



*Anatomy of*

SECURITY  
SERVICE FEDERAL  
CREDIT UNION





# Anatomy of a DUAL MARKET

A dual market means different things to different credit unions. Security Service Federal Credit Union serves a range of members whose geographic proximities cross neighborhood, city, and even state lines.

By Rebecca Wessler



## San Antonio might be the seventh largest city in the United States, but its vibrant cultural and arts community gives it a small-town atmosphere.

It doesn't take long for art lovers to find a home among the city's symphony, ballet, opera company, and numerous museums, including the nation's largest Latino museum, The Museo Alameda. And for food lovers, San Antonio is home to a local affiliate of the Culinary Institute of America, which is located in a neighborhood redevelopment initiative that is turning an old brewery into a hotbed of fine dining and trendy living.

"People are discovering what a wonderful diversity of arts and culture we have in this community," says John Worthington, senior vice president for corporate communications at San Antonio-based Security Service Federal Credit Union.

Texas has weathered the economic storm better than most, and San Antonio has held its own within the Lone Star State. The Alamo, the downtown River Walk, and the area's many golf courses are turning the city into a tourist destination. For the people who call San Antonio home, industry is thriving. Valero Energy Corp., Tesoro Corporation, and NuStar Energy are all headquartered here. Plus, the city is quickly becoming the go-to location for companies specializing in information security. The University of Texas at San Antonio (UTSA), Alamo Community College, St. Mary's University, and even the city's magnet elementary school, The Carver Academy, all offer programs with a security bent.

"The National Security Agency named UTSA as one of the centers of excellence for information assurance and security," Worthington says.

Industry, security, research, and development, San Antonio has it all. But there's more. Texas has more credit unions (550+) than any other state in the union; likewise, credit unions are an important part of San Antonio's economy. Three credit unions with more than \$1 billion in assets (Security Service, \$6B; Randolph-Brooks, \$4B; and San Antonio, \$3B) are headquartered in San Antonio and several more top the \$100 million

mark. Plus, credit unions with a national reach, such as Navy and Pentagon, have a presence in the southern city. But the financial services landscape doesn't stop there. United Services Automobile Association (USAA) is headquartered in San Antonio and is a major competitor in the financial services and insurance markets. And Frost Bank, Broadway Bank, Wells Fargo, and Bank of America are four more players with intrastate or international ties.

Security Service Federal Credit Union is the eighth largest credit union in the United States by asset size (\$6 billion) and the fourth largest credit union by membership (800,000). It is a successful, and formidable, credit union. Despite its size, it has plenty of best practices to offer all credit unions. It's a rapidly expanding financial institution that takes to heart the core values of the cooperative movement. Every decision it makes revolves around what is in the best interest of its members.

### Texas Roots

Security Service was founded as an Air Force credit union in 1956. Back then it served the airmen of the United States Air Force Security Service Command who needed a way to provide financial support to their families when they were away. Since then, the credit union has undertaken approximately 20 mergers, acquisitions, and other growth opportunities. It knows well the intricacies, hurdles, and opportunities in serving multiple markets. It caters to not only a range of members with military, religious, and social affiliations

Learn more about Security Service's best practices in the CUtv webisode series *Anatomy of a Dual Market*.

[www.creditunions.com/anatomy](http://www.creditunions.com/anatomy)

<b>Market Quick Facts</b>	<b>Colorado Springs</b>	<b>San Antonio</b>	<b>USA</b>	<b>Colorado</b>	<b>Texas</b>
Population, 2006 estimate	372,437	1,296,682	307,006,550	4,753,377	23,507,783
Population, percent change, April 1, 2000 to July 1, 2006	3.10%	11.80%	9.10%	10.50%	12.70%
Persons 18 years old and younger, percent, 2000	26.50%	28.50%	24.30%	25.60%	28.20%
Persons 65 years old and older, percent, 2000	9.60%	10.40%	12.90%	9.70%	9.90%
White persons, percent, 2000	80.70%	67.70%	79.60%	82.80%	71.00%
Persons reporting two or more races, percent, 2000	3.90%	3.70%	1.70%	2.80%	2.50%
Persons of Hispanic or Latino origin, percent, 2000	12.00%	58.70%	15.80%	17.10%	32.00%
Language other than English spoken at home, percent age 5+, 2000	11.70%	46.70%	17.90%	15.10%	31.20%
High school graduates, percent of persons age 25+, 2000	90.90%	75.10%	80.40%	86.90%	75.70%
Bachelor's degree or higher, pct of persons age 25+, 2000	33.60%	21.60%	24.40%	32.70%	23.20%
Mean travel time to work (minutes), workers age 16+, 2000	21.0	23.8	25.5	24.3	25.4
Homeownership rate, 2000	60.80%	58.10%	66.20%	67.30%	63.80%
Median value of owner-occupied housing units, 2000	\$147,100	\$68,800	\$119,600	\$166,600	\$82,500
Median household income, 1999	\$45,081	\$36,214	\$52,029	\$47,203	\$39,927
Persons below poverty, percent, 1999	8.70%	17.30%	13.20%	9.30%	15.40%

