Church of Jesus Christ of Latter-day Saints, created a document called the Plat of Zion that laid out an organizing grid system for Salt Lake City. The grid is designed to tell travelers exactly where they are in relation to Temple Square, one of the holiest sites for Mormons. For example, someone standing on the corner of 300 South and 2100 East would be three blocks south and 21 blocks east of Temple Square.

WHEN?

In 1952, Harland “Colonel” Sanders franchised his chicken recipe to Utah restauranteur Pete Harman. That year, Harman rebranded his Harman Café to Kentucky Fried Chicken, creating the first location of the fast food giant.



WHY?

Salt Lake City is home to Loftus International, the United States’ leading producer of rubber chickens.

SOURCES: UTAH GEOLOGICAL SURVEY, SALT LAKE INSIDER

MAKE IT WORK

Nine data points help explain where Utah First focuses.

BY ERIK PAYNE

Utah First Federal Credit Union (\$695.5M, Salt Lake City, UT) is a boutique shop. Its leaders firmly believe bad things happen to good people, and they operate the credit union with that ethos in mind, taking chances on members whose stories are more important than their credit scores.

In his 29 years as CEO, Darin Moody has worked to optimize the credit unions' operations and balance sheet to ensure all relationships start with a loan. Here, follow the line that connects Utah First's different totals and growth rates, current as of second quarter.

104 Hours

Utah First requires front-line staff members, universal employees it calls "financial experts," to complete 104 hours of training every year. The training helps them work their way through the credit union's five employment levels, learning such things as Utah First's underwriting standards along the way.

"We are a judgement-free lender," says Brandt Kuehne, chief operating officer of the Salt Lake City-based cooperative.

\$4,649,353

Average loan originations per FTE at Utah First beats productivity totals at state-based peers by more than \$1 million and at asset-based peers by nearly \$3 million. The credit union's average originated loan was \$21,111 as of June 30, 2021.

91.7%

In the past decade, Utah First's loan-to-share ratio has never dipped below 83%. In fact, it peaked in the fourth quarter of 2018 at 107.6%.

"Lending is a high priority," says CEO Moody. "We always want the loan."

0.65

At midyear 2021, Utah First's average loan accounts per member, 0.65, ranked 63 out of the 291 credit unions in its asset-based peer group. Utah First's share accounts per member was 2.01.

90%

Approximately 90% of Utah First's transactions are digital, says CEO Moody. Because its members prefer digital channels, Utah First invests in technology to make the member experience more efficient, convenient, and just plain better. Its operating expense per member as of the second quarter topped its asset-based peers by more than \$200.

4.99%

Risk-based pricing — and a concentration in higher-yielding commercial loans — helped Utah First achieve a yield on loans of nearly 5% as of the second quarter. That puts the credit union at 48 out of 291 in its asset-based peer group; it also represents Utah First's lowest yield in at least two decades.

32 Basis Points

Despite a potentially riskier loan pool, Utah First's delinquency (0.21%) and net charge-off (0.10%) rates are half the delinquency (0.41%) and net charge-off (0.22%) rates reported by asset-based peers, a reflection of the credit union's exemplary underwriting and training standards.

70.7%

In keeping with its mission "to be significant in the lives of members," Utah First is always looking for new and better ways to serve members profitably while remaining nimble enough to react when new needs arise. The credit union's smaller-than-average-yet-productive workforce leverages the products and services at its disposal and posted an efficiency ratio 10 percentage points lower than asset-based peers.

83.39

As of June 30, Utah First ranked 18th in its asset-based peer group in Callahan's Return Of The Member metric; its 89.90 raw score put it in the 95th percentile. Callahan's ROM score provides a comprehensive scoring system of member value, and Utah First's high score reflects how much its members benefit from their credit union relationship.

THE SELF-SUSTAINING WHEEL OF SUCCESS

Lending to members with colorful credit helps Utah First extend its reach in local markets.

BY ERIK PAYNE

Utah First Federal Credit Union (\$695.5M, Salt Lake City, UT) is headquartered in Salt Lake City, just blocks from Temple Square in the heart of the city. The metro area ranks 47th nationally in population and boasts a crowded financial services field.

