



Anatomy of

GUNTHRIE FEDERAL CREDIT UNION





By Rebecca Wessler

MAXIMIZE the MARKET

A mid-size credit union uses the cooperative spirit and financial savvy to succeed.

Guthrie Federal Credit Union (\$50M, Sayre, PA) isn't your typical mid-size credit union. The credit union has more than quadrupled its asset base in the past 10 years, and it has done so by thinking big.

When Guthrie's current CEO, Eric Chase, took the helm in 1993, the Pennsylvania-based credit union was doing fine. The credit union is a multiple common bond credit union with Guthrie Healthcare System serving as its bread and butter. But Chase saw the opportunity for more.

"I'd been looking at it, and I said, 'Why does a 4,200 person SEG group have only a \$9 million credit union?'" Chase says. "Something doesn't add up here."

Guthrie is located in upstate Pennsylvania, in an area referred to as the "endless mountain region." There's a small-town atmosphere in Sayre and Troy, PA, where Guthrie's second branch is located, and the entire area – which includes the cities of Binghamton, Corning, Elmira, and Ithaca in neighboring New York – represents a tight-knit community.

"I enjoy the relationships here that you can build with people," says Ken Seaver, Guthrie's vice president of lending and compliance.

There's plenty of outdoor activities such as hiking, camping, hunting, and fishing, and the

area boasts beautiful parks, mountain scenery, and the Grand Canyon of Pennsylvania. But the area's rural attractions shouldn't fool visitors; it also offers its share of culture and entertainment. Corning, is home to the Corning Museum of Glass and the Rockwell Museum of Western Art. Tourists interested in riding a fully functional antique carousel need look no further than Binghamton, which is nicknamed the "Carousel Capital of the World." And sports fans can take in semi-pro games such as hockey or baseball.

Guthrie Healthcare System, a leader in cardiovascular health and electronic medical records, is one of the area's top employers. The Marcellus Shale, a natural gas source in the Appalachian Basin, also pulls in a lot of business.

"The economy is pretty strong here," Seaver says. "We're fortunate."

"We've had a lot of money coming here," Chase agrees.

Market & Goals

Generally, the healthcare field offers solid employment and a stable workforce. Guthrie Healthcare System is no different. It employs approximately 4,400 federal credit union staff members and 350 doctors in the area, but Guthrie doesn't rely on its primary SEG as its



Deposit Market Share for the Combined Marketplace of Troy & Sayre, PA | Data as of June 30, 2010

Rk	Institution Name	Branches	Total Deposits	Market Share
1	FIRST CITIZENS NATIONAL BANK	3	\$132,908,000	38.22%
2	CITIZENS&NORTHERN BANK	2	\$127,652,000	36.70%
3	Guthrie Federal Credit Union	2	\$44,469,272	12.79%
4	MANUFACTURERS&TRADERS TR CO	1	\$20,597,000	5.92%
5	CHEMUNG CANAL TRUST CO	1	\$12,179,000	3.50%
6	PEOPLES STB OF WYALUSING PA	1	\$7,850,000	2.26%
7	Troy Area School Employees FCU	1	\$2,125,960	0.61%
	TOTAL	11	\$347,781,232	100.00%

Source: Callahan & Associates' Branch Analyzer



BEST PRACTICE

Don't have a local chapter for your state's trade association? Grab your area peers and start one.

sole source of growth. Seven years ago Guthrie merged with a smaller credit union that was affiliated with a hospital in Troy; the move has paid off.

As of June 30, 2010, Guthrie held \$44 million in deposits at its two branches. It is in a \$350 million market, approximately, meaning Guthrie's market share reaches nearly 13.1%. Two other financial institutions, First Citizens National Bank (\$810M) and Citizens & Northern Bank (\$1.3B) hold market shares of 38.2% and 36.7%, respectively.

Teller transactions are growing, but so are

automated services. Anticipating a revenue dip resulting from interchange legislation (credit union members had logged more than 1,000 debit transactions as of mid-February), the credit union is making a push for automated services. Approximately 83% of its members use automated services, according to CFO Maria Cicciarelli, which has helped the credit union's bottom line.

Ten years ago Guthrie's corporate credit union, Mid-Atlantic, offered an electronic bill pay program that the credit union, which was approximately \$12 million in assets at the time,

MARKET QUICKFACTS, 2009 ESTIMATES	Sayre, PA	Troy, PA	PA	USA
Population	5,451	1,633	12,516,596	307M
Population 18 years and older, percent	74.2%	78.9%	77.5%	75.4%
Population 65 years and older, percent	17.4%	17.4%	15.3%	12.6%
Median age	41.6	42.1	39.6	36.5
Average household size	2.21	2.21	2.46	2.6
Average family size	3.07	2.97	3.05	3.19
White persons, percent	96.6%	97.5%	83.8%	74.5%
Persons reporting two or more races, percent	1%	1.4%	1.3%	2.2%
Language other than English spoken at home, percent, age 5+	4.3%	2.2%	9.4%	19.6%
High school graduates, percent of persons age 25+, 2000	84.7%	84.3%	86.9%	84.6%
Bachelor's degree or higher, pct of persons age 25+, 2000	23.2%	16.8%	26.0%	27.5%
Population in labor force, 16 and older, percent	59.8%	60.3%	63%	65%
Mean travel time to work (minutes), workers age 16+, 2000	16.6	22.2	25.4	25.2
Median household income	\$34,610	\$31,150	\$49,737	\$51,425
Median family income	\$55,215	\$40,625	\$62,520	\$62,363
Per capita income	\$20,269	\$17,998	\$26,678	\$27,041
Persons below poverty, percent	15.10%	18.20%	12.10%	13.50%
Owner-occupied housing units, percent	59.7%	51.8%	71.5%	66.9%
Median value of owner-occupied housing units	\$86,500	\$90,500	\$152,300	\$185,400
Renter-occupied housing units, percent	40%	48.2%	28.5%	33.10%

source: U.S. Census Bureau



BEST PRACTICE

A survey is a great way to determine if your fees are priced appropriately for your market. If you change fees, be open about it; if your fee structure is better than your local competitions, be open about that as well. Boards in lobbies can be eye-catching and informative.