Source: U.S. Census Bureau



## BEST PRACTICE

## MOVING INTO NEW MARKETS

When you take on a new SEG or member group, use face-to-face interaction to determine its needs and to learn about its distinct culture. Send your CEO on yearly visits to meet new employees and visit branches. Such gestures make a major impact.

ations but also a range of geographic locations, crossing neighborhood, city, county, and state lines. Today, Security Service stretches across 36 locations in Texas (covering Central Texas, the Rio Grande Valley, the Coastal Bend, and El Paso) and 19 locations in Colorado (covering Pueblo, Colorado Springs, Denver, Aurora, Fountain, and Northern Colorado).

“We became an Army credit union when we were asked to come to Colorado and acquire the Fort Carson credit union,” says Bruce Gillooly, assistant vice president of corporate communications for the mountain region. “We’re proud of the fact we were able to make that transition from Texas to Colorado and become an Air Force and an Army credit union. Again, not forgetting about the multitude of other SEGs we deal with and are proud to serve.”

Security Service ventured into Fort Carson and Colorado Springs in 1980. Now it serves communities all along Colorado’s I-25 corridor, which include some of the state’s largest markets.

### Colorado Connection

Colorado Springs is a small town that, at 185 square miles, is geographi-

cally expansive. With slightly less than 400,000 residents, it just barely breaks into the nation’s 50 largest cities (it’s No. 46). The city is heavily influenced by the presence of several military installations, including Fort Carson, Schriever Air Force Base, the United States Air Force Academy, NORAD (located inside Cheyenne Mountain), Air Force Space Command (located at Peterson Air Force Base), and the United States Air Defense Command.

The city’s location at the base of the Rocky Mountains makes it a popular tourist destination. It thrives on outdoor recreation, especially winter and mountain sports. In addition to hiking, skiing, camping, mountain biking, rock climbing, and horseback riding, the area offers access to a spectacular rock formation, Garden of the Gods, and a national historic landmark, Pikes Peak. Those looking for arts and culture can visit the ProRodeo Hall of Fame & Museum of the American Cowboy or take in a show at the Colorado Springs Fine Arts Center.

Several publications, including *Money* in 2006 and *Outside* in 2009, have recognized the city in their “Best Cities” listings, and livability.com includes Pueblo in its Top 10 listing of Best Foodie Cities.

With such a wide scope, how does Security Service keep its singular focus of doing what’s in the best interest of its members? According to Gillooly, the key to serving different markets, be they demographic or geographic, is to recognize the distinct culture of each. There are certain nuances that change ever so slightly from culture to culture. For credit unions, knowing the nuances of a new market is just as important as knowing the laws of a new state.

“When you are operating in a new market, take the time and dedicate the resources to understand the culture you are serving,” Gillooly advises. “We hire people from that culture and incorporate them so they understand the Security Service corporate culture and are able to inform us of local nuances and differences we might need to address.”

Security Service serves a range of members whose geographic proximities cross neighborhood, city, and state lines. It’s a large organization that sticks to the core values of the cooperative spirit: know your members and serve them well. Read on for best practices and takeaways that are beneficial to credit unions of any size. ▾

## MARKET UPDATE

In December, Security Service Federal Credit Union announced its purchase and acquisition of Salt Lake City-based Beehive Credit Union. Beehive serves residents of Salt Lake and Utah counties as well as employees for the state of Utah. In addition to adding another state to its expanding market footprint, SSFCU’s acquisition of Beehive also adds nine service centers, more than 18,000 new members, and approximately \$145 million in assets to the Texas-based credit union.



# From Mountain High to Valley Low

The old adage “You can’t be in two places at once” doesn’t ring true for credit unions. Whether they are serving members with differing religious, occupational, or social affiliations or serving a membership that spans neighborhoods, cities, or states, credit unions are often required to be in two places at once.

By Rebecca Wessler

Security Service Federal Credit Union (\$6B, San Antonio, TX) has 36 branches, or “service centers,” located throughout Texas and 19 service centers in Colorado. Its strategy for being in two places at once boils down to one overarching focus: Understand and meet members’ needs, wherever those members may be.

Before it moves into a new market, one of the initial points it considers is whether the needs of the members in the new market are congruent with SSFCU’s services and whether the credit union can deliver those services in a sustainable way. Security Service’s movement into new markets is largely driven by acquisitions, and with that strategy, Security Service must consider whether its presence will benefit all members.

“We have a responsibility to explain to our current members why moving into a new area and serving a new group of members benefits the institution,” says Jim Laffoon, executive vice president and chief operating officer of Security Service.

