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**“We Don’t Believe In CDs” – Horizon FCU’s Journey to Deposit Growth**

*$147.1 million credit union finds ideal members and source of sticky, low-cost deposits*

A person in a suit and tie

Description automatically generated with medium confidenceHorizon Federal Credit Union is on a mission to eradicate all but its 12-month CDs by September, and even eliminate those in 2024. CEO Justin Howard explains that the credit union is more interested in growing core deposits.

The $147.1 million credit union instead is offering its 14,402 members checking accounts at 3.5% based on their relationship with the credit union, such as taking a debit card, accepting e-statements and having paychecks direct deposited into the account. That rate is good up to $25,000, at which point the interest paid on funds over that amount drops to 0.25%. Or a member qualifying with an active checking relationship could go for a money market account, which has no minimum balance at Horizon, at 1.25% or more the higher a member’s balance grows.

In seeking to identify its ideal member, Horizon discovered that young people are not interested in CDs. They can’t grasp why they wouldn’t be able to access their own money, Howard says. Dialing in on the credit union’s ideal members helped to make the decision. They came down to three market segments of essentially mid-American families:

1. 35-45 years old, working, outdoorsy, involved parents with conservative lifestyle, $150,000 homes and cars of less than $30,000
2. Adults under the age of 55, working families with a comfortable lifestyle and a bit more expensive homes and cars, love their local sports, outdoor hobbies and country music
3. Young adults who are transitioning in life to become independent

Honing the credit union’s niche has helped Horizon gain clarity around who they’re serving to be able to do it more efficiently. Howard says he loves the idea of these stickier deposits – despite the “energized and lively debates” he’s had with his peers – and Horizon’s cost of funds is only about 0.25%. Additionally, the increase in card swipes improves the credit union’s noninterest income, while simultaneously making the credit union less balance-sheet sensitive.

“Nothing drives me more nuts than a person who has a single relationship with us (a CD) and demands special treatment,” Howard says. “We want to be a member’s primary financial institution, or we’re not the financial institution for you.”

**A person with a beard

Description automatically generated**“I love that Horizon FCU and Justin are setting fear aside and taking a chance to innovate and better serve the credit union’s targeted members,” Your Marketing Co. President/CEO Bo McDonald says. “Turning away from what’s always been done, Horizon is growing deposits at a much lower cost than the flashy, high-rate CDs we typically see from credit unions when liquidity is tight. Testing new strategies and tactics is essential for long-term growth and avoiding unnecessary mergers among credit unions. When the strategy is good and you work the strategy, we can save more credit unions to continue serving more members along their financial journey.”

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