BEST PRACTICE

A combination of online and brick-and-mortar services ensures the credit union has what members of all ages and technical capabilities are looking for.

implemented. Likewise, “We knew we needed Internet banking,” Chase says. “So we jumped into Internet banking in 2003.” Now the credit union has its eye on mobile banking, apps, and smartphones. Guthrie doesn’t take on every electronic opportunity, but when it does, it spends the money to do it well.

“It’s going to benefit us if we spend a couple more dollars and do it the right way,” Chase says.

With the right balance of online and on-site services, the credit union hopes to meet the needs of all its members. After all, it realizes a brick-and-mortar presence is a valuable asset in developing member relationships and credit union convenience. According to Raddon Financial Group, people still frequently access their financial institution via a branch lobby or drive-up window. Even people that tend to use electronic channels tend to use many different delivery channels do so and often.

The credit union recently remodeled its main location in Sayre and doubled the size of the branch. But business is booming, and as the credit union has progressed, so has its membership.

“We were hoping this building would satisfy our needs for the next 10 years, but in three years we’ve outgrown it,” Chase says.

Likewise, the credit union sees opportunity in neighboring Troy. It is replacing an old branch with a new location that will offer perks, such as a drive-up ATM and coin counter, as well as the same products and services it offers at its primary location in Sayre.

“We got a lot of market share we can gain over there,” Chase says. “That’s really our big thrust this year is expanding our Troy market.”

Competition & the Cooperative Spirit

Guthrie works closely and shares services with some of the area’s smaller credit unions ranging in asset size from \$4-12 million. The credit unions communicate several times a month, and they are in the process of forming a formal organization to talk on a quarterly basis about industry challenges, opportunities, and compliance.

There also are regional banks and larger credit unions in and around Guthrie’s market area. To effectively compete, the credit union consciously prices its products so it is aggressive but not a rate leader.

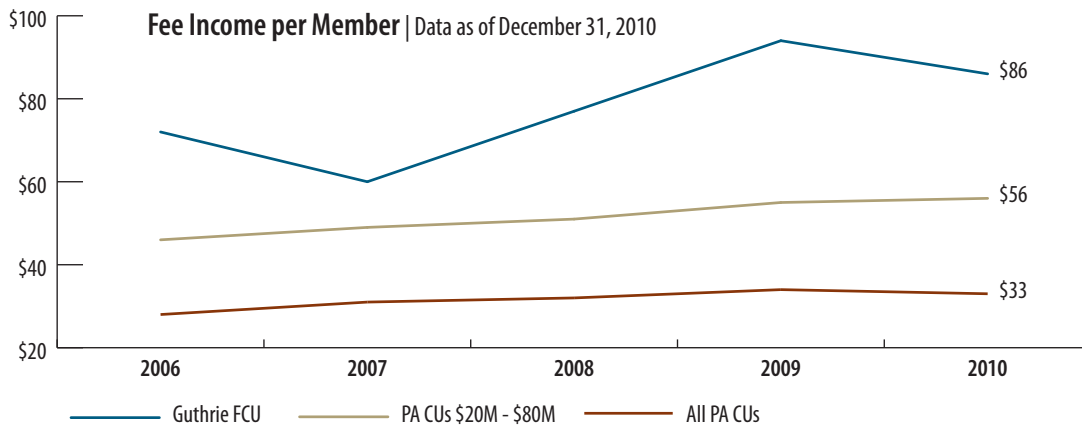
“We don’t want to be the best game in town, but we want to be close to it,” Cicciarelli says.

Guthrie offers members better pricing on products if they use automated services, which gives them an incentive to use less costly channels.

“If they have automated services, we’ll give them an extra quarter percent,” Cicciarelli says. “That’s a huge benefit to our membership.”

As for fees, Guthrie completed a market survey a year ago that compared the credit union’s charges against what institutions in its market were charging. When it realized some of its fees were significantly lower, it adjusted them to reflect the market. The credit union now posts a higher fee income than its peers, but it is still offering members benefits they won’t find elsewhere.

“We’re not for profit, but we’re not for charity either,” Chase says. “We’ve got to build capital if we’re going to continue to grow.”



Source: Callahan & Associates’ Peer-to-Peer

By Rebecca Wessler

Where Everybody Knows Your Name

Guthrie builds its brand on quality products and personal service.



How to gain market share while managing the bottom line is on the mind of every credit union, regardless of size. Guthrie Federal Credit Union (\$50M, Sayre, PA) notably has a high return on employee time and effort. For each dollar spent on salary and benefits, the credit union recorded \$3.84 in revenue, higher than similarly sized credit unions and banks and nearly the same level as the state credit union average.