When it moves into a market, SSFCU offers its full suite of products and services. Such a goal helps it establish its brand and encourages new members to think about the credit union in a positive light. The brand, however, isn’t just products and services, it’s also people.

“We place an emphasis on serving members of modest means,” Laffoon says. “Over the course of the past decade, as we’ve moved from a single market to a dual market to multiple markets, we see a lot of similarities in terms of member needs, their income, their expectations, their satisfaction levels.”

When the credit union moves into a new market, it looks to these similarities to build a solid foundation. It prides itself on its member service and does not reinvent the model to provide it. Instead, the credit union relies upon lessons learned and best practices developed over more than 50 years. That knowledge informs a variety of

decisions for a new location, such as the impact on the balance sheet, how to train staff, and how to assimilate into the larger community.

## Balance Sheet Impact

Large-scale expansion via mergers or acquisitions requires different kinds of considerations than more organically driven growth. As Security Service considers whether a new market is conducive to doing business and whether the market’s needs are consistent with what the credit union can deliver, it is also evaluating the long- and short-term economic impact to the credit union.

For Security Service, one of the long-term benefits of having a presence in different markets is the ability to operate as a cooperative. Being in multiple markets reduces its concentration of risk and allows it to maximize the strengths of differing locations. For example, a market with an older population, higher deposit balances, and less need for loans complements a market with young, growing families.

“Some areas tend to be more of a source of deposits, and some areas have higher loan volume,” Laffoon says. “So the true spirit of the cooperative works better, in some cases, in multiple markets.”

For example, the credit union runs the largest credit union indirect lending program in the country. In the fourth quarter of 2008, “our indirect business was really booming,” says Greg Stroud, vice president of sales and marketing. The credit union needed a way to balance those loans — its average auto loan is \$23,000 — with deposits. Its answer: create a 15-month CD with an attractive rate to use as the go-to product for promotion.

“That product has done extremely well,” Stroud says. “It remains one of our largest deposit products.”

For credit unions moving into a new market for the first time, determining a pricing strategy is a

Learn more about analyzing market economics on CUTV’s webisode series Anatomy of a Dual Market.



### BEST PRACTICE

## BALANCE SHEET IMPACT

Before you move into a market, look at your membership base, both in that market and nearby, whose needs are not currently being addressed. Make sure you establish a brick-and-mortar presence only in places your members need it.

crucial first step because the process of pricing one market versus two or more could be different. At the onset, it is a delicate field to navigate. How do you quote rates for members? How do you handle member inquiries? How do you gracefully determine the member's correct market?

"Security Service positions itself to be a price leader," Laffoon says. "If prices for loans and deposits are a little different in Market One than they are in Market Two, then our prices are going to be a little different."

Unlike the cycles in other credit unions, where loan and share growth counter each other, Security Service uses its multiple market presence to balance its loan and share ratios. Since third quarter 2007, Security Service's loan growth and share growth numbers have both topped 7.5% (see graph below).

Part of this balance can be attributed to Security Service's strong indirect lending program. Auto loans comprise 78% of its overall loan portfolio. (For more on SSFCU's indirect lending strategy, turn to page 60)

Moving into a new market is no easy task, and it is one the credit union does not take lightly.

"To understand all the risks, all the tricks and traps that might exist, we analyze and overanalyze and beat each other up over what we do when it comes to risk-to-earnings, risk-to-retained earnings, and service to members and how that could be impacted," says Howard Baker, senior vice

president and chief of staff.

To manage enterprise risk, Security Service makes sure all senior staff understands the risk in what they are doing. What are the risks? How does the risk impact the current members? Is the risk good for the institution? What does the risk do for the institution? Why would the credit union want to accept such risk? Does the credit union fully understand the risk? The answers to these questions help Security Service succeed on a day-to-day basis.

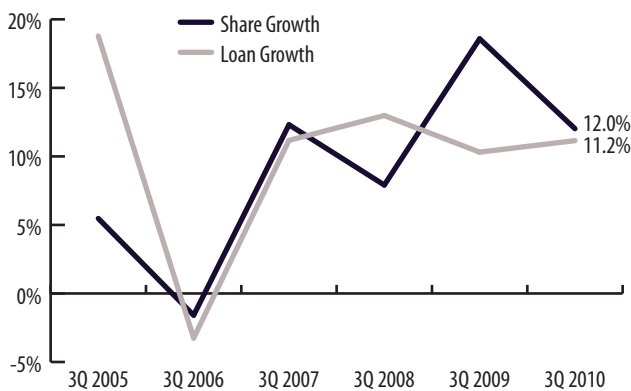
Although an increased market footprint means increased risk, there are also plenty of benefits in expanding a credit union's reach. One of those benefits involves asset liability management. Security Service employs a rigorous model to evaluate the loans in its portfolio and stay on top of the interest rate risk in its balance sheet. For this model, the credit union's market diversification doesn't have much of an impact from an ALM perspective.