Of the eight state-based credit unions larger than Utah First, which includes two of the country's 12 largest credit unions, most have branches or ATMs in Salt Lake City. As for banks, Wells Fargo, Chase, Key Bank, U.S. Bank, and perhaps most notably, Zions Bank — founded in 1873 by Brigham Young, second president of The Church of Jesus Christ of Latter-day Saints — also have a presence in the Beehive State's largest city and capital.

“Our potential members have myriad choices when determining where to bank,” says Jeff Stringham, vice president of commercial services at Utah First.

That's why Utah First strives to provide something different, especially when it comes to lending.

“Bad things can happen to good people,” Stringham says. “Working a little harder to help those who have hit a bump in the road sets us apart.”

This strategy creates a self-sustaining cycle for Utah First:

CU QUICK FACTS

Utah First FCU

DATA AS OF 06.30.21

SALT LAKE CITY, UT

\$695.5M

ASSETS

27,912

MEMBERS

9

BRANCHES

13.2%

12-MO SHARE GROWTH

5.5%

12-MO LOAN GROWTH

1.19%

ROA

the credit union's willingness to take a chance on members and establish a relationship builds loyalty, loyalty increases their likelihood of using more products and services with the credit union; using more products and services with the credit union leads to an engaged membership, and engaged members are more likely to spread the word about Utah First to their friends or family.

“We have plenty of examples of new members who were referred to us by current members who had less than perfect credit,” says Paul Toller, the credit union's chief credit officer. “That's all through word of mouth.”

TAKE A CHANCE: FOUR WHEELS AND SOME RESPECT

In the American West, the easiest way to travel from point A to point B is on four wheels. Everyone needs a car. It's a fact of life. And when Utah First talks about serving members with colorful credit, often those relationships start with an auto loan.

“Members can go anywhere to get an auto loan,” says CEO Darin Moody. “So why us?”

Moody admits borrowers with top-tier credit gravitate toward the big lenders in the market.

“Anyone can give an A+ loan,” Moody says. “And I probably can't beat the rate.”

Utah First, however, tailors its rate sheet to offer competitive pricing for individuals who don't have A or A+ credit, taking a chance on individuals the big banking brands overlook. Utah First places its auto loan rate sheet clearly on its website and offers instant loan approval for interested borrowers. At press time, the credit union broke its rate sheet into five credit tiers and two financing terms:

UTAH FIRST'S AUTO LOAN RATE SHEET

Credit Grade	FICO Score	Up to 60 Months	61-72 Months
A	>680	2.74%	2.99%
B	640-679	4.99%	5.49%
C	600-639	7.99%	8.49%
D	550-599	11.99%	12.49%
E	<549	14.99%	N/A

Utah First is a competitive auto lender, but it won't pay a premium to attract higher credit borrowers. Instead, it offers attractive terms for lower-tier paper.

“Bad things can happen to good people. Working a little harder to help those who have hit a bump in the road sets us apart.”

—JEFF STRINGHAM, VICE PRESIDENT OF COMMERCIAL SERVICES, UTAH FIRST FCU

In the past five years, Utah First has added approximately \$85 million in new and used auto loan balances to its loan portfolio, a 135% increase for a now-\$147 million portfolio. For Utah First, this has been a boon, both for the number of new members who have joined the credit union as well as for the higher-yield loans they are taking out. As of the second quarter of 2021, the credit union’s average loan yield, 4.99%, was more than 50 basis points higher than peer averages.

The growth reflects the need for auto loans among Utah First’s community. It also suggests the credit union’s strategy is working. Rather than focus on FICOs, the credit union primarily considers a borrower’s ability to repay when underwriting auto loans. And despite the risk associated with borrowers in lower credit tiers, the credit union’s total auto loan delinquency has historically sat well below peer average. In fact, as of the second quarter, its auto loan delinquency was a sparkling 0.09%.

