

GREENSTATE CREDIT UNION

GROW BIG OR GO HOME

Lean operations and superior staff helps Iowa's GreenState Credit Union achieve impressive growth despite adversaries' best efforts.

BY ERIK PAYNE

If there's a secret to the incredible growth at GreenState Credit Union (\$7.1B, North Liberty, IA), it's this: run lean and work hard.

In May 1995, Jeff Disterhoft joined what was then the University of Iowa Community Credit Union as its chief financial officer. With a background in accounting, the Iowa native took a numbers-forward approach to the operations of the small, school-focused cooperative.

Disterhoft became CEO of the \$195 million credit union in October 1999. The new CEO immediately identified two areas of focus that permeate the cooperative to this day.

First, the CEO wanted to ensure the organization was managing its talent.

"Step one was making sure we took exceptional care of our employees," Disterhoft says. "I've never operated a teller drawer, opened a deposit, or made a loan, but I know about the importance of caring. When we take care of our employees, we create a culture that attracts, engages, and retains the best talent — who then takes care of our members."

Second, Disterhoft wanted to establish a winning business model.

When he arrived at the credit union, Disterhoft observed a number of credit unions whose slow, inefficient operations destroyed their competitive advantage.

"Our vision was to run differently," he says. "We wanted to be more lean and more efficient than our competitors, which would allow us to price aggressively."

By combining good people with good products, Disterhoft developed a formula that has proven to be vital in GreenState's two-decade run of growth.

RUN LEAN, WORK HARD, AND GROW

To understand the GreenState of today, attention must first be paid to its roots.

State University of Iowa Hospital Employees Credit Union was founded in 1938 to serve hospital employees of the Iowa

City-based university. In 1966, the credit union expanded to serve all staff, students, and alumni and became University of Iowa Credit Union. Today, the university is the state's largest employer and the driving economic engine behind the state's fifth-largest city. In fact, the University of Iowa Hawkeye might be the best-known brand from a state otherwise famous for its agricultural yield.

In the 1980s, the credit union changed to a community charter, added "Community" to its name, and opened its field of membership beyond the university. Despite its expanded field, its mission to serve its members, employees, and communities remained the same.

"Our playbook hasn't changed much over the years," says Jim Kelly, the credit union's chief marketing officer. "We've just made incremental improvements to the way we carry it out."

According to data from Callahan & Associates, the credit union's efficiency ratio was 83.5% in 1999. What's more, the ratio had hovered consistently in the 80s for years. Likewise, the credit union's operating expense ratio at the time was 3.69%. These were obvious areas for improvement.

When Disterhoft took the helm, he started laying the foundation for those improvements. Focusing on people helped the credit union attract some of the area's best talent while some of the industry's most distinct benefits programs encouraged them to stay. The credit union's focus on efficiency, meanwhile, further nurtured a budding culture and helped it grow into what exists today.

"We run lean, we work hard," says Marsha Wolff, the credit union's executive vice president of HR and IT

CU QUICK FACTS

**GreenState
Credit Union**

DATA AS OF 12.31.20
NORTH LIBERTY, IA

\$7.1B
ASSETS

253,348
MEMBERS

24
BRANCHES

32.3%
12-MO SHARE GROWTH

17.9%
12-MO LOAN GROWTH

1.79%
ROA

“ Our playbook hasn’t changed much over the years. ”
 We’ve just made incremental improvements to the
 way we carry it out.

— JIM KELLY, CMO, GREENSTATE CREDIT UNION

who joined the organization in 2018. “We love to grow, and we have a lot of fun doing it.”

BEST PRACTICE:

FIND BETTER WAYS TO BENEFIT

GreenState employees do not earn paid time off; instead, they have unlimited flex time off for sick days or vacation. Additionally, GreenState reimburses 15% of all paid health, dental, and vision premiums for employees who gross less than \$50,000 a year. It also reimburses interest paid on student loans. And for employees who have been with the organization for 15 or 25 years, GreenState provides a four-week paid sabbatical — no work, no access, no kidding.

The credit union prides itself on doing more with less — whether “less” means fewer employees, fewer branches, or less of something else entirely. Rather than shirking that pressure, employees embrace it.

“We hold one another accountable, which means we all bring our A-game every day,” Kelly says. “I work with an incredibly dedicated staff that challenges me to keep doing my best.”

Establishing such a winning business model, however, takes time. Today, lending is central to GreenState’s growth strategy. That wasn’t the case in the early 2000s. So, the credit union invested its operational savings back into the institution by offering “aggressively” priced deposit rates, says Disterhoft, and building a base of liquidity from which to lend.

In the fourth quarter of 2004, the credit union hired Scott Wilson as its executive vice president of commercial lending. At that time, it had more than \$400 million in assets. Two years later, it hired Amy Henderson as its executive vice president of mortgage lending. When Henderson took charge of the 11-person department, the credit union had approximately \$465 million in assets.

Flip to page 29 to learn more about the machinations behind GreenState’s lean, lending machine.

By 2011, the credit union had more than tripled the first mortgage balances on its books. In the following five years, it doubled them. And in the five years after that, it doubled

first mortgage balances again — to \$3.6 billion as of fourth quarter 2020.

“Our goal is to make sure any member who walks in the door is in a better financial situation when they walk out,” Henderson says. “But we are an aggressive lender who likes to take calculated chances on members.”

Such calculated chances have helped first mortgages at GreenState grow at an annualized rate of more than 22% since 2006. Assets and members have also grown at double-digit annualized rates — 20.2% and 13.2%, respectively. But these aren’t the only ratios for which the credit union has reported impressive gains.

At year-end 2020, the credit union’s efficiency ratio was 53.6% — 30 percentage points better than when Disterhoft took over as CEO. Its expense ratio was 2.09% — a full 150 basis points lower.