"It's a matter of sticking to your strategies and replicating those as part of your growth model," Baker says. "Do what you do and do it well."

Another benefit of operating across various markets is freedom to try new things. In this way, size can be an advantage; however, Security Service is still prudent in its approach.

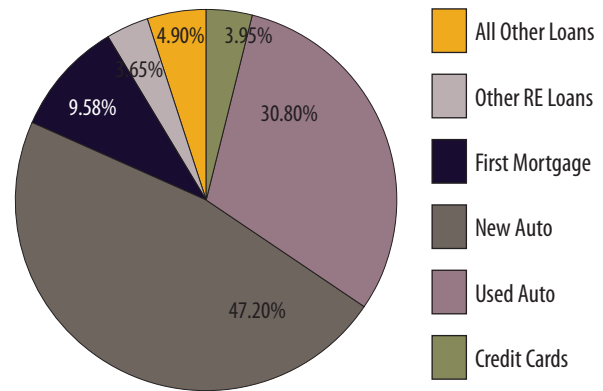
"There are no home runs in our business anymore," Baker says. "What we have here is pretty much a commodity, so when you're looking to swing for the fence, you have to be careful."

Loan Growth vs. Share Growth | Data as of September 30, 2010



Source: Callahan's Peer-to-Peer Software

Loan Composition | Data as of September 30, 2010



Source: Callahan's Peer-to-Peer Software

Since 2007, Security Service has merged with or purchased five credit unions. Altogether, the assets of these credit unions account for approximately 1% of Security Service's asset base.





BEST PRACTICE

## TRAINING

Provide staff the opportunity to demonstrate their abilities and excel in their individual performances. Provide a career path so employees can follow in your footsteps. Today's teller might be tomorrow's branch manager or vice president.

### Training

To keep processes and procedures consistent, Security Service puts all employees through the same training. Regardless of what location they'll eventually work in, the training curriculum is uniform. For beginners, training classes last approximately two weeks and are conducted outside of the service centers so employees can get a handle on equipment and systems without the pressures of performing in front of members. Employees learn about Security Service, the credit union movement, and how to properly do their jobs in a classroom environment.

When the employees are on the job, they still have easy access to information about the credit union's products, transactions, and processes. Security Service keeps its training manuals online via a comprehensive web-based system. This makes updating and disseminating information easy and uniform. It also makes employees feel more comfortable when they have to refer to a manual while helping a member, as they can do so without the member knowing they are referencing additional information.

"When I first started we had paper manuals so you'd flip through the book with the member in front of you," says Stacy Montoya, a senior operations officer at the Fort Carson branch in Colorado Springs. "Now we show the new employees how to maneuver without the member realizing you're searching through the manual."

It might seem like a minor detail, but it enables employees to answer for themselves any questions they might have about a transaction, and it allows members to walk away with confidence in the transaction and SSFCU staff.

### Market Assimilation

Moving into a new market presents its fair

share of challenges, even if the area has a credit union presence. For Security Service, its dedication to philanthropy and community service is one way it establishes its brand outside of the financial services sphere.

"Every member of senior management is expected to take a leadership role in some community organization, cause, service, or activity," says John Worthington, senior vice president of corporate communications. "That's part of the evaluation every senior manager, AVP and above, is graded on."

Security Service employees are involved in organizations such as the Leukemia & Lymphoma Society (the credit union is a National Partner), American Heart Association, the Red Cross, the Susan G. Komen Race for the Cure, Habitat for Humanity, and more.

"We've been successful because of the communities we serve," Worthington says. "It's important for us to give back and let them know we appreciate their support."

The credit union's commitment to service is not relegated to the upper levels of management. Roughly 781 non senior management employees participate in the Volunteer Corps; that's more than 50% of Security Service's total employee base. In San Antonio alone the corps is active in 25 to 30 events a year.

"When we go into a new market we immediately start making sure we associate ourselves with charities and organizations and our employees get involved," says Mike Martinez, senior vice president of member service. "The membership sees that." ▲

Learn more about staffing on the CUTv webisode series Anatomy of a Dual Market.



BEST PRACTICE

## MARKET ASSIMILATION

Empower employees to take ownership of community involvement. From your local Chamber of Commerce to national foundations, there are opportunities to make your mark and establish your brand locally.

By Rebecca Wessler

## Right Place, Right Time, Right Product

From everyday checking to emergency credit, Security Service offers members what they need when they need it.

**Security Service establishes a solid base with its core products, including personal loans (mortgage, auto, home equity, and debt consolidation) and deposit products (checking, savings, CDs) as well as investments, insurance and commercial services.** With its reporting structures and metrics, the credit union can monitor member usage and gauge whether it is in the right place offering the right products to the right members.

“Each market has its own unique group of individuals,” says Mike Martinez, senior vice president of member service. For this reason, the credit union offers members the opportunity to bank on their own terms, according to their own schedules and time zones.