BEST PRACTICE:

AUTO LOAN GROWTH WITHOUT THE INDIRECT

Utah First hasn’t participated in indirect auto lending since the third quarter of 2005. “We think it’s a highly profitable approach to business,” says CEO Darin Moody. “But it’s also an easy way to make your numbers look good when you really don’t have relationships with those members.”

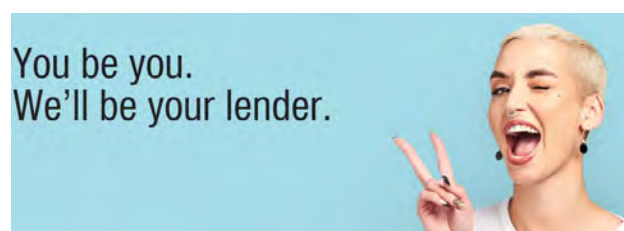
Auto loans aren’t the only way borrowers are accessing credit through Utah First, however. On the mortgage side, the credit union’s Clean Slate Mortgage serves buyers who are unable to qualify for traditional financing.

The credit union portfolios these loans, which have no minimum credit score requirement. If they qualify, borrowers can receive financing up to \$548,250 with an interest rate as low as 5.99%. Utah First even will go up to an 80% loan-to-value on the loan.

Of course, having the right products for the right borrower represents only half the battle. Service is important, too. That’s why Utah First makes the effort to treat members with respect during every interaction.

“It’s not uncommon for someone who had a hiccup with their credit, missed a payment, or made a mistake to be treated with disrespect in the borrowing process,” Moody says. “We try to do the opposite.”

And with respect comes the relationship.



Utah First is a no-judgment lender. From its website: “We believe all the things that make you, you should be celebrated, not judged by a big bank when looking for a loan.”

MORE PRODUCTS AND SERVICES: HIGH-TOUCH RELATIONSHIP BUILDERS

Utah First’s ethos is simple enough: Give people a chance, treat them how they should be treated, and offer them the loan solutions they need.

If the credit union can do this properly, the member will reward the credit union with more business.

To offer members the solutions they need and meet them where they are, Utah First employs a high-tech, high-touch strategy. It has invested in top-of-the-line digital channels to offer as much 24/7 self-service capability as possible. For those moments in which a member really needs to speak to a representative, there are options.

“Our members are always going to be able to speak to a live person,” says David Hill, Utah First’s chief financial officer.

If a member walks into a branch, they can meet with a compassionate, curious universal employee who will dig in to get to the bottom of a member request, thereby ensuring they can offer a product or service that will make an impact.

“And when they’re done, they’ll walk that member to the door and thank them for their business,” Moody says.

Utah First is serious about its high-touch strategy. Every year, branch staff members complete 104 hours of training to stay current on products and services as well as add new skills and certifications to further their professional development. In addition, the credit union’s executive team reviews a handful of loans every Tuesday morning to ensure lenders understand and uphold Utah First’s lending philosophy.



“It takes effort, commitment, and time to build real relationships. Not every institution is willing to put in the work to make that happen.”

— DAVID HILL, CFO, UTAH FIRST FCU

“It’s hard,” Moody says. “You have to be passionate, and you have to be consistent in your delivery. But when it’s done right, it resonates with our members.”

In fact, that high-touch strategy resonates so strongly that members expand their relationship with the credit union.

As of the second quarter, Utah First’s accounts per member, 2.66, and average member relationship, \$32,151, were well ahead of peer averages. Additionally, the credit union ranks 18 among the 292 cooperatives in its asset-based peer group in Callahan’s Return Of The Member, a proprietary member value scoring system. Taken together, Utah First’s members who use the credit union more, get more in return.

BEST PRACTICE:

THE TUESDAY MORNING EXECUTIVE LOAN REVIEW

For the past 12 years, the executive team at Utah First has set aside Tuesday mornings to review a random pool of recently originated loans. For each loan, the lender presents a summary of the loan and why they originated it. Executives thoroughly, constructively review the decision-making process.

“It serves to make sure our lenders understand our programs, risk appetite, what they’re doing well, and how they can improve their underwriting to make an impact,” says Paul Toller, chief credit officer at Utah First.