The credit union’s community work and philanthropic efforts have also reached a whole new level. In 2020, the credit union contributed more than \$2.2 million in support of more than 900 charities and events, and staff members volunteered more than 3,600 hours. Now, GreenState is kicking off a 10-year community investment plan to provide millions of dollars to groups in need. It plans to invest \$500 million to help close Iowa’s racial homeownership gap — the sixth largest in the United States, according to the credit union. Additionally, it is committing \$9 million to racial, immigrant, and refugee equity; \$6 million to affordable housing and financial inclusion for Iowans; and \$5 million to climate and environmental sustainability.

GreenState is looking forward to a bright future. It’s an upbeat attitude for a credit union that is constantly entangled with the banks.

ACCELERATING THROUGH THE “GREEN” LIGHT

After growing assets nearly 40-fold in fewer than 20 years, University of Iowa Community Credit Union had a bullseye on its back. In 2018, banking associations successfully lobbied Iowa lawmakers to pass legislation disallowing credit unions to include public Iowa universities in their name, making it illegal for the credit union to operate under half of its name.

What’s more, the cooperative had 10 months to rebrand.



“It’s never been just about the growth. It’s about what the growth allows us to do.”

— JEFF DISTERHOFT, CEO, GREENSTATE CREDIT UNION

By summer 2019, GreenState Credit Union was reintroducing itself to members, potential members, and communities. A funny thing happened in the aftermath of the rebrand, though. The credit union continued to grow.

“The bankers were under the impression that having “University of Iowa” in our name was our strongest competitive advantage,” says CMO Kelly.

Flip to page 36 to learn more about GreenState’s rebrand.

GreenState showed them that wasn’t the case.

In the past year alone, shares balances have grown by 32.3%, loan balances by 17.9%, members by 22.8%, and assets by 23.5% — all outpacing the performance of national, state, and asset-based peers.

In fact, the name change removed a potential barrier to joining the credit union, Kelly says. The credit union has products to serve everyone, and it’s new name makes it easier to attract new members.

GREENSTATE’S 4-STEP PLAYBOOK TO GROWTH

When it comes to operational success, GreenState’s playbook is pretty simple, says Jim Kelly, CMO. It has four steps.

Step 1: Operate efficiently.

Step 2: Return the savings to members in the form of better rates.

Step 3: Grow and become more efficient.

Step 4: Repeat.

GO FOR GROWTH

The credit union has an ambitious goal for the decade ahead: Surpass \$20 billion in assets by 2030.

To reach that milestone, GreenState will need to nearly triple its asset base. It’s looking to accomplish that through organic growth as well as strategic opportunity.

In June 2019, GreenState agreed to assume seven branches — and the approximately \$500 million in assets held by those branches — from First American Bank, a community bank located in central Iowa. The agreement

represented the first significant acquisition the credit union has made in Disterhofs tenure, according to the CEO. But it might not be its last.

“We hope GreenState offers compelling value to members, employees, and communities,” Disterhofs says. “We think there are more merger and acquisition opportunities out there that will allow us to expand our geographic footprint and do good things for everyone involved.”

GreenState is considering additional merger and acquisition opportunities, but Disterhofs believes organic growth also will play a large role in the credit union’s future. For example, investing in community programs will spread awareness and provide support to groups in need. And fintech partnerships will help GreenState offer competitive, frictionless products that align with the credit union’s new three-year digital roadmap. Of note, the credit union has partnered with the financial wellness-focused Happy Money and automated lending service provider Open Lending to expand its offerings.

“Fintech partnerships are a big part of our growth strategy,” Disterhofs says.

As the credit union continues to expand its presence in the Hawkeye State to reach its decades-long asset goal, it’s aware that more growth brings more responsibility. There are corners of the state with unaddressed challenges, and by earmarking more than \$500 million for community investment, GreenState hopes to become more of an active leader in providing financial solutions to all Iowans.

GreenState has been building to this moment for more than 20 years. And though its growth has been tremendous, for Disterhofs, what’s important isn’t the numbers but what comes from them.

“It’s never been just about the growth,” the CEO says. “It’s about what the growth allows us to do.”

WHO? WHAT? WHERE? WHEN? WHY?

WHO?

Janet Guthrie was born in Iowa City, IA, in 1938. She was the first woman to qualify and compete in both the Indianapolis 500 and the Daytona 500. During her professional racing career from 1976 to 1980, she ran in 36 races; her best finish career finish was sixth.

**WHAT?**

North Liberty, IA, is an Iowa City suburb and home to GreenState Credit Union. A 2017 LendEDU poll named the city the ninth most educated city in the United States and the most educated city in the Midwest.

**WHERE?**

Iowa City is a popular stop for presidential candidates during the Iowa Caucuses. It is home to the Hamburg Inn No. 2, a restaurant that appeared in season six of the TV show *The West Wing*.

WHEN?

In November 2008, UNESCO designated Iowa City as the world's third City of Literature. It was the first American city to receive that honor.

WHY?

Since 1935, the winner of the annual University of Iowa versus University of Minnesota football game has received the Floyd of Rosedale, a 98-pound bronze trophy of a pig. The University of Iowa has won every meeting since 2015.



SOURCES: NASCAR, NORTHLIBERTYIOWA.ORG, UNESCO

WHAT DOES IT MEAN TO RUN LEAN?

Ten data points illustrate GreenState Credit Union's approach to operations.

BY ERIK PAYNE

A lean operation is the key to success at GreenState Credit Union (\$7.1B, North Liberty, IA). The Hawkeye State cooperative spends money and expends energy on specific segments of its operations to drive desired outcomes while still serving members in the best ways possible. In the fourth quarter of 2020, GreenState ranked 14th in Callahan's proprietary Return of the Member metric among all credit unions with assets between \$1 billion and \$10 billion. It has ranked 15th or higher in every quarter for the past decade.