### Toll-Free Assistance

- With Automated Call Plus, members can access their accounts 24 hours a day, seven days a week for services such as balance inquires, deposit and withdrawal verification, and account transfers.
- Through the Live Call Center, operators are available 24/7 to assist members in English or Spanish with many of the transactions available at SSFCU locations.
- Toll-free numbers are also available for members in Canada, Germany, Japan, Korea, and the United Kingdom.

The credit union conducts market surveys to ensure it is offering competitive products, and it responds to market and membership needs with special products and services.


“We try to make sure we’re on the leading edge and really help folks when they’re in trouble,” says Mike Chapman, senior vice president of lending. “That’s where you’ll find different types of loans.”

For example, Security Service offers a template-based emergency loan it can immediately deploy when a member area is affected by a natural, or other, disaster. For example, the credit union has deployed disaster loans for hurricane relief in its Coastal Bend and Rio Grande Valley markets. The loans are based on a template similar to the military emergency loans outlined below.

### Military Emergency Loan I

- Preapproved loan, unsecured, no credit pull
- Must qualify for membership
- Up to \$500
- Rate: 3.99% fixed
- Repayment period = 12 months (one year of interest = \$9)
- For active duty/reservists and dependents impacted by deployment
- Limited to one loan per military member

### Military Emergency Loan II

- Preapproved loan, unsecured
- Credit-based
- Must qualify for membership
- Up to \$2,500
- Rate: 3.99% fixed
- Repayment period = 24 months
- For active duty/reservists and dependents impacted by deployment
- Limited to one loan per military member 

By Rebecca Wessler

## Direct Impact

Members, dealers, and local economies benefit from Security Service's indirect lending program.

**Security Service's balance sheet looks a bit different than those of other credit unions.** That's because SSFCU operates the largest credit union indirect lending program for automobiles in the country. According to the Texas-based credit union, Security Service finances one of out three cars on the road in San Antonio.

"Early on, Security Service recognized the importance of convenience," says Jim Laffoon, executive vice president and chief operating officer of Security Service. "Today, three out of four consumers that buy cars finance them at the point of sale."

If members want the credit union in the car dealerships, then that's where the credit union wants to be.

"To be effective in auto lending you have to be at the point of sale," says Mike Chapman, senior vice president of lending.

Indirect lending is a core competency of the credit union, one it has developed over a 20-year period. The key to the credit union's strategy is consistency. A team of 13 loan officers reviews every indirect loan that comes through the credit union, whose market stretches across central Texas down to the border from El Paso to Corpus Christi as well as through mid-Colorado along Interstate 25. And as in Texas, business is boom-

ing in Colorado, where Security Service is the No. 1 auto lender.

Of course, getting accurate information from the member, who could be sitting in a branch at the base of the Rockies or sitting in a car dealership down the street from the Alamo, is also important. To this end, the credit union encourages employees and dealers to take the time to talk with members about any red flags or inconsistencies on a loan application.

The \$6 billion credit union pre-approves applications and automates underwriting, but to better serve members it also examines individual applications by hand. Despite the vast technology at its fingertips, it never automatically denies an application. Loan officers, (there are eight in Texas and five in Colorado,) review denied applications to determine if the credit union can make the loan. Security Service portfolios its indirect loans — which total approximately \$4 billion — so loan officers have a decisioning freedom that can have a positive impact for members.

Security Service's indirect lending program is convenient for members, and its dealer relationships also help fuel the local economy.

"Over the past few years, we've had some tough economic times," Chapman says. "A lot of lenders pulled out, and the automobile dealers suffered."

When the captive financiers left the market, Security Service was there to prop its local economies. It continued its business with more than 500 auto dealers, offering funding, answering questions, and in general, being a supportive resource.

"You really have to understand the auto industry and know what they're going through," Chapman continues. "With the problem the manufacturers had and the inventory issues, it's been very difficult for them. We've been there for them, and it's made a big difference.

The past few years might have been tough, but that hasn't stopped Security Service from explor



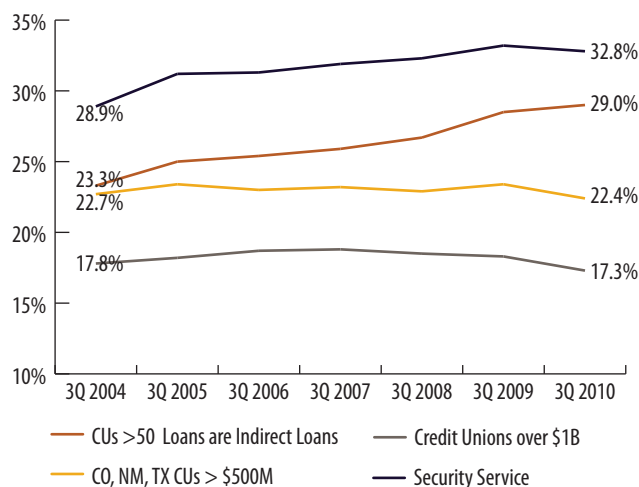
### BEST PRACTICE

## INDIRECT LENDING

Be ready to quickly adapt to changes and adjust credit guidelines if necessary. Keep the lines of communication open between the credit union and its members. Review with members any hiccups in their credit history and ask questions to identify the source of any red flags. Identifying trends at the micro level will help guard against surprises at the macro level.