Last year, the credit union cut costs by reducing staff hours, but it did so in a way that was not detrimental to member service. How did it do that? Timing. Under the impression it needed to expand hours, the credit union conducted a six-month survey. The credit union discovered its staff and lobby were actually being underutilized in the late afternoon, so it cut staff hours to a 38-hour work week. This solution aided the bottom line and allowed the staff to keep its benefits without reducing overall headcount.

How to manage expenses can be particularly problematic for smaller credit unions. The old adage “You have to spend money to make money” also rings true with a slight spin: You have to spend money to save money. Sure, there are resources out there that allow financial institutions to be more efficient and save money, but those resources cost money to obtain and implement, which can be a hard sell to make to a Board of a credit union that is doing fine.

When Guthrie identifies an area of opportunity, it doesn't hold back. For example, to increase its cost savings, the credit union promotes its automated services such as eStatements, online banking, direct deposit, and ATM usage (it's got four locations and is planning a fifth). To engage its staff, the credit union recently started offering referral incentives to “sell” eStatements. With this strategy, the winners are threefold: the credit union reduces expenses, the employee receives an incentive, and the member accesses a service that offers faster information. It's a sales culture, but it's not intimidating.

“I ask them to start out slowly,” says Kathy McCutcheon, operations manager for Guthrie. If an employee isn't comfortable selling one product, McCutcheon asks them to try another. “We're really not tough on them,” she says. “It's not a requirement.”

More important than the sale, Guthrie wants its staff to educate the members about the products and how they stack up against the local competition. Like other credit unions, Guthrie wants to be its members' primary financial institution.

“It's an easy sell to members when it's a product or service that we ourselves believe in,” says Ken Seaver, vice president of lending and compliance.

Superior Service ... with a Smile

“We know a lot of our members by name,” says loan officer Kathy Kilhefner. “The members that do business with us are very loyal.”

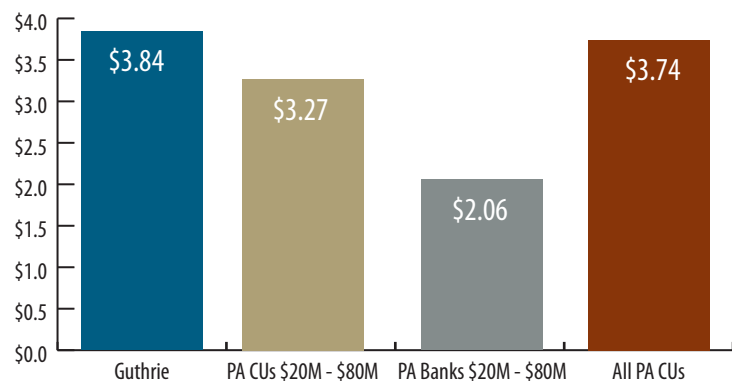
To help members achieve their financial goals and to support the credit union's bottom line, the staff stays vigilant and asks members questions to identify when the credit union offers a product a member might need.



BEST PRACTICE

If you have a coin counter in your lobby, don't waste valuable dollars sending rolled coin to the Fed. Break it down and add it to your own coin counter.

\$ of Revenue per \$ of Salary & Benefits | Data as of December 31, 2010



Source: Callahan & Associates' Peer-to-Peer



BEST PRACTICE

Cross-train employees so they can pick up the slack when someone is out. Members are less likely to notice a disruption when an educated, trained staff works as a team.



BEST PRACTICE

Find a product that suits the members in your market. Guthrie offers FHA loans because they require a lower down payment and are more forgiving of credit issues. It's a popular product among younger members. Existing homeowners, on the other hand, want to refinance at a lower rate and shorter term.

"Member education is a key factor when trying to balance sales and service," says Liz Saxon, a member account specialist at Guthrie. "If you listen to the member standing in front of you, it is likely they are telling you in an indirect way what they need. Recognizing these tips allows us to educate our members on products and services that will benefit their needs."

Red flags such as an overdrawn checking account might indicate a cash flow problem. That's when the credit union gets in front of members and tells them about different products and services.

"Our field of membership is comprised of members with different financial needs and goals. Whether it be saving for education, buying a house, or having a checking account to simply pay the bills "Saxon says." Our main priority is to recognize the needs of our members and to help them reach their goals."

The credit union acknowledges it does have members that have financial difficulties, and it works with them to resolve those issues. (Case in point: A current employee of the credit union inquired about a loan extension and ended up with a job at the credit union. In that situation, the credit union was certainly able to help a member through her financial hardships.)

"You have to wear many hats," says operations specialist Kate Bonning. "You have to know about a lot of things. We have outside resources we can call if there's a question ... but you learn as you go from every situation."

Wearing different hats also means staff can help members with a variety of issues. From origination to resolution, Guthrie's staff members follow through to make sure members are satisfied. No passing the buck here.

To that end, staff members receive training for duties outside the scope of their job descriptions and offer assistance on a variety of inquiries.

"Everybody gets an idea of everything that's going on," Bonning says. "If a general call comes in, you can address it or if a member comes in, you can talk to them without having to send them off to somebody else."

Open communication between the credit union and its members is key, so is open communication among all credit union staff. Guthrie has two branches, one in Sayre and one in Troy, PA, but that doesn't mean the credit union doesn't have to work at effective communica-

tions. Departments meet on a regular basis, and the credit union's interoffice messaging system, Spark, allows staff members to address general questions and troubleshoot issues. And of course, there's always the telephone. Staff can transfer phone calls from one branch to the other, which allows for seamless service.

