

So, You Have a Community Charter... Now What?



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Introduction

In today's course, we will be talking about community charters for credit unions. While a community charter offers credit unions tremendous opportunities for growth, it also comes with some awesome challenges that you need to be ready for. This course will give you an overview of some of the things you will need to keep in mind as you consider conversion to this type of charter, or, for those of you who have already made the switch, those things that can help you make the most out of your decision.

Objectives

The objectives of today's course are:

- To determine what to expect when becoming a community credit union;
- To examine the changing landscape of the financial services industry and how that will affect your operation;
- To evaluate the challenges associated with this type of charter and change; and
- To consider the performance and potential benefits of the community credit union charter.

Becoming a Community Credit Union...What to Expect

There are two principal reasons why credit unions seek a community charter:

1. **Growth Opportunities** – Some credit unions are looking for ways to grow membership, increase lending opportunities and provide new services and support for the underserved.
2. **Defensive Strategy** – Community and regional bank competition is a serious threat to the credit union's well-being and a community charter offers the opportunity to remain viable, cultivate new memberships and new business in the face of this competition.

Present Status of Community Charters

- Approximately 2,000 community-chartered credit unions in the U.S.
- 600 credit unions with more than \$100,000,000 in assets
- 1400 credit unions with less than \$100,000,000 in assets
- Since 2003, 16% growth in community charters
- Community charters represent about 35% of all credit union members.

Challenges and Opportunities

Before considering the change to a community charter, there are a number of questions any credit union should ask before making the move. For example:

- Does your credit union see an opportunity to add new members?



- Is the purpose to attract additional loan activity or to add deposits?
 - Is the change a defensive maneuver to offset the aggressive expansion of local or regional banks, or even local or regional credit unions?
- Having sound reasons for seeking a community charter will help your credit union create a reliable map to follow down this new road.

Plenty of Competition

A community credit union will have plenty of competitors including state and regional banks. They already have good name recognition, a good reputation and solid services. They have a community-wide customer base. But like many big financial institutions, they may be headquartered in another city. Also, they tend to get bought and sold, employees get laid off and their failures become bad publicity.

On the other hand, your credit union has its roots in the city. It has a good track record with its members and sponsors. It will never be sold, nor take orders from some distant metropolis. Promoting the local connection can help build your good reputation and attract new business.

Building Awareness

Prior to getting a community charter, your credit union has only offered its services to its own field of members. People from the community may not know much about you. Your first job will be to communicate the fact that you are open for community business. You'll also have to tell them how you're different and why you're better.

Consider this:

- Building community awareness will be expensive. The price is often two or three times more than anticipated, but it's a necessary expense that will pay off for the credit union.
 - A successful marketing effort may require the services of outside professionals to identifying your target-market and to help create a promotional campaign, new brochures, website and signage.
- Simply hanging a poster in the sponsor's employee lounge won't work anymore.

New Member Challenge

As you move to serve the community, expect to deal with a cultural change that will come with your new market. You'll be serving the people from your city, not just people from your field of membership. Credit unions that have undergone the transformation have reported three typical experiences.

1. Some longtime members may not like being displaced as the centerpiece of your credit union's activities.
2. Your staff may not be comfortable with new community members who don't know and act like your old field of membership. The new members may dress differently, come from a variety of socio-economic and ethnic groups. Some may not speak English.
3. The board and management may have to create new policies and standards to govern the new members now using your services.