Its lean approach to business means all internal operations — from headcount to ROA — are closely connected.

"We stick to our strategy," says Todd Fanning, the credit union's CFO. "If we don't, then the business model doesn't function like it's supposed to."

Follow GreenState's performance totals and growth rates to see where it stands as of fourth quarter.

24 branches

There are 30 credit unions in the United States with more than \$7 billion in assets. The median branch total among this group is 43.5. By contrast, GreenState has 24.

"We purposely don't have a lot of fixed assets on the books," Fanning says.

590 Full-Time Employees

Of the nation's 30 largest credit unions, GreenState has the second-fewest employees. Its assets per employee, \$11.5 million, ranks sixth among that group.

\$112,189

GreenState compensates employees well. Its average salary and benefits per employee is nearly two-and-a-half times the median household income for Iowa City, IA.

70s

On the scale from -100 to 100, GreenState's employee Net Promoter Score historically ranks in the 70s, and the credit union often rates high in its third-party employee engagement metric. "We're consistently recognized as a top employer," says Marsha Wolff, EVP of HR and IT GreenState.

1.62%

GreenState's cost of funds is the highest among the nation's largest credit unions. Not surprising given the credit union's operational logic.

"If we keep our costs down, we can offer better rates," Fanning says.

1.79%

In addition to having the highest cost of funds among larger credit unions, the credit union also has a high ROA. No surprises here, either.

What's more, higher earnings allow the credit union to extend more credit. Growth begets more growth.

\$5.34 Billion

In the past 10 years, GreenState's loan portfolio has grown more than \$5 billion. In the same period, shares have grown \$4.85 billion and total members by nearly 175,000.

109.8%

In the fourth quarter, GreenState's loan-to-share ratio neared 110% — the highest among the nation's 30 largest credit unions. The ratio has topped 100% for the credit union since 2006.

53.6%

By keeping costs down and productivity high, GreenState keeps its efficiency ratio — the cost to earn \$1 of revenue — among the lowest of any credit union in the country.

+113

In the past 10 years, efficient growth has helped GreenState move up nearly 115 spots on the leaderboard of largest credit unions, from 143rd in the fourth quarter of 2010 to 30th today.

A LEAN, GREEN LENDING MACHINE

Iowa's largest credit union has spent nearly two decades becoming the state's go-to lender. How did it get here? And what comes next?

BY ERIK PAYNE

The proof is in the numbers: GreenState Credit Union is a lending machine.

Compared to peers, the large Hawkeye State cooperative is growing faster and holds a deeper wallet share. Its members also are more likely to have an auto, credit card, or mortgage loan with the credit union.

GreenState (\$7.1B, North Liberty, IA) is an aggressive lender, willing to take calculated risks to ensure those who come to the credit union leave in a better financial situation than they arrived. That ethos helps the credit union open more accounts per member, says Amy Henderson, executive vice president of consumer lending.

"We look at the member's financial life from several angles," the lending executive says. "We want to see what we can suggest to put them in a better financial situation. Are they in the right accounts? Can we help save them money by refinancing? We basically review all areas."

GREENSTATE'S LENDING SUCCESS

FOR ALL U.S. CREDIT UNIONS | DATA AS OF 12.31.20

Metric	GreenState Credit Union	Credit Unions \$1B-\$10B	Iowa Credit Unions	U.S. Credit Unions
Loan Growth	17.9%	6.3%	9.3%	5.4%
Loan Accounts Per Member	0.93	0.57	0.73	0.58
Average Loan Balance	\$26,640	\$18,611	\$18,626	\$16,119
Consumer Loan Penetration	66.9%	39.48%	50.32%	38.89%
First Mortgage Penetration	6.46%	2.58%	4.63%	2.47%
Loan-To-Share Ratio	109.8%	76.2%	89.7%	73.2%

LENDING IS A LARGE PART OF GREENSTATE'S OPERATIONS, A FACT REFLECTED IN FOURTH QUARTER PERFORMANCE METRICS THAT FAR OUTPACE PEER PERFORMANCE.

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“ We look at the member’s financial life from several angles. We want to see what we can offer to keep them in a better financial situation. Are they in the right accounts? Can we help save them money by refinancing? ”

— AMY HENDERSON, EVP, CONSUMER LENDING, GREENSTATE CREDIT UNION

GreenState’s willingness to ask those questions — *sell*, even — is foundational to its lending success. But there’s a clear difference between the cooperative’s take on sales and a greasy, pushy, numbers-first approach to business.

“When you do it right, sales is the highest form of service you can provide,” Henderson says. “If you’re not bringing up the benefits, you’re doing your members a financial disservice. We’re looking out for them, and we want them to recognize that.”

Thanks to this approach to service, GreenState has averaged an annualized loan growth of 21% over the past 15 years, all the while adding diverse products, new talent, and fintech partnerships to an already strong division of the organization.

BEST PRACTICE:

360 DEGREES OF “YES”

“We work so hard to get a mortgage, it doesn’t make sense not to check out the full relationship,” says Amy Henderson, GreenState’s executive vice president of consumer lending.

With that in mind, the cooperative gives every mortgage loan applicant a 360-degree review to identify ways it can deepen the relationship and better support borrowers.

“You might come to us for a refinance, but we’ll get you thinking about the fact you’re paying 5% on your car loan or an annual fee on your credit card. We want to show what else we can offer.”

A CULTURE OF LENDING

GreenState decentralizes its consumer and mortgage lending. On the consumer side, the credit union places personal bankers — its “ACE Team” — within its branches and call center to originate loans. As ACE team members, employees work as member service associates, consultants, or executives. They earn an hourly pay with incentives kicking in at certain production thresholds.