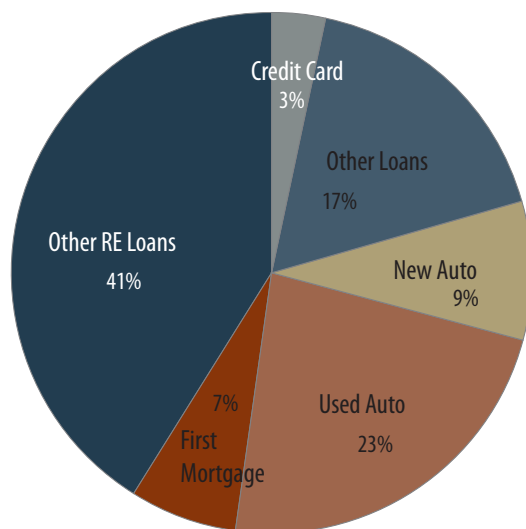
Products for the People

To offer a varied loan portfolio, the credit union works through a third party to service mortgages. Through that relationship, Guthrie offers online software that allows members to complete mortgage applications online. Although first mortgages comprise just 7% of Guthrie's lending portfolio, anecdotally, its staff sees an uptick from the automation capabilities.

"We have seen an increase in the number of mortgages we've closed this year," Kilhefner says. "Lower rates have helped with that. We have been seeing more refinance activity."

Of course, just because the credit union offers online services doesn't mean all members prefer to use them. Traditionally, younger members are more apt to adopt online services, but Guthrie is seeing a different kind of trend with mortgages. Young people are more likely to be first-time homebuyers and mortgage applications can be confusing, which presents a perfect opportunity for Guthrie to offer a little handholding.

Loan Portfolio Composition | Data as of December 31, 2010



Source: Callahan & Associates' Peer-to-Peer

“I’VE MADE INVESTMENTS IN MY STAFF. YOU’VE GOT TO HAVE EXPERIENCED, EDUCATED PEOPLE TO RUN A FINANCIAL INSTITUTION IN THIS DAY AND AGE.” Eric Chase, CEO

“I counsel them on different things they should or shouldn’t be doing during the mortgage process,” Kilhefner says. A lot of them come in and have no clue what’s required to get a mortgage.”

From down payment requirements to available mortgage programs, such as FHA or VA, Kilhefner walks them through it all.

Third-party partnerships allow the credit union to offer services it might not otherwise have the resources to offer.

“We’re a small credit union,” Kilhefner says. “We don’t have an underwriting staff. We don’t have a closing staff. That’s where outsourcing is convenient. We’re able to offer products to our members but we don’t have to have a large staff to support them and we still derive income from them.”

“Having relationships with different folks gives us the ability to offer more products and services and customize to what members’ needs might be,” Seaver agrees. “We’re not trying to fit everybody into the same product.”

Two years ago the credit union developed a 5/1 home equity line of credit that stays fixed for five years and then adjusts. The product was such a success, the credit union developed a similar product to promote in today’s market: A 1/1 at 1.99% that adjusts up to 2% after a year. The credit union has not tied the interest rate into the prime, so it can offer a year-long rate instead of a rate that adjusts every quarter. HELOC options like these strengthen the credit union’s “other real estate” portfolio, which comprises a large portion (41%) of the credit union’s overall loan portfolio.

So how does the credit union develop such products? It has the staff, and it knows its members. Its staff is composed of people with long-term financial experience who provide the credit union with insight on how to structure programs in new, innovative ways.

“I’ve made investments in my staff,” says Guthrie CEO Eric Chase. “As we’ve grown, I’ve been able to hire some folks with expertise. I’ve been able to cherry pick staff from some of the local big boys, which doesn’t make me that popular sometimes ... You’ve got to have experienced, educated people to run a financial institution in this day and age.”



BEST PRACTICE

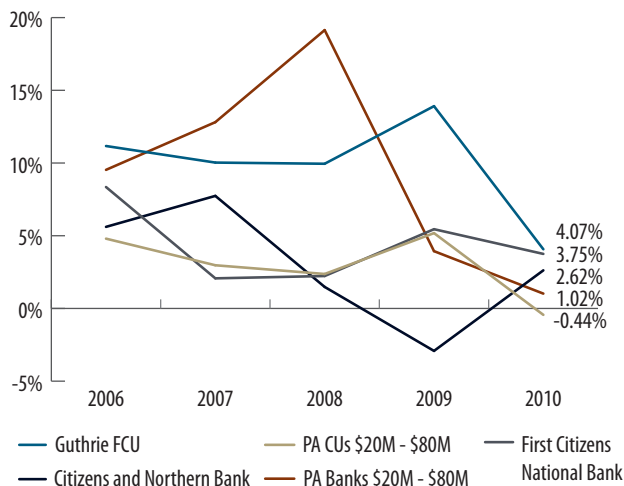
To ensure you are offering the right products at the right time, be flexible in your programs. Identify the services that will benefit your members. Start with a product, and then fine tune it. Small adjustments will pay off.