“It all goes back to relationships,” CFO Hill says. “It takes effort, commitment, and time to build real relationships. Not every institution is willing to put in the work to make that happen.”

ENGAGEMENT AND REFERRALS: ASK FOR ANYTHING AND EVERYTHING

For any credit union, strong member relationships are invaluable. Strong relationships not only make it more likely members will remain with the cooperative but also open two-way conversations that can be beneficial for both parties.

Communication like that is important, especially when working with borrowers who have blemished credit. At Utah First, there is no grace period on late payments, but that doesn’t mean the credit union is unwilling to work with borrowers.

“We went to bat for them, so if they’re going to be even a day late on their loan payment, I want them to call us,” he says. “If that due date doesn’t work, we make sure we have the right one.”

More often than not, the credit union and its borrowers can work it out. In fact, despite its borrower pool, Utah First’s net charge-off rate, 0.10%, bested peer averages in the second quarter.

Strong relationships also make it easier to ask for additional business. Utah First uses credit bureau data to identify members with loan balances at other financial institutions, and it reaches out.

“We’re not afraid to ask them for anything,” Moody says. “We want more wallet share.”

Serving these members well is its own reward. But the reward is even sweeter when members share their experience with others, spreading awareness from borrower to borrower — and even business to business.

In the past five years, Utah First’s commercial portfolio has grown more than \$100 million as it extends its reach into multifamily, industrial, and, because Utah has legalized the use of medicinal marijuana, cannabusinesses.

“The majority of the deals that come our way are referred to us,” says Stringham, Utah First’s vice president of commercial services. “We’ve worked with people in the past who’ve had a great experience. They refer their friends, family members, or business associates, and they have the same great experience. The cycle continues.”

Those larger, higher-margin deals help the credit union invest more in its efforts to serve borrowers with colorful credit. They also bring new business to the credit union, which helps it extend its reach into new communities.

For Utah First, it’s worth considering how its high-touch strategy will scale as the cooperative grows into a larger organization. But Moody isn’t worried about that because this strategy is the one that helped Utah First achieve its community foothold in the first place, so it’s worth keeping.

“In simple terms,” Moody says, “we think our model is important enough that we will continue to add resources to maintain it.”

HOW DO YOU MEASURE A YEAR IN TRAINING?

Utah First requires front-line staff members to complete 104 hours of training every year. Third-party courses and the internally developed Mission University provide avenues for development.

BY ERIK PAYNE

What sets Utah First Federal Credit Union (\$695.5M, Salt Lake City, UT) apart from competitors? Leaders would say it's the cooperative's dedication to saying yes when other financial institutions say no. That approach can be difficult, however, especially when a borrower has a blemished financial history. That's where stringent training comes into play.

Every year, Utah First requires front-line employees to complete 104 hours of training — the equivalent of 13 eight-hour days.

"When we tell new hires that, their eyes get wide and their mouths hang open," says Steve Fifield, the credit union's vice president of corporate development. "They're not sure how that's going to happen."

But through trainer-led sessions, subject matter expert presentations, and third-party modules, employees and Utah First work together to make it happen. Fifield and two human resources colleagues facilitate most of the training, which the credit union has dubbed "Mission University" in recognition of the larger purpose training serves.

Here, Fifield discusses Utah First's training requirement, role-based organization, the expected evolution of the training program in the months ahead, and more.

WHY DOES UTAH FIRST REQUIRE FRONT-LINE STAFF MEMBERS TO COMPLETE 104 HOURS OF TRAINING PER YEAR?

Steve Fifield: Our mission is to be significant in the lives of our members. We do that by looking for ways to say yes, not no. We work hard to find the opportunity. It's different. And it can be hard.

How we communicate with our members is fluid based on what we see in their financial profiles, but it starts with our people. It takes an enormous amount of training to instill our philosophy and model in our team members.

Put simply, we're helping them understand when to hit the brakes and when to hit the gas.

DO YOU ORGANIZE TRAINING BASED ON ROLE, SENIORITY, OR SOMETHING ELSE?