### % of Members with an Outstanding Auto Loan

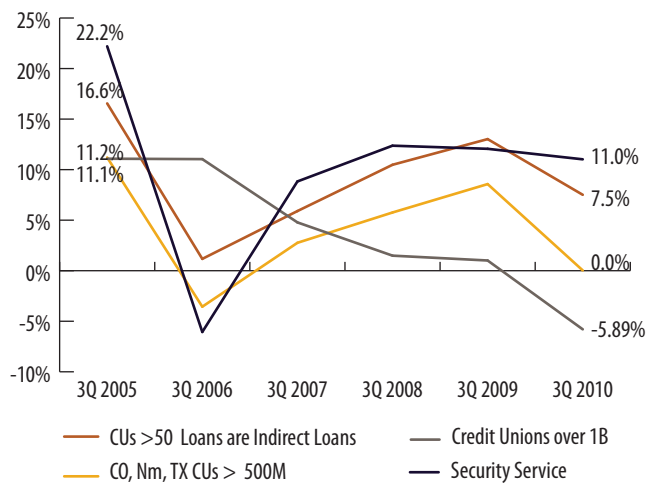
Data as of Sept. 30, 2010



Source: Callahan's Peer-to-Peer Software

### Annual Growth of Outstanding Auto Loans

Data as of Sept. 30, 2010



Source: Callahan's Peer-to-Peer Software

ing new markets. When it enters a new market, whether it's a new physical region or a new opportunity in an existing community, it gets to work building those indirect relationships. Security Service wants to be where its members are; its indirect lending program is just another way to expand its reach. It can be a challenge to respond to the unique needs of different markets — after all, different areas have been hurt worse than others — but the opportunity to provide members loans is worth the effort.

“As long as we can be where the member needs us to be, we'll be successful,” Chapman says.

And successful it has been. Despite purchase volumes decreasing by 50% in some cases, Security Service has maintained strong growth rates and credit quality.

As of September, Security Service had grown its auto loan portfolio by 11.0% annually, an increase of \$419 million. Nationally, auto loans among credit unions in its peer group (more than \$1 billion in assets) decreased by 5.8%. Indirect loans comprise the majority of Security Service's auto loan portfolio, nearly 94%, and the credit union has managed a strong and problem-free indirect loan portfolio throughout the economic crisis. The credit union's reportable indirect loan delinquency rate stood at 1.05% at September 30. Its charge-off ratio is even lower. Through the first nine months of 2010, the annualized net-charge off rate for SSFCU's indirect loan

portfolio was 69 basis points, about half the U.S. industry average of 1.26%.

In part, the credit union was able to achieve this success because of the opportunity to use an old strategy to bring in new members in new areas, Laffoon says.

Twenty years ago, the credit union launched its indirect lending program based on the idea that member behavior was changing. By focusing on members' expectations, the credit union developed a plan to meet their needs. That core philosophy still drives the program today.

“It started off with a plan that we believed we were doing the right thing for the right reasons,” says president and CEO Dave Rynolds, who was the executive vice president of lending when the credit union launched its indirect program. “We were meeting member needs. We were doing it in a way that was responsible and built our financial strength. Over the course of time, it became an important part of our business, and it remains that way today.”

“Three out of four consumers that buy cars finance them at the point of sale.”

Jim Laffoon, executive vice president and chief operating officer

Watch the CUTv webisode series, Anatomy of a Dual Market, for tips on how to build moral among collection employees.

Visit CUSP Online to learn about Security Service's asset collection strategy.



By Rebecca Wessler

# One Size Fits None

A multichannel marketing strategy yields success in a dual market.

**Security Service Federal Credit Union operates in several markets stretching from Central Texas to El Paso and along Colorado’s Interstate 25 corridor.** Despite its expanding footprint, the credit union stands behind a single brand.

“Your brand is defined by your members,” says Greg Stroud, vice president of sales and marketing. “Our brand is our service. We try to bring that to life in everything we do from the experience the member has at the service center to our marketing and our call center.”

In San Antonio, where the \$6 billion institution is based, promoting its brand isn’t a major challenge. The credit union has had a presence in the community since the 1950s, and it has a significant brick-and-mortar footprint (the credit union has 25 service centers in the Greater San Antonio area).