On the mortgage side, the credit union embeds mortgage loan officers in every one of its branches and pays them 100% by commission. The approach is useful on the talent acquisition front, Henderson says, but she acknowledges it

might seem unusual to many credit unions that may take a more conservative approach to compensation and sales.

But like all credit unions, the member is front and center at GreenState, and the cooperative makes sure employees understand this during the hiring process.

The credit union uses The Predictive Index’s behavioral science insights to test new hires and gain a greater sense of their personality, determining whether a potential employee has the right mindset for a sales role and talking further about the credit union’s culture when applicable.

“We want our hires to understand our expectations,” says Marsha Wolff, the credit union’s executive vice president of HR and IT. “Whatever you’re selling, however you’re compensated, it’s all for the betterment of the member. That will always be the case.”

In its new hires, GreenState looks for two main criteria. First, are they willing to provide a high level of service? Second, are they comfortable picking up the phone? Someone with both qualities is likely to fit with and succeed in GreenState’s lending culture.

For existing employees, the credit union provides continuing education via cultural conversations and sales coaching to help team members sharpen their member-service skills.

“The products are an easy sell when you show the benefits,” Henderson says. “We need to make sure employees are willing to pick up the phone and provide a high level of service. It sounds simple, and it is.”

GROWING A TEAM

GreenState planted its earliest seeds of lending success in 2003. At the start of that year, the credit union held less than \$15 million in business loan balances and didn’t have a dedicated employee to oversee the portfolio. By the time 2004 rolled around, business balances had doubled and a newly dedicated employee was looking for an assistant. GreenState hired Scott Wilson that June. Fresh from college, the new hire spent the next four years gaining commercial experience.

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— MARSHA WOLFF, EVP, HR AND IT, GREENSTATE CREDIT UNION

“I did everything — assistant work, analyst work,” Wilson says. “In 2007, I started to lend.”

By 2008, GreenState’s business loan portfolio had grown to more than \$80 million and was pushing against the business lending cap. The department head left that year, and Wilson assumed the role of executive vice president of commercial lending, overseeing the three-person team.

During this time, other areas of GreenState’s loan portfolio were growing, too.

In 2006, Henderson — who’s now EVP of consumer lending — joined GreenState as a senior vice president of mortgage lending. The credit union charged Wilson and Henderson with growing loans. One of the first steps Henderson took was to increase the synergy between mortgage loan officers and the branch and call center channels. The portfolio quickly took off.

Growth in the business portfolio required a little more finesse. After all, business loan balances were subject to the regulatory cap. Plus, the Great Recession had weakened the demand for the commercial real estate projects GreenState specialized in.

In 2013, GreenState received a low-income designation, allowing the credit union to more fully portfolio its business loan balances and begin to grow at scale. For the five years before the low-income designation, the credit union grew business loan balances at an annualized rate of 23.2%; for the five years after, its annualized rate of growth neared 40%.

The business loan department now includes 16 employees, and its reach extends into every major market the credit union serves, including Des Moines, Iowa City, Cedar Rapids, Cedar Falls, Waterloo, Dubuque, and the Davenport and Bettendorf markets in the Quad Cities area. In the past two years, the credit union has brought in talent with more small business lending experience, allowing it to diversify its offerings.

These kinds of hires are especially important because when it comes to business lending, Wilson says a solid program isn’t based so much on dialing the phone or knocking on doors as it is on maintaining good, solid relationships.

“If you can build a reputation of responsiveness, then your commercial clients start to promote for you,” Wilson says.

Employees who want to take care of members, according to Wilson, have long conversations with members and display a sense of urgency and a willingness to learn. That’s the kind of culture GreenState has cultivated. And it’s that kind of culture that ensures the cooperative can retain its high-performing, talented staff. The credit union pays just about the going market rate for talent, yet when bankers join his team, they don’t leave.

“We keep talent because of our culture and support system,” Wilson says. “Management and non-member contact positions are here to serve those who serve the members. We all pull in the same direction.”

BEST PRACTICE:

TRAIN, TRAIN, RIGHT THIS WAY

New retail lenders at GreenState complete eight formal weeks of training as well as participate in recurring sales and continued education opportunities.

- **Formal Training:** Two weeks of teller training.
- **Formal Training:** One week break.
- **Formal Training:** Two weeks of deposit product training.
- **Formal Training:** One week break.
- **Formal Training:** Two weeks of loan training.
- **Continued Education:** Recurring sales training.
- **Continued Education:** Job shadow for centralized underwriting.

“It can be a long journey,” says Amy Henderson, executive vice president of consumer lending. “But as long as you are willing to learn and give the highest level of service you can, it works out.”

The same is true on the mortgage side; however, the financial incentives are even stronger.

Before Henderson arrived, GreenState had just hired the top mortgage loan officer in Johnson County, where the credit union is headquartered. At the time, GreenState was an afterthought as a mortgage provider, Henderson says.

“We found that talent breeds better talent,” she says.

So, too, does an uncapped commission structure, a dedicated assistant for almost every MLO, and a willingness



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to portfolio loans when necessary. Pair that with an operational commitment to efficiency that allows the credit union to charge lower rates and lower fees, and it's no wonder lending talent has flocked to GreenState. Today, mortgages make up more than half of GreenState's loan portfolio, and eight of the top 10 mortgage loan officers in the state of Iowa work for GreenState.

“Add it all up,” Henderson says. “And it makes it pretty easy to recruit great people.”

THE FOUR-LEGGED STOOL

GreenState's three-legged lending stool includes retail, mortgage, and commercial. But in recent years, the credit union has adopted a fourth, more supportive, leg: fintech partnerships.

Five years ago, the credit union partnered with Encompass to modernize its lending and create efficiencies. Today, Encompass's loan origination system makes life easier for GreenState's mortgage loan officers.