SF: Our universal employees, who we call financial experts, progress from Level 1 when they are hired to Level 5

when they gain lending authority. Upon hiring, the employee works with their branch manager to create their own training program on their individual self-scheduled pace. The branch manager makes sure the employee stays on track and has access to the elements they need to progress.

Within each level there are about 50 modules, classes, or other elements employees must complete before they can advance to the next level.

WHAT DO THOSE MODULES, CLASSES, OR OTHER ELEMENTS INCLUDE?

SF: Some 15 to 20 are typically online training we offer through a third-party service. Most of those are regulatory focused.

The remaining 30 to 35 items include practical, hands-on learnings or work-related thresholds. How many new accounts have they opened? How many transactions have they processed? Are they offering products and services to our members? As part of this bucket, employees complete classes through our internal Mission University, where we hold classes, on WebEx currently, run by internal stakeholders every Wednesday morning and most Friday mornings.

WHAT DO MISSION UNIVERSITY CLASSES ENTAIL?

SF: There are classes on any operation or topic imaginable: VISA credentials, payment systems, titles, bankruptcy, IRAs, trust accounts, business accounts, new accounts. Depending on the topic and employee's



STEVE FIFIELD
VP OF CORPORATE
DEVELOPMENT,
UTAH FIRST FCU

CU QUICK FACTS

Utah First FCU
DATA AS OF 06.30.21
SALT LAKE CITY, UT

\$695.5M
ASSETS

27,912
MEMBERS

9
BRANCHES

13.2%
12-MO SHARE GROWTH

5.5%
12-MO LOAN GROWTH

1.19%
ROA



“Our mission is to be significant in the lives of our members. And we do that by looking for ways to say yes, not no. We work hard to find the opportunity. It’s different. And it can be hard.”

— STEVE FIFIELD, VP OF CORPORATE DEVELOPMENT, UTAH FIRST FCU

level, there are introductory and advanced classes. Business accounts and IRAs are like that.

We have classes on home equity loans, loan closing, file maintenance, even how to write. If you want to be a lender, you’re going to write loan notes to give to the underwriter. Writing is important.

IS THE TRAINING WITHIN MISSION UNIVERSITY ALL INTERNAL OR DO YOU ALSO USE THIRD-PARTY MATERIALS?

SF: Most of it is internal. We have subject matter experts who train on various topics. For example, we’ll borrow someone from the commercial services department when it’s time to cover business accounts. We’ve done train-the-trainer classes as well, so our subject matter experts can maintain and improve their skills as facilitators and trainers over time.

WHAT ARE THE DIFFERENCES AMONG THE VARIOUS LEVELS YOUR FINANCIAL EXPERTS CAN ATTAIN?

SF: Everyone starts at Level 1, that’s the new hire level. In addition to their day-to-day duties, they complete 17 different online courses to get them up to speed on various regulations. The training at this level — teller transactions, check scanning, check holds, check retrieval — is geared toward the employee becoming an effective teller. Once they’re at that point, there’s another 10 to 15 online classes to complete, whether on new accounts or how to cross-sell a VISA card.

At Level 2, they start to do more with loans, more with new accounts like trust and business accounts.

At Level 3, they begin to learn more about our lending ratios. They start observing and conducting loan interviews, become involved in the loan closing process, familiarize themselves with the promissory note, and observe weekly loan interviews at the branch.

That brings them to Level 4. Here, they wrap up their new accounts expertise, making sure they’re good with CDs, IRAs, MMAs, and every account type we offer. They have more classes on regulation and on writing. They complete loan interviews, submit loans for approval, and do some closing.

And at Level 5, they attain lending authority for the first time.

HOW LONG DOES IT TAKE SOMEONE TO ATTAIN THAT LEVEL 5 DESIGNATION?

SF: It depends on the employee’s motivation and what experience they bring with them. We’ve had people move as fast as six months in a best-case scenario. Others require a little more time.

HOW DO EMPLOYEES REACT TO THE AMOUNT OF TRAINING REQUIRED TO ADVANCE?

SF: Once they get into it, they react favorably. We’re not going to leave them twisting in the wind, letting them figure out alone how to come up with 104 hours of training. From their first week of employment, we show them every single avenue of training that’s available to them.