Partnerships for the People

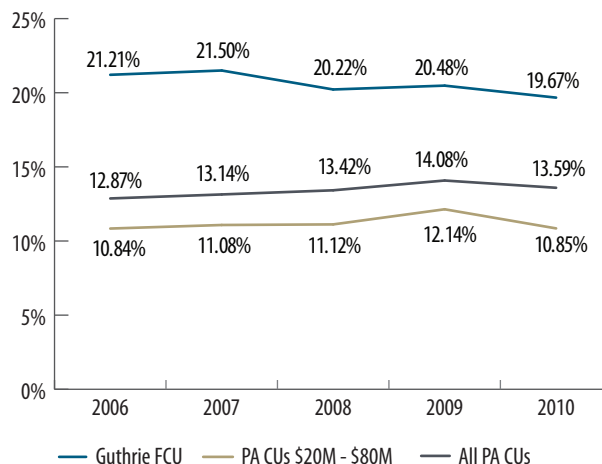
Guthrie Federal Credit Union employs slightly more than 20 people. That’s not a large staff, but through its many partnerships the credit union offers a variety of products to its more than 6,500 members. Want to exercise the power of your cooperative network? Follow these best practices:

- Shop around.
- Ask for testimonials from other credit unions.
- Attend trade conferences every year.
- Find a partner that fits your credit union’s personality.
- When you find the right partner, get your Board on board. “I’ve got a Board average age of 56. I’ve always preached to them, ‘We need to be proactive and can’t be reacting to the market. If we find the right partner, let’s do it,’” says Guthrie CEO Eric Chase.

Annual Loan Growth | Data as of December 31, 2010



Auto Loan Penetration | Data as of December 31, 2010



Source: Callahan & Associates' Peer-to-Peer

That staff has helped the credit union post impressive numbers. Despite a nationwide drop in outstanding credit union loan balances, Guthrie posted annual growth of 4.1%, besting not only its peer group average but also its local bank competition.

The credit union's staff knows its numbers and knows its members. It uses that knowledge to craft products that are beneficial to the institution as well as the membership. For example, the credit union conducted a market survey to determine the maximum rate people were paying for auto loans. When the credit union realized people with A+ credit were paying 15%, it started actively marketing to those members and potential members to refinance with the credit union.

Sticking to its staple lending is a strategy that is paying off. An impressive 19.7% of members hold an auto loan with the credit union, which is nearly double the rate of other Pennsylvania credit unions with assets between \$20 million and \$80 million and six percentage points above all Pennsylvania credit unions.

In addition to homes and cars, the credit union offers a Visa credit card, which is a profitable, popular product. The credit union is expanding opportunities in credit card lending. Although credit cards account for just 3% of its portfolio as of year-end 2010, balances grew 32% over 2009 levels.

"Our card portfolio has really grown over this past year," Seaver says. "I credit a lot of that to

our superior card product."

"We have an excellent Visa program here," agrees chief financial officer Maria Ciccierlli. "Credit cards average 12.5%. Our late fee is \$15 [compared to competitors cap late fee of \$25]. We are the best game in town."

Members pay only 8.99% for purchase and cash advances, there's no annual or cash advance fee, and they can take advantage of a grace period. Through a third-party partnership, the credit union also offers a rewards program with its Visa debit and credit card. More than five years ago, the credit union identified what it wanted in a card program and matched its desires with what vendors offered. In the end, FIS offered a program the credit union and its Board believed in and its members would benefit from. For every dollar members spend, they get points to redeem online for items such as gift cards and video games, and members can combine the points they've earned on the two cards. It's a profitable strategy that gives the members the services they want yet earns the returns the credit union needs.

"We're the only one around here doing that right now," Chase says. "Everybody is saying 'With the new interchange laws you're not going to be able to do that anymore.' The new interchange law isn't here yet, so we've been able to gain market share with that aggressive approach." ▲

By Rebecca Wessler

Small Credit Union. Big Message.

Guthrie Federal Credit Union invests in members and the community.

Pennsylvania-based Guthrie Federal Credit Union (\$50M, Sayre, PA) takes a family approach to its marketing strategy. Perhaps that's why its philosophy has a familial bent.

"We're not perfect," says CEO Eric Chase. "But we're going to do our best."

As with any credit union, Guthrie wants to be the primary financial institution for its 6,745 members, so it focuses on encouraging members to use an array of services and products.

Similar to how the staff cross-trains for face-to-face member service, many of the senior managers must pitch in to keep the marketing machine moving forward. Ken Seaver, vice president of lending and compliance, co-governs the marketing initiatives with Chase. CFO Maria Ciccirelli and operations manager Kathy McCutcheon round out the marketing team.

"Having diversity within our management team is key to helping us market different products and services and hitting on key points that draw attention," Seaver says.

The committee approach also helps alleviate the pressure from groups approaching individual credit union employees for a personal favor to sponsor an event or contribute other services. All requests go through the committee, which then reviews it within the scope of the credit union's marketing strategic vision.

"We're not just sponsoring the 4-H because we think it's a nice thing to do," Chase says. "There's a thought process behind everybody we deal with."

The marketing team meets for weekly management meetings in which they discuss topics such as trends, issues to address, unrealized opportunities, and areas of focus. The team clearly outlines its priorities so other departments don't get upset if their piece of the marketing pie shrinks one year; after all, it could expand the next.

"Granted, small shop, sometimes toes do inadvertently get stepped on," Seaver says. "But our relationship as a whole here is good."

Because it's a small shop that doesn't always have the bandwidth to execute involved marketing campaigns, the credit union partners with a third-party vendor for additional support. Membership Marketing Support Services visits the credit union once a month for an on-site consultation in which it proposes ideas and courses of action. The relationship is a good fit for the credit union, which lays out a budget and areas of focus to guide expectations. The credit union typically identifies one major product to promote every quarter; then the vendor pitches ideas for campaigns and collateral. From there, Guthrie's management considers what would work in different markets.