The move was the opening salvo in what has become a concerted effort to partner with fintechs.

More technology companies have entered the financial space in the past decade, and relationships that were at one time competitive in nature have turned into relationships of coexistence. Financial institutions lack the technical expertise to develop best-in-class front-end interfaces, whereas fintechs lack the capital or charter to operate independently.

“We are looking for more ways to partner,” says Kathy Courtney, GreenState's chief operating officer. “We can't necessarily hire Google's developers, but we can take what these fintechs are good at and plug it into our systems and/or partner with them to fund loan volume through their distribution channels.”

Courtney divides the credit union's fintech partnerships into two buckets. The first bucket is for member-facing front-end systems that supplement what the credit union offers. For example, GreenState partnered with SavvyMoney to allow members to view their credit score and read tips on how to improve it.

The other bucket is for companies that integrate on the back end and complement an existing experience through better design or more efficient operations or provide a

new distribution channel. For this, GreenState looks for companies with automated solutions and dedicated service staff to ensure the credit union doesn't have to devote a lot of time to maintenance.

In recent years, partnerships that fit into the second bucket have become more common at GreenState. One of the first was with Happy Money, a California-based fintech from which GreenState purchases debt elimination loans. Others soon followed, including Upgrade, which offers low-cost credit cards and loans; LoanStreet, which brokers loan sales and purchases; and Open Lending, which provides loan analytics and risk modeling.

There are many fintech across the country that offer desirable services, and GreenState is considering whether to hire a support person specifically to find and vet potential partners.

“There's so much potential in fintech partnerships,” Henderson says. “We intend to explore it more.”

4 AREAS OF OPPORTUNITY FOR GREENSTATE CREDIT UNION

The Iowa cooperative has had to address plenty of hurdles on the road to becoming the largest financial cooperative in the Hawkeye State. As it looks ahead, more stand out.

BY ERIK PAYNE

GreenState Credit Union (\$7.1B, North Liberty, IA) has grown significantly in the past two decades by operating lean, reinvesting profits, and adding new departments, products, and services.

The past several years, however, have presented new hurdles for the financial cooperative.

Adoption rates for the credit union's digital channels have lagged, leaving GreenState wondering how to build members' interest and excitement. The credit union's footprint is growing, but how will it maintain culture despite geographic spread? In answering the call for social change, how can GreenState ensure its communities are more inclusive? And, lastly, how can the credit union make the most of its high-profile rebrand brought on by the banking associations, which successfully lobbied Iowa legislators to change the rules for naming conventions of financial institutions?

Here, four senior leaders at GreenState tackle each topic in turn.

HOW TO IMPROVE DIGITAL OFFERINGS?

Kathy Courtney is GreenState's chief operating officer. She joined the credit union in August 2018 after stints at PricewaterhouseCoopers, Charles Schwab, and Northern Trust, where she worked from Chicago, San Francisco, London, and Singapore. She oversees operations, which includes retail processing, card and deposits, collections, wealth management, and, as of last year, digital transformation.

WHAT IS THE BACKSTORY TO GREENSTATE'S DIGITAL INVESTMENT?

KATHY COURTNEY: Living in Asia, I saw firsthand they are lightyears ahead of the United States. In my five years living there, I did not go to a bank branch once.

GreenState has had an online presence for many years, but we made a commitment in June 2020 to double down on our digital presence. We introduced a three-year digital strategy and a three-year roadmap for digital services.

WHY DO YOU NEED THIS INVESTMENT?

KC: Right now, a little more than 50% of our members use our mobile or online banking platforms. It should be much higher than that. It's not a generational thing anymore. If you think about the experience we've gone through with COVID-19, branches were closed but members still needed to do what they needed to do.

Our branches will always be around, but we're all getting more familiar with technology and what it can do. We need to keep adding features and functionality so we can do business however our members want to.

WHAT IS THE GOAL OF YOUR THREE-YEAR DIGITAL STRATEGY? WHO IS INVOLVED?

KC: We hired a vice president of digital transformation, Scott Schmidt, to run point on the initiative. We have a digital steering group that includes operations, consumer services, commercial services, marketing, IT, and our call center — all the key stakeholders.

The strategy revolves around two things. The first is increasing our digital Net Promoter Score. Our digital NPS landed around 61 at the end of 2020. We want to improve the experience and reduce friction for our members to drive that number higher.

The second is reducing our cost per member interaction. More transactions completed digitally mean fewer errors, less cost to the organization, and a better experience. Right now, 92.5% of our transactions are what we call "contactless." We'd like to get that to 95% by 2026. That's a big deal given the number of transactions that run through the credit union. We estimate if we hit that goal, it will result in efficiencies of nearly \$45 million.

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— KATHY COURTNEY, COO, GREENSTATE CREDIT UNION

YOU'RE STILL IN THE EARLY STAGES OF THIS STRATEGY, BUT HOW HAVE THINGS MOVED SO FAR?

KC: Our NPS score has already increased, even in the past year, with greater focus on it.

In December 2020, our partnership with SavvyMoney went live. That functionality allows our members to see their credit score online and access tips and tricks on how to manage and improve their score. With little to no promotion, we had 15,000 members sign up by the end of December — out of 100,000 digital users. We've since begun promoting it.

We have other things coming by the end of the year. We use Q2 right now for mobile, and we'll soon leverage Q2 Smart to send targeted offers to a member's homepage rather than having them navigate to it. We're also working with CuneXus to send pre-approved offers to members through digital channels. Anything we can do to make the experience faster, better, and less expensive to operate is something we'll consider.

HOW TO MAINTAIN CULTURE IN A GROWING ORGANIZATION?

Marsha Wolff is GreenState's executive vice president of HR and IT. She joined the credit union in October 2018 after working in project management for Transamerica. She started GreenState's project management office before assuming her current duties six months into her joining the credit union. In addition to her HR function, she oversees the credit union's IT department and leads merger and acquisition work.