They also understand this is a way to advance not only their individual skills but also their career with Utah First. That’s an important consideration as well.

HOW OFTEN DO YOU ADD NEW TRAINING COURSES? AND WHY?

SF: Because we do things internally, we’re able to remain agile and offer trainings based on need. For example, if we start to see more VISA fraud, we’ll have our payments solution director add a training on fraud mitigation.

In fact, we invite every branch employee to every Mission University training session. Even if they’ve been before, the examples we use are current and there will be a relevance and newness that makes it different.

HOW WILL YOU EVOLVE TRAINING IN THE MONTHS AND YEARS AHEAD?

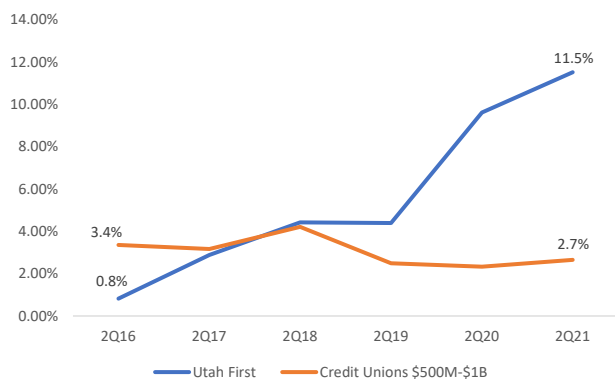
SF: We recently added a loan trainer who is spending one-on-one time with employees specifically related to lending skills and topics.

Overall, however, although we might have different delivery methods or better technology to offer our training, we’ll continue to be nimble and agile on the subject matter we train on. When we see an opportunity to change, we’ll switch on a dime to offer what our employees need. ▲

MEMBER GROWTH

FOR CREDIT UNIONS \$500M-\$1B | DATA AS OF 06.30.21

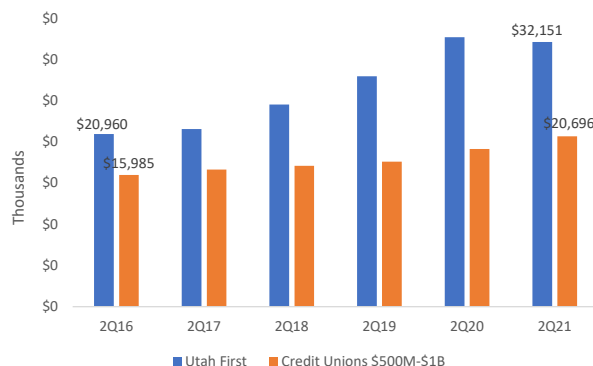
In the past five years, Utah First has added approximately 7,000 members to a membership that now totals some 27,000. On a rate basis, Utah First's 11.5% second quarter member growth bests that at asset-based peers by nearly 9 percentage points.



AVERAGE MEMBER RELATIONSHIP (EXCL. COMMERCIAL LOANS)

FOR CREDIT UNIONS \$500M-\$1B | DATA AS OF 06.30.21

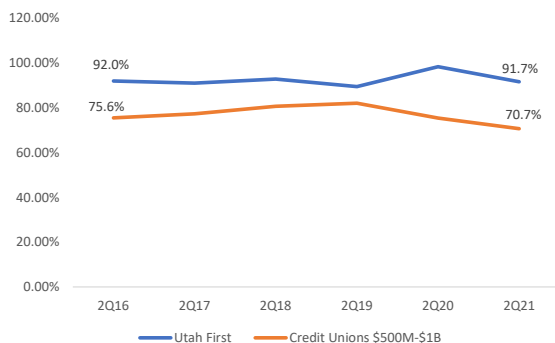
A reflection of its strategy to deepen relationships with its members, Utah First's average member relationship is approximately \$12,000 more than at asset-based peers. That's not a Beehive State perk, either, as the average relationship for Utah credit unions is just about \$20,000.