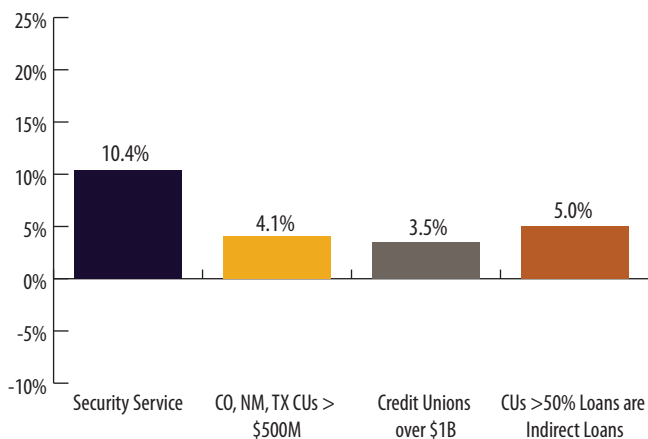
In markets where the credit union doesn’t have such a stronghold it forges partnerships with community players. The credit union took a page from its San Antonio playbook — where it has a relationship with the city’s Minor League Baseball club, the Missions — when it moved into Colorado and aligned itself with Colorado Springs’ Minor League Baseball team, the Sky Sox. There, the credit union even has the naming rights to the stadium, Security Service Field.

Talk about brand awareness.

“It’s the largest venue in that marketplace,” Stroud says. “The team plays there, the news is there. When they’re reporting that night’s highlights, they’re at Security Service Field.”

The draw of Security Service Field extends beyond the people who attend a single baseball game. Events such as 5K runs and military

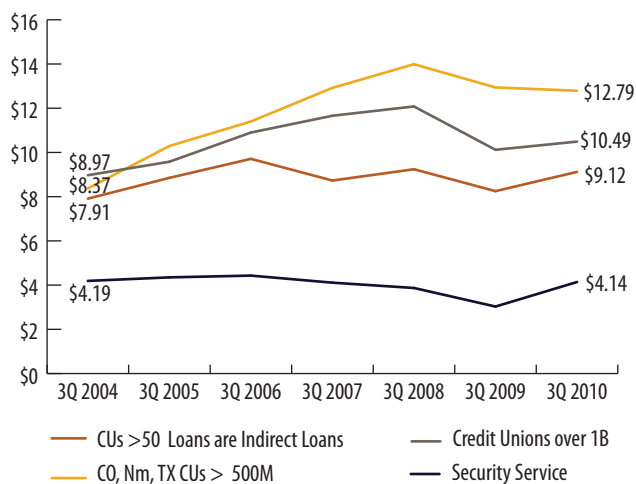
**12-Month Member Growth** | Data as of Sept. 30, 2010



Source: Callahan's Peer-to-Peer Software

Indirect lending can help boost membership rosters, but Security Service has done a fantastic job extending its reach throughout the community. Over the past 12 months, it has added 75,000 net new members, a growth rate of 10.4%.

**Annualized Market Expense per Member** | Data as of Sept. 30, 2010



Source: Callahan's Peer-to-Peer Software

Security Service sends approximately one-third of what other credit unions spend on marketing per member. At just more than \$4 per member in September, the credit union uses a multifaceted approach to gaining new members and reaching existing ones.

appreciation activities take place at the stadium. Of course, corresponding news coverage also takes place at the stadium, setting up the credit union for some well-placed earned media.

The challenge for Security Service is stretching its single budget across multiple markets. The budget must cover annual research (such as branch satisfaction surveys for the entire network and an attitude survey in San Antonio) as well as onboarding initiatives (the credit union uses direct mail and outbound calling to correspond with every new indirect lending member within the first 90 days).

“The hardest part in the dual market is supporting markets at the appropriate level,” Stroud says. “The advertising, marketing, and promotion.”

Different markets are different sizes; therefore, the cost to advertise, market, and promote in them likewise varies. For example, purchasing media in Denver is more expensive than in San Antonio, which is more expensive than in Colorado Springs.

For credit unions that do not have the budget or resources to buy traditional media in different markets, take note.

“Effective marketing doesn’t just mean buying TV or radio or print ads,” Stroud says. “A whole host of activities can help you establish the brand in a new market.”

Security Service’s strategy includes interacting with local groups such as the Boy Scouts, Boys and Girls Club, school districts, and the military. Its staff hits the street and introduces the credit union’s name and brand through

one-on-one, personal contact.

In addition to formal onboarding and positive PR, the credit union augments its sales efforts with a feature it implemented into its teller system approximately 18 months ago. Now, when a teller is helping a member with a transaction, the teller’s computer displays personalized messaging that details the member’s products. The marketing department uses that sales wrapper feature to introduce product messaging, suggest other products in which the member might be interested, and make transactions more personal. Armed with that breadth of information, the front-line staff is more at ease.

“Credit unions are a service-based industry,” Stroud says. “Someone who is good at service might not be comfortable selling a product. But by integrating sales into our service model, we can provide better service to our members.”