HOW WOULD YOU DESCRIBE THE CULTURE AT GREENSTATE?

MARSHA WOLFF: Anyone you talk to at GreenState will tell you the same thing: We run lean, we work hard, we have a lot of fun, and we love to grow. Our employees are dedicated to that set up — they're dedicated, they're smart, and they treat one another as family.

HOW HAS CULTURE CHANGED SINCE COVID-19?

MW: We've done a good job during the pandemic. We've provided paid time off for anyone who has contracted COVID-19. If they're sick or have been exposed, they

don't come to work. There's been zero unpaid time for folks who have stayed home. We've sent fun little gifts. In December, for instance, we sent one gift every week to our employees' homes. It could be local food or branded games for their families to enjoy. We tried to take care of our people during this.

I think if you ask those employees working from home, they'll say they miss sitting next to their co-workers and having conversations at the watercooler, that kind of thing. We've deployed technology and offered tips to give employees the tools to have conversations and stay connected. Some people adapted well; others didn't. We've stayed in touch and had conversations with those employees to make sure we were doing what we could to help them.

The reality is, I don't see us ever being all back in the office at the same time, which means we'll continue to have a workable home environment. That said, when COVID-19 is gone, the question will be how those employees working from home feel about it?

WHEN IT RAINS, IT POURS

In August 2020, a derecho — a line of intense and fast-moving storms — slammed into Iowa, causing an estimated \$7.5 billion in damage, according to the National Oceanic and Atmospheric Administration. GreenState responded with interest-free loans for members as well as staff. It also matched, dollar for dollar, employee donations made to an employee fund that paid for damages beyond what insurance would cover.

“Trying your hardest to take care of your people goes a long way in times like that,” EVP of HR and IT Marsha Wolff says.

“ Having our employees participate in community work is a way for them to feel part of what we’re working toward — no matter their geography. ”

— MARSHA WOLFF, EVP, HR AND IT, GREENSTATE CREDIT

THE CREDIT UNION HAS SIGNIFICANT GROWTH PLANS. HOW WILL YOU MAINTAIN CULTURE AS THE CREDIT UNION EXPANDS FURTHER FROM ITS GEOGRAPHIC CENTER?

MW: We’ve already started to see it as we’ve moved outside Johnson County, where our headquarters is located.

We have pretty extensive on-site onboarding that occurs several months into employment. We put new hires in front of departments, team members, and even our CEO, Jeff Disterhoft. He speaks to every new hire about our culture and values and explains why it’s important to live those every day.

Community giveback also is important to us. Having our employees participate in community work, underlining our commitment to following through on our mission, is a way for them to feel part of what we’re working toward — no matter their geography.

HOW TO HELP THOSE WHO NEED HELP MOST?

Jeff Disterhoft joined GreenState as CFO in May 1995. Four years later, in October 1999, he became CEO. Prior to his time at GreenState, he worked in public accounting for firms in Omaha, NE, and Cedar Rapids, IA.

In January 2021, GreenState announced it was committing \$500 million during the next decade to address Iowa’s racial homeownership gap. The statement also included a \$20 million commitment in three priority areas: racial, immigrant, and refugee equity; affordable housing and financial inclusion for every Iowan; and climate and environmental sustainability.

YOU INTRODUCED A 10-YEAR COMMUNITY INVESTMENT STRATEGY IN EARLY 2021. WHAT IS THE BACKSTORY TO THE DECISION?

JEFF DISTERHOFT: The events in Minneapolis with George Floyd’s death caused us to sit back and pause. We had to ask ourselves: Are we doing enough as an institution? If not, what more can we do?

At the same time, this is a journey for us. We haven’t reached a destination. We’ll always have room to improve as an organization in terms of our biases — we’ve even gone through unconscious bias training and will continue to train and educate ourselves.

WHAT HAPPENED NEXT?

JD: We convened a group of organizational leaders, from the board to senior staff, and brought in a third-party facilitator to talk us through what GreenState should be doing to address racial equity.

As we spent more time together during the summer and fall, it became clear there were other issues we as a group felt strongly about and felt we could make a difference.

THE CREDIT UNION IS COMMITTING \$6 MILLION FOR AFFORDABLE HOUSING AND FINANCIAL INCLUSION. WHAT MIGHT THAT LOOK LIKE?

JD: We want to find agencies throughout Iowa that focus on affordable housing and financial inclusion, and we want to proactively reach out to those organization and find ways to partner or support them. We’ve been surprised at the number of developers and municipalities who’ve contacted us and expressed interest in that specific line item. Affordable housing is the one that gets most referenced.

Merely by sharing our intent, we’ve had potential partners come forward and ask how they can be involved. It suggests there’s opportunity for partnerships and synergy among many of us in the state who are interested in similar areas. It also tells me we need to make our progress public.

WHAT DOES YOUR PLAN FOR CLIMATE AND ENVIRONMENTAL SUSTAINABILITY LOOK LIKE?

JD: The same general theme applies. We’re looking for agencies working toward sustainability we can support. At the same time, as an organization, we want to take steps toward lowering our carbon emissions. Ideally, we’d have no carbon footprint. If we can facilitate the transfer of credit for solar, wind, EVs, and others, to the communities we serve, that’s a role we’d consider playing.

We do have partnerships in our backyard with companies that produce solar panels. Can we help them sell their product through financing? We’re a lender, too. So, what can we offer from that perspective that works toward climate and environmental sustainability?



TEN YEARS IS A LONG TIME. HOW OFTEN WILL YOU CHECK IN WITH YOURSELF TO SEE IF YOU ARE ON TRACK TO HIT YOUR GOAL?