"We cherry pick," Chase says. "We say, 'Yep, we like this idea. No, we don't like this idea.'"

The credit union uses the vendor to complete the legwork it doesn't have time for and to publish its newsletter and annual report. The arrangement takes a considerable amount of work off the shoulders of management while giving the credit union the final call on product messaging, positioning, and prioritizing.

Positioning the Cooperative

In its messaging, the credit union focuses on its hometown roots and on the importance of local decision making. It's a local credit union, after all, and it makes investments in products, services, and marketing with local members' money. And as with any cooperative, the more people use it, the more the credit union can accomplish.

"It's your money," Chase says. "It's your credit union. Why not use it? I'm constantly trying to educate our membership so they understand how they can create value themselves."

The credit union isn't afraid to spend money to make money – even if that money takes decades to make. In 2010, the credit union spent an average of \$10.33 per member in marketing and promotional expenses, significantly more than similarly sized credit unions.



BEST PRACTICE

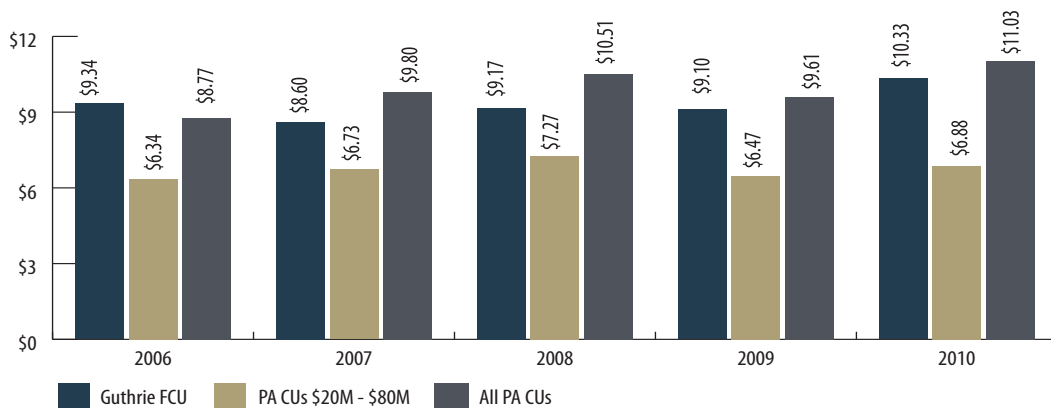
Your credit union can do more if more people use it, so educate your members about the power of the cooperative. If one person learns today, another will learn tomorrow.



BEST PRACTICE

Mix up your outreach. If your credit union is on a tight marketing budget, pick a few tried-and-true initiatives to rotate. Guthrie has three schools districts in its market and sponsors athletic events, activities, and teams for one school per year.

Marketing Expense per Member | Data as of December 31, 2010



Source: Callahan & Associates' Peer-to-Peer

It's a slow, steady fight, but it is one Chase and the staff at Guthrie support. Chase has pulled members into the credit union literally product by product. Building that relationship from a single CD to a checking account to an auto loan can take up to 10 years. That might seem like a long time to court a member, but that is what being the CEO of a small credit union is all about.

"We want to be the No. 1 financial institution in town," Chase says. "We want to be the financial institution that not only wants to take care of your money, we want to assist your community."

Guthrie in the Community

Guthrie's membership is based on employee groups – its primary SEG is Guthrie Healthcare System, which employs approximately 4,400 staff members and 350 doctors – but that doesn't mean its outreach begins and ends within the walls of select employers.

"We try to be community-orientated," Chase says. The credit union sponsors and participates in numerous events in and around the communities of Sayre and Troy, PA, where the credit union's second branch is located. In the spring, the credit union hosts a youth night in which it rents the local theater in Sayre and provides an evening of food and entertainment. It's a great way to establish ties in the community and make a name as a civic-minded organization. Anybody can attend youth nights, but the credit union subsidizes the cost for members.

Every summer the credit union makes its mark at the Troy fair by purchasing – at top dollar – an animal from a member who is a part of the local 4-H club. But there are no pig pens in the parking lot of Guthrie. Instead, the credit union

donates the animal.

"We get these things we can hang from our office window saying we were a 4-H buyer," Chase says. "We'll pay \$1,000 for a pig that you can buy on the market for \$400 and then we donate the meat to three or four families we know are having difficult times at the credit union."

The credit union also sponsors plenty of in-house community-oriented initiatives. It donates money on behalf of employees, who pay \$3 to wear jeans to work once a week. During the holidays, the credit union offers a skip-a-payment promotion for members and donates the money to a local organization that provides heating oil to community members in need. Also during the holidays, members can count on seeing their credit union represent the cooperative spirit Christmas parades.

Back to the Basics

The size of the credit union doesn't accurately reflect its capacity to make a big impact. Guthrie plays a major role as a community advocate in its region, always keeping in mind that it's the loyal members that come first. And sometimes the best way to get members into the door is through old-fashioned good business. For example, the credit union recently ran a one-year, 1.99% promotion on a 20-year home equity line of credit.

"Not everybody is geared toward that product," Seaver says. "But the excitement over it and seeing that low rate brought them in the door. It's given us the opportunity to get them in, sit them down, and see what it is that would benefit them best."