Although the credit union offers sales assistance aids such as the wrapper, it is also changing the way it hires and trains staff. It’s a work in progress that eventually will help the staff effectively cross-sell products the member really needs and help the credit union develop better products.

So how does the credit union identify the needs of its members and position a product or service to meet that need?

“It’s marketing 101,” Stroud says. “People in San Antonio have the same type of problems as people in Denver. There are similarities. The difference is in terms of how you go about reaching them based on your capabilities in those markets and the cost to advertise and reach those markets.”

## Service with a Smile

Superior service doesn’t stop at helping members solve run-of-the-mill

financial problems. “We almost have a zero tolerance for mistakes when it comes to service,” Stroud says. “If a member has a problem that falls outside of the normal answer, they [SSFCU staff] find ways to solve the problem.”

This is especially true when working with military members, which is a standard that CEO Dave Reynolds has set for the entire credit union. For example, a member that was trying to ship a vehicle overseas came to the credit union to work out a hiccup with the vehicle’s insurance. At the credit union, the member realized the car wasn’t insured through Security Service, yet SSFCU staff still made the necessary phone calls and arrangements to resolve the situation. Now that’s superior service.

Learn more about SSFCU’s military outreach on CUtv’s webisode series Anatomy of a Dual Market.



BEST PRACTICE

## ONBOARDING

Security Service pre-qualifies members for its credit card product based off the data the credit union receives with its indirect loan applications.

# Thank You. Gracias.

Thank you to the employees and members of Security Service Federal Credit Union. Your warm welcome allowed us to capture what it means to be a member of SSFCU, whatever the market. Thank you, especially, to the following interviewees who graciously shared their time and experience:

**Howard Baker** | Senior Vice President, Chief of Staff  
With SSFCU: 10 years

*“Everyone should be cognizant of how well they’re serving members and what kind of risk they’re taking. Think about the long-term impact to the institution, to its balance sheet, its income statement, and its members. At the end of the day, if they’re not satisfied, then all your risk management, all these great ideas, won’t work because it’s about serving members.”*

**Mike Chapman** | Senior Vice President, Lending  
With SSFCU: 9 years

*“Lending is an art. We don’t buy any differently from an indirect car dealer than we do if a member walks in the door. The key is to be consistent. We do what we can to help our members, and then we provide that delivery channel for them. The channel they decide to go through is really just what’s convenient for them.”*

**Molly Daniels** | Vice President, Human Resources  
With SSFCU: 3 years

*“We have some strength around communicating across our multiple branches in multiple states. We focus on our member, and that is consistent across the organization. We still tend to think of ourselves as a small organization. If we act like a small organization and treat our members accordingly, our employees understand the members are our focus.”*

**Bruce Gillooly** | Assistant Vice President, Corporate Communications, Mountain Region  
With SSFCU: 3 years

*“We understand the basics of supporting the military. We ask questions and capture experiences from our employees who deal with the military members on a daily basis. We have a solid relationship with the Fort Carson leadership and are able to anticipate the needs of the military members by having that direct dialogue.”*

**Jim Laffoon** | Executive Vice President, Chief Operating Officer  
With SSFCU: 22 years

*“Each time you expand your enterprise, you move to a new area, you’re going to find the members’ needs are pretty much the same. So you take those things you know are proven and work for you and you try to replicate them in new environments.”*

**Mike Martinez** | Senior Vice President of Member Service, Central Region  
With SSFCU: 15 years

*“I believe in what we do for members, otherwise I wouldn’t be here. I know for a fact we have products that help members. By moving into a new market, we’re going to bring things they have not had access to. We’re going to provide a level of service they have never seen.”*

**Stacy Montoya** | Senior Operations Officer  
With SSFCU: 16 years

*“We get a lot of young kids that have never left home before. They’re 18, they just enlisted in the military, and you’re able to help them understand finances.*

*If they walk out with just a savings account or even if they walk out with nothing, they left with the education of knowing what they need to do to establish credit or accounts and how to maintain them.”*

**Nancy O’Malley** | Vice President, Asset Recovery  
With SSFCU: 3 years

*“We have better connect rates at different times of day in Texas versus Colorado, so we have to change when we call into what market in order to make our operation as efficient as possible.”*

**Dave Reynolds** | President & CEO  
With SSFCU: 24 years

*“Because of the military presence, it was a smooth transition to Colorado. We value the service of the military. As we grow, the military is not as big a part of the membership numerically, but it is still a part of the spirit of the credit union.”*

**Greg Stroud** | Vice President, Sales & Marketing  
With SSFCU: 7 years

*“All markets are different, but all markets have similarities. People in San Antonio are trying to give their kids the best education, trying to earn enough money to take care of their families. People in Denver are trying to do the same thing.”*

**John Worthington** | Senior Vice President, Corporate Communications  
With SSFCU: 16 years

*“San Antonio is a competitive marketplace and we’ve been successful, but we have to constantly stay alert and make sure we’re doing what we can to serve our members and attract new members.”* 