JD: We are still figuring things out. Right now, we plan to report on a semi-annual basis to our board, our members, and our communities. There's a degree of public accountability to that strategy we believe will help us get where we want to be.

HOW TO REBRAND AND RETAIN MOMENTUM?

Jim Kelly joined GreenState in 1992 as a teller. In May 1996, he became the credit union's chief marketing officer. In this role, he oversees marketing, communications, public relations, social media, and the credit union's CRM.

In 2018, Iowa lawmakers passed legislation that forbid credit unions from using the name of any public university in Iowa in its name. The University of Iowa Community Credit Union (UICCU) had 10 months to change its name.



CMO JIM KELLY SAYS A CREDIT UNION MEMBER CAME UP WITH THE NAME GREENSTATE. THEY'D LIVED ELSEWHERE FOR MANY YEARS, AND UPON RETURNING, WERE STRUCK BY HOW GREEN EVERYTHING WAS.

WHEN DID THE UICCU NAME FIRST COME UNDER SCRUTINY? WHAT DID YOU EXPECT TO HAPPEN?

JIM KELLY: Our credit union has averaged roughly 19% growth every year the past 20 years. That success did not go unnoticed by the bankers, who put pressure on the Board of Regions and Iowa legislators to force a name change. They were under the impression that having "University of Iowa" in our name was our strongest competitive advantage. After 15 years of trying, they won the dispute, and we were required by law to rebrand within 10 months. We took the rebrand project in-house so we could move quickly to hit the deadline.

HOW DID YOU FEEL WHEN THE STATE MADE ITS DECISION?

JK: We were surprised when it became law because it was unprecedented. But it was a gift, too, in a way. The old name was long and confusing for people. No matter how much marketing we did, there were always groups who thought

they had to be affiliated with the university to join. The name could get in the way of the messaging.

YOU CHOSE GREENSTATE. WHEN AND WHY?

JK: We were involved in a name change attempt in 2007. This was a response to bank pressure, but it was not required by law. Out of respect to the University, we agreed to pursue it. It required a majority vote by the membership to proceed. The vote passed narrowly in favor of the name change, but after working several months to prepare, the members lobbied to vote a second time and — three days before going live with the new name — reversed the decision. So, we kept the name.

This second time around presented a different set of circumstances, with it being required by law and no member vote was required.

Having learned from the first rebrand attempt, we took extra steps to involve the members and staff. We narrowed hundreds of ideas down to four trademark-vetted options and conducted reaction tests with members and non-members. GreenState performed well, and, ultimately, the full board selected that option. The person that submitted "GreenState" as a contender came up with the idea after coming back to Iowa after having been away for a few years. After living in the city for some time, they had forgotten just how green everything was in Iowa. Thus, the name.

I believe the membership greatly appreciated the transparency of the process, and while the name was originally disliked by a handful of members, our organic membership growth rate never dipped below 10%. To me the strong membership, loan, and deposit growth indicates approval of the brand. In a way, I suppose we have the banks to thank for helping us unlock our full potential.

WHAT HAS THE GREENSTATE NAME ALLOWED YOU TO ACCOMPLISH? HOW DO YOU THINK IT'LL HELP YOU GROW IN THE YEARS TO COME?

JK: The name was well received, and we ultimately received a lot of free press. We saved money post conversion because people were aware of what happened. It quickly got back to business as usual.

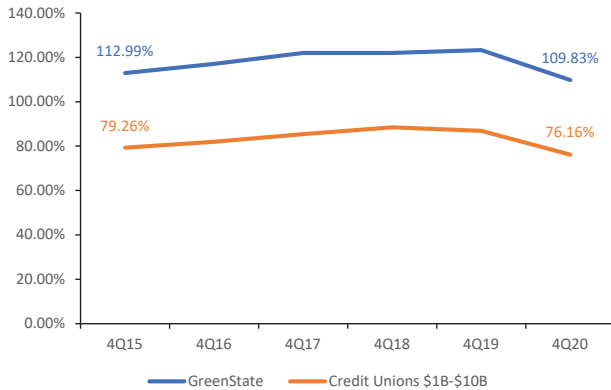
The new brand makes our marketing much less confusing, and it allows us to expand geographically as well, which we have. Post name change, we have experienced record years in membership growth, loan growth, and checking growth. It has also opened the doors wider to mergers and acquisitions. ▲

These interviews have been edited and condensed.

LOAN-TO-SHARE RATIO

FOR CREDIT UNIONS \$1B-\$10B | DATA AS OF 12.31.20

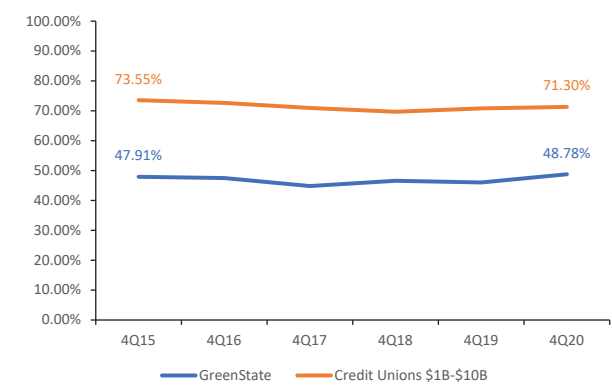
GreenState is a lending machine – it’s run a loan-to-share ratio north of 100% for decades. In the past year, however, deposits have increased as a result of pandemic aid, and the Iowa cooperative’s loan-to-share ratio has dropped nearly 15 percentage points.