By Rebecca Wessler

All Aboard

Engaged Board members contribute to Guthrie's membership as well as its bottom line.

Throughout the past few years, credit unions have made their mark on American media. Much effort has gone into educating members and the general public about the benefits of credit union membership. Such benefits extend beyond services, rates, or returns. After all, the credit union system is more than a bank-lite option.

The mission of the credit union movement is to provide members and communities fair terms on financial products; even when (or especially when)

for-profit entities do not. The cooperative, member-owned structure has one purpose – to improve the financial well-being of members – and the credit union Board is an essential element in this process.

Pennsylvania-based Guthrie Federal Credit Union's nine-person Board is composed of a diverse mix of members whose backgrounds include nursing, human resources, business management, education, and politics. These members must work within the constraints of the current environment and steer the credit union in a way that benefits members. It's a relationship that is replicated across the country between credit unions and their volunteer Boards; it's a relationship that makes the credit union system different from any other financial system.

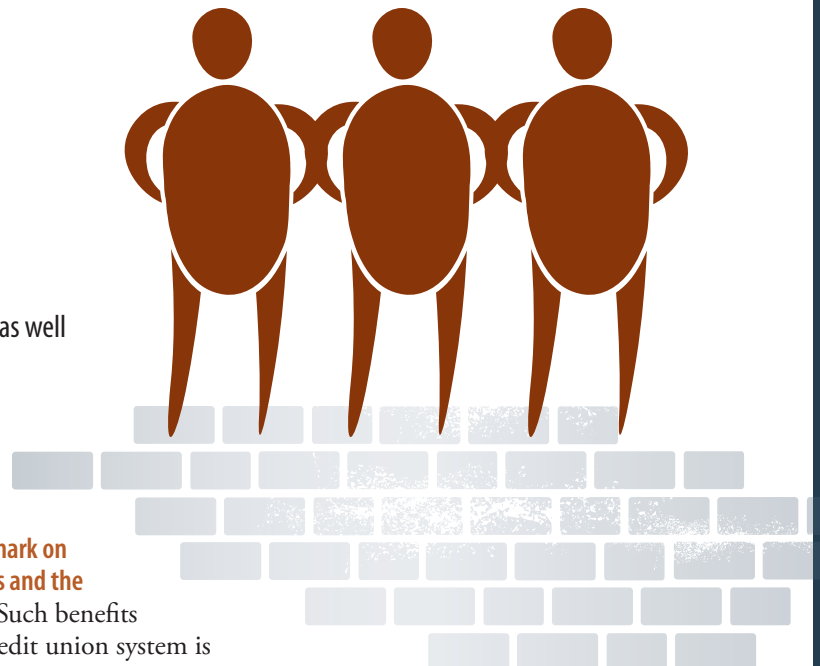
For small and mid-size credit unions such as Guthrie, which has an asset base of \$50 million, the relationship is especially important. With fewer employees taking on more responsibilities, these credit unions rely on the Board to be the eyes and ears of the membership. It's an import-

ant partnership, and at Guthrie, the partners listen closely to each other.

"We listen to the leadership of the credit union," says Bernie Smith, Guthrie's Board treasurer for nearly 10 years. "We've got a great staff here, and we sometimes look to them to educate us so we can look at policies and make better decisions. Eric [Guthrie's CEO] started bringing in new employees to Board meetings to introduce themselves, tell us a little bit about themselves. So you get that personal connection with them. That's what's great about this Board and the employees here."

It's not just the relationship between the Board and the credit union that is important, though; equally essential to the success of Guthrie is the relationship between the Board and the credit union's members. Because Board members are also credit union members, they are in the branches conducting their own financial business.

"Most of the Board is in the credit union once or twice a week," Smith says. "We're available to



"WE LISTEN TO THE LEADERSHIP OF THE CREDIT UNION. WE'VE GOT A GREAT STAFF HERE, AND WE SOMETIMES LOOK TO THEM TO EDUCATE US SO WE CAN LOOK AT POLICIES AND MAKE BETTER DECISIONS." Bernie Smith, Guthrie Board



Your Ideas, Your Agenda

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“ This was one of the **most effective professional development events** that I have ever attended. The roundtable was supremely organized so that the entire meeting was **participant-centric**. The setting and format optimized focus and discussion on the most relevant issues important to our industry and discipline. The **sharing and collaboration was incredible** – you walked away with a greater gauge of what is moving and shaping Credit Unions around the country and – most importantly – **established meaningful network connections** of diverse expertise that you can draw upon. ”

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

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people if they need to ask us questions.”

The Board is actively engaged in its supervisory role; it fields questions from members about interest rates, different policies, and upcoming promotions. Because the Board is well-informed, it can easily answer such inquiries and gain the confidence of members.

New Landscape; New Regulations

“There have been a lot of changes because of the banking crisis, and they’ve [NCUA] come out with a lot more regulations,” Smith says. “Eric, Guthrie’s CEO and his staff do a great job of keeping us informed on what’s going on in the credit union industry and how Guthrie Federal Credit Union is trying to address those issues.”

New expectations of the Board – such as the financial literacy requirement – pose challenges in 2011. Like many other Boards, most of Guthrie’s Board members have full-time jobs, and fulfilling education mandates are an additional commitment of personal time.

Smith says one of the most difficult pieces in building a strong Board lies in ensuring it represents a cross-section of the membership and ensuring its volunteers have the time to meet their obligations.