LOAN-TO-SHARE RATIO

FOR CREDIT UNIONS \$500M-\$1B | DATA AS OF 06.30.21

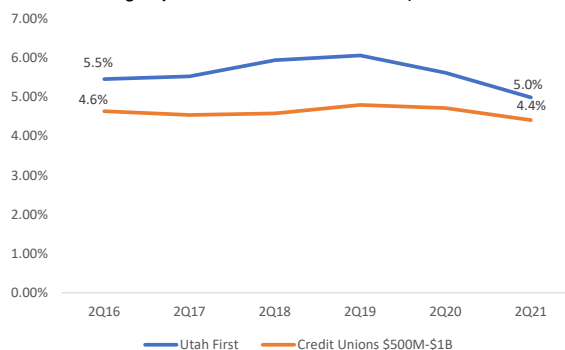
Utah First wants to make as many loans as it can and often uses auto loans to bring members with "colorful credit" into the credit union. In the past five years, the credit union's loan-to-share ratio has ranged from 89% to 107%.



YIELD ON LOANS

FOR CREDIT UNIONS \$500M-\$1B | DATA AS OF 06.30.21

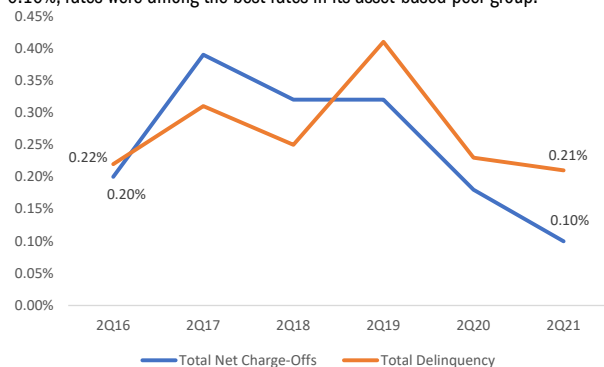
Providing auto loans to borrowers with lower FICO scores allows Utah First to portfolio higher interest rate loans at rates that often still beat competitors. Expanding its commercial loan portfolio in recent years also has helped the credit union maintain a higher yield on loans than asset-based peers.



TOTAL DELINQUENCY AND NET CHARGE-OFFS

FOR UTAH FIRST FCU | DATA AS OF 06.30.21

Despite its commitment to serving members with "colorful credit," Utah First's willingness to lend to those with the ability to repay – regardless of credit score – has not resulted in high delinquency or charge-offs. Far from it. As of the second quarter of 2021, Utah First's delinquency, 0.21%, and net charge-off, 0.10%, rates were among the best rates in its asset-based peer group.



ROM

FOR CREDIT UNIONS \$500M-\$1B | DATA AS OF 06.30.21

Utah First ranked 18 in Callahan's proprietary member value scoring system, Return OfThe Member, in the second quarter of 2021. Historically, the credit union has ranked even higher; however, the point remains: For a credit union that works to capture wallet share, members are getting a good deal by choosing Utah First.

Rank	State	Credit Union	Percentile Ranking
1	VT	Vermont	100.00
2	IA	Greater Iowa	99.66
3	WI	Westby Co-op	99.32
4	IN	INOVA	98.97
5	IA	Linn Area	98.63
18	UT	Utah First	94.18

SOURCE: CALLAHAN & ASSOCIATES

WITH GRATITUDE

Callahan & Associates wants to thank the following individuals for sharing their time and insight. Utah First is an exemplary credit union excelling in a competitive market by serving those at risk of being forgotten by mainstream financial institutions. By treating these members right, and opening a line of communication, the credit union offsets risk and deepens relationships. We hope readers will find value and take inspiration from what Utah First has accomplished.



STEVE FIFIELD
VP OF CORPORATE
DEVELOPMENT



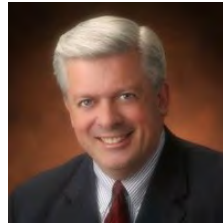
DAVID HILL
CFO



BRANDT KUEHNE
COO



DARIN MOODY
CEO



JEFFREY STRINGHAM
VP OF COMMERCIAL SER-
VICES



PAUL TOLLER
CHIEF CREDIT OFFICER

THANK YOU,