EFFICIENCY RATIO

FOR CREDIT UNIONS \$1B - \$10B | DATA AS OF 12.31.20

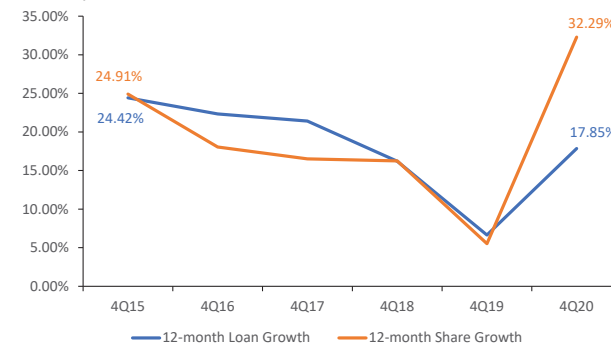
GreenState runs lean. Its efficiency ratio – how much an organization spends to earn \$1 of revenue – is among the lowest of any credit union its size.



LOAN AND SHARE GROWTH

FOR GREENSTATE CREDIT UNION | DATA AS OF 12.31.20

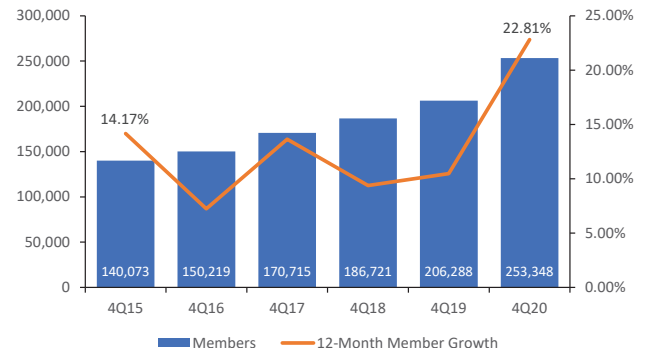
Despite loan growth slowing down in 2019, it picked up again in 2020 due largely to commercial, indirect, and fintech volume. Likewise, GreenState’s share portfolio grew even faster as members moved money into checking accounts amid economic uncertainty from COVID-19 and competitive rates from GreenState.



TOTAL MEMBERS AND MEMBER GROWTH

FOR GREENSTATE CREDIT UNION | DATA AS OF 12.31.20

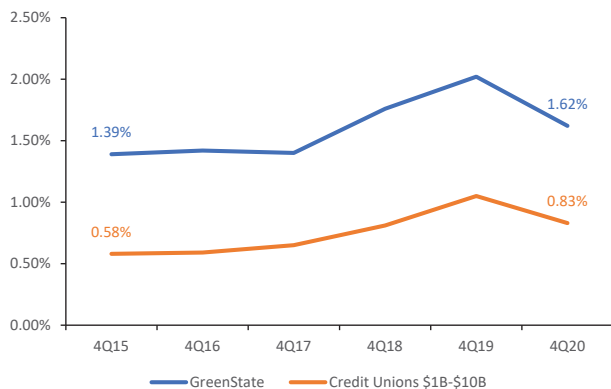
GreenState’s member growth has far outpaced its asset-based peers in the past five years. The credit union has added 110,000 new members during that time.



AVERAGE COST OF FUNDS

FOR CREDIT UNIONS > \$1B-\$10B | DATA AS OF 12.31.20

A lean operations model allows GreenState to offer higher deposit rates. As a result, the average cost of funds, which reflects the interest rate paid on deposit accounts, at the Iowa cooperative is higher than its asset-based peers.



RETURN OF THE MEMBER

FOR CREDIT UNIONS > \$1B-\$10B | DATA AS OF 12.31.20

GreenState has historically ranked high among its asset-based peers in Callahan’s proprietary Return Of The Member metric, a comprehensive scoring system for member value. In the fourth quarter of 2020, the Iowa cooperative ranked 14th.

Rank	State	Credit Union	ROM Score
1	MI	Lake Michigan	97.74
2	PA	Police And Fire	96.46
3	IL	Deere Employees	95.91
4	WI	CoVantage	95.27
5	IA	Veridian	92.62
6	ID	Idaho Central	91.99
7	CA	Firefighters First	91.95
8	TN	Eastman	91.71
9	CA	Logix	89.99
14	IA	GreenState	89.33

SOURCE: CALLAHAN & ASSOCIATES

WITH GRATITUDE

Callahan & Associates wants to thank the following individuals for sharing their time and insight during Iowa's cold winter months. Their willingness to speak candidly about the credit union's operational design, lending success, and biggest challenges provide readers shrewd insight into one of the greatest credit union success stories of the past two decades. We hope readers will find value in what GreenState Credit Union has to offer.



KATHY COURTNEY, COO

"You're never bored here – there's always something happening. We take great care of our members and employees. Everyone might say they do those things, but not everyone lives it. We live it."



JIM KELLY, CMO

"I love working here. We run lean and hold one another accountable, which means we all bring our A-game every day. I work with an incredibly dedicated staff that challenges me to keep doing my best."



JEFF DISTERHOFT, CEO

"There are two things about GreenState I've enjoyed as much as anything. One, building relationships with my staff that I cherish. Second, seeing the impact of the organization transcend loans and deposits."



SCOTT WILSON, EVP COMMERCIAL LENDING

"I don't think what I do each day is work. I go to the office and I'm with people I love to be around. Whether we win or lose each day, we do it as a team and grow together as a result."



TODD FANNING, CFO

"We are a lean organization and have our foot on the pedal all the time, but our focus is on the members and doing right by them. Our growth manifests in the ability to serve more people and help more members. That's rewarding."



MARSHA WOLFF, EVP HR AND IT

"I love everything about GreenState. Our growth. Our values. Our people. The values of the credit union truly reflect who I am."



AMY HENDERSON, EVP CONSUMER LENDING

"I love that we have great success but are never satisfied with what we did in the past. Plus, I laugh every day. That's not hard at a company that encourages you to laugh and learn like GreenState does."

THANK YOU,



GreenState
CREDIT UNION