Fortunately for Guthrie, it does have a good cross-section of Board members. Smith, for example, is a vice president of finance for the Guthrie Healthcare System, the credit union’s primary select employee group. Because of Smith’s background, he has an easier time understanding the balance sheet and financial lingo. His background also makes him an excellent resource for the other Board members, who occasionally look to him for answers.

According to Smith, the financial literacy rule poses not only a challenge but also an opportunity for the credit union to implement a solid training program and build a knowledgeable Board.

“I think the new training program is going to be very helpful to the Board members,” Smith says.

Guthrie is exploring different ways to structure and implement its financial training program. In its research, Guthrie is looking at existing models it could build upon or alter to fit its needs. For example, some training products offer take-home or On Demand tutorials and learning materials that Board members can study at their own leisure. The credit union is taking an active role in ensuring its Board meets, and is comfortable

with, its regulatory obligation.

“We’ve been talking about it [education] for the past 12 months,” says Guthrie CEO Eric Chase. “Every Board meeting I’ve been doing a little training on the balance sheet income statement in more detail.”

Straight from the (Board) Member’s Mouth

Credit unions are all about the power of the cooperative. This is evident in the Board, which is entirely composed of people that are equal parts member, owner, stakeholder, and volunteer. For Guthrie, one practice that has served it well over the years is dissemination of information. Keeping a busy Board well-informed – about not only the credit union but also the broader industry – is a difficult task, but it is one every credit union must undertake if it wants an active, engaged Board.

“Most of the time when we come into the Board meeting, Eric’s put something in the Board packet that we’ve already read so we understand what’s going on when we walk in,” Smith says. “It helps reduce the time spent at Board meetings and committee meetings.”

Spending 10 or 12 hours a week in a volunteer position could dissuade possible volunteers, but a well-run organization and meeting shows them the credit union cares about their time and commitment. And armed with the correct information ahead of time, volunteers feel more confident about the decisions they make and feel better about the experience.

Still, how do credit unions get volunteers through the door? That, also, can be a difficult task.

“That’s the biggest challenge, finding good Board members,” Smith admits. “You have to try to find people you think not only would be interested but also would mix with the group.”

Like other aspects of credit unions, relying on the power of the cooperative can help build a solid Board. Guthrie’s existing volunteers are always on the lookout for new people that would bring a fresh perspective. They rely on the opinion of others to identify good candidates. They also actively reach out to ask members to make a difference and volunteer. For example, Smith started volunteering at Guthrie because a co-worker referred him. He didn’t join the Board right away; instead, he eased into the position.

“The more I got into it, the more I enjoyed it,” Smith says. “First, I was just more of a volunteer. I ran for the Board because I enjoyed it.”



BEST PRACTICE

Look at your Board members’ backgrounds, identify their strengths, and ask them to share their talents or knowledge with the Board.



BEST PRACTICE

When preparing packets for Board meetings, include information about what is happening in the industry as well as an agenda, minutes, and guest speaker bios. Ask Board members to come prepared with questions about the “Industry Lesson.”

With Gratitude

Thank you to the employees and members of Guthrie Federal Credit Union for opening your doors and welcoming our cameras, recorders, and incessant questions. You showed us what it means to think creatively, think innovatively, and – most of all – think BIG. Thank you, especially, to the people below, who kindly shared their experience and insight.

Kate Bonning | Operations Specialist

With Guthrie: 3 years

We've grown a ton since I've been here. More members. More services. A lot of the services we offer are competitive with the bigger banks in the area. Members aren't losing out by changing from a bank; they're gaining personal service.

Eric Chase | CEO

With Guthrie: 12 years

I don't know if we're going to be a billion dollar credit union some day. That's really not our goal. But we do want to be a player here in the market, so our philosophy has always been that we're going to act like we're THE player in town.

Maria Ciccirelli | Chief Financial Officer

With Guthrie: 3 years

Right now we're trying to upgrade our ATMs, add more services. The ATMs are going out of sight, and we have to look at our strategic plan. Do we buy? Do we lease? You know, a lot of work goes into the budget.

Kathy Kilhefner | Mortgage Loan Officer

With Guthrie: Less than one year

We have first-time homebuyers, and we have new doctors coming in and buying homes. The people in the mid-priced homes generally are staying there. They've lived there for quite some time and they've made improvements, so sometimes inventory is an issue here.

Kathy McCutcheon | Operations Manager

With Guthrie: 3 years

We are a small town. Everybody knows everybody. The tellers will have the account number of a member pulled up before the member even walks in the building because they can see the member pull up in the driveway.

Liz Saxon | Member Account Specialist

With Guthrie: 3 years

With being a small yet active credit union, all of our staff must perform multiple duties and be knowledgeable in all the products and services we offer. Education and teamwork allow us to serve our members to the best of our ability. Employment opportunities here are endless if you take advantage of learning from others and the education offered.

Ken Seaver | Vice President of Lending and Compliance

With Guthrie: 1 year

Even though we are a small shop, we have big intentions. We're hearing the scuttlebutt that the smaller mom and pop shops, in order to stay relevant or stay competitive, might need to merge with other places. We're trying to blaze our own trail.

Bernie Smith | Board Treasurer

On the Board: 11 years

It [volunteering] is different from what I've ever done with a financial institution. I feel like I'm helping not only the members of the credit union but also the employees, and from time to time I can help the Board understand things